

May 15, 2017

Premier Wynne
Legislative Building
Queen's Park
Toronto, ON M7A 1A1



Premier Wynne,

I am writing to you with regard to media reports over the weekend of impending changes to the *Labour Relations Act* (LRA) and the *Employment Standards Act* (ESA), including the potential increase in minimum wage to \$15 an hour.

On behalf of Ontario's employer community, the Ontario Chamber of Commerce objects in the strongest terms to many of the reforms that are potentially being considered. These sweeping changes will tip our economic balance in a profoundly negative way. We are concerned that these rumoured policy changes would make it more difficult for Ontario businesses to grow and create good jobs. The changes would further restrict the flexibility of part-time and contract employees, diminish transparency and informed employee choice in the union certification process, and institute "paperwork provisions" that will add new layers of red tape to the existing regulatory framework. We remind you that good jobs are the direct result of a strong and growing economy. According to an 85-country analysis, heavier regulation of labor is associated with lower labor force participation and higher unemployment, especially of the young.¹

Government cannot legislate prosperity. Rather, the implementation of some of the policy options being considered would have the perverse effect of discouraging investment and eliminating jobs, thereby diminishing economic opportunities in Ontario. Politics cannot drive decision-making, evidence must.

Over the last two years, Ontario's employer community has been a contributing partner to your government's Changing Workplaces Review. While the labour community has used the Review as an opportunity to advocate for fundamental changes in labour relations, we have moved beyond the position of "status quo" and acknowledged that meaningful reforms that respond to a changing workplace can be adopted if done so responsibly. However, there is the potential for many of these proposed changes to do more to help organized labour than to help the workers themselves.

Despite this two year review, we have no reason to believe that the work that was done by your Special Advisors have been subjected to a structured and publicly reported economic impact analysis. Such broad reforms must be evidence-based. Workplace law reform conducted in absence of an economic risk assessment will discourage investment and compromise the competitiveness of businesses in the province which are already struggling to maintain profitability amidst rising input costs. There is a sense amongst the employer community that politicians are either unaware or significantly underestimating the cumulative financial burden of recent policies that have increased the cost of doing business in the province.

Employers stress that the resulting cost escalation would act as a direct constraint on their ability to invest in the human and physical capital required to ensure the future prosperity of the province.

We urge you to consider the economic consequences of these policy options. Long-term economic projections for Ontario are for modest growth, as global pressures continue to strain our status as an investment destination of choice, high electricity prices will continue for the foreseeable future, and the pending economic implications associated with the introduction of a new cap and trade system are

already being felt. Combined, these add up to an increased cost-of-doing business in Ontario. Small businesses, in particular, are expressing concern about economic viability.

The Economic Context

In Budget 2017, your government acknowledged that business investment spending slowed in 2016, though expects firms to increase investment by 3.1 percent, annually, to 2020 – an amount that would outpace growth in real GDP growth and household spending. We are skeptical of these assumptions as they depend upon business confidence – which has fallen precipitously in recent years according to the Ontario Economic Report – and U.S. demand, which is subject to considerable risk given recent comments by American President Donald Trump.

These reforms would only aggravate the situation. The Ministry of Finance’s forecast of average annual GDP growth in Ontario is only 2.1 percent between 2014 and 2035. This rate of growth is significantly less than the 2.6 percent average from 1982 to 2013. In the same report, the Ministry notes that Ontario’s cost competitiveness has already declined due to considerable growth in unit labour costs. The cost of producing a unit of output in Ontario has increased by 69 percent in the last 13 years. The Ministry estimates that comparable costs in the United States have grown by 28 percent.² Regrettably, this pressure appears to be contributing to a pronounced slowdown in employment growth. In the 1980s, Ontario added 24.7 percent more jobs. In the 1990s, it created 11.9 percent more jobs. But from 2005 to 2015, employment in Ontario rose just 8.5 percent. Although the recent recession has been a contributing factor to our economic challenges, all three of the periods referenced were hit with recession. In fact, the loss of jobs in 2008-2009 was markedly less than in the 1990-1992 recession.³

The Challenge

We need to be honest about the size of the problem that these reforms would be seeking to address, as issues of non-standard work in the economy are often misunderstood and overstated. For example, recent studies show that 76 percent of part-time workers in Canada voluntarily choose part-time work due to factors such as schooling or a need for flexibility in their personal life.

