

# **35 Accords**

*Re-Imagining British Columbia's Public  
Sector Labour Relations*

By