With respect to claims that there has been an unprecedented spike in the number of people holding multiple part-time jobs, the evidence is non-supportive. According to Statistics Canada labour market data, the number of Ontarians working multiple jobs has risen only 22 percent since 2003. This number is down from the 36 percent increase in the previous 12-year period.⁴ Perhaps surprisingly to some, the share of part-time employment in all jobs actually shrank in 2015 as compared to 25 years ago. This slight drop in part-time work is all the more remarkable because of the growing number of older workers who prefer part-time work. Job tenure in Ontario is another feature of the labour market that undermines claims of precariousness, with tenure increasing steadily over time. By 2015, the average employee in Ontario had worked for the same employer for a record, nearly 9 years. This data indicates that at no time in Ontario’s history have employees in this province enjoyed such stable employment.

While there are workplaces in Ontario that are not meeting basic employment standards, these non-compliant employers are the minority. We are concerned that your government will tackle tailored policy problems with blunt policy instruments. Temporary agency workers, part-time employees, contractors and other contingent and non-standard workers are positive and legitimate parts of the workforce that enable the kind of flexibility that all workers and employers need to balance their economic and family objectives.

Our Ask

Our ask is simple: spend the coming months appropriately subjecting the proposed reforms in the final report of the Changing Workplaces Review to an economic impact analysis. This analysis should have clear acceptability thresholds, and the reforms implemented should be limited to those that pass such thresholds or are being implemented with a commensurate economic offset measure. We support reform where and when it is needed, but caution against change for change’s sake.

Ontario's employer community is doing its part. As you point out in Budget 2017, 98 percent of all new jobs since the recession in Ontario have been full time, and 78 percent in above-average wage industries. This positive economic activity by Ontario's private sector demonstrates a clear commitment to good jobs throughout our province and challenges many recent comments about so-called "precarious" work.

Ultimately, we believe that many of the workplace challenges that you are seeking to address can be solved by improving employer and employee awareness of workplace rights and subsequently redressing violations of those rights. Those businesses that are not complying with Ontario's labour laws should face serious consequences. We see education and enforcement measures as an important area of common ground for government, employees, and employers.

The goals of economic growth and improved employee rights are not mutually exclusive. What supports the competitiveness of Ontario's economy will help enhance quality of work. At the same time, regulatory reform that raises thresholds only to reduce the ability of business to invest in and grow the labour force is counterproductive.

In the coming weeks and months, we will be a productive partner with government, but we will continue to vigorously defend against public policies that we believe to be harmful to economic growth and job creation in Ontario.

Sincerely,



Richard Koroscil
Interim President & CEO, Ontario Chamber of Commerce

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The Ontario Cabinet

Steve Orsini
Secretary of Cabinet

Patrick Brown
Leader, Ontario PC Party

Andrew Horwath
Leader, Ontario NDP

1 Botero, J. C., Djankov, S., Porta, R. L., Lopez-de-Silanes, F., & Shleifer, A. 2004. *The Regulation of Labor*. The Quarterly Journal of Economics, 119(4), 1339-1382.

2 Ontario Ministry of Finance. 2014. *Ontario's Long-Term Report on the Economy*. <http://www.fin.gov.on.ca/en/economy/ltr/2014/ltr2014.pdf>.

3 Employment in Ontario fell 2.7 percent in 2009, compared with 5.0 percent in the recession starting in 1990 and 2.2 percent in 1982. Statistics Canada Cansim table 282-0002.

4 Statistics Canada. Table 282-0036 - Labour force survey estimates (LFS), multiple jobholders by usual hours worked at main and all jobs, annual (persons), CANSIM (database). <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=2820036&&pattern=&stByVal=1&p1=1&p2=38&tabMode=dataTable&cs id=>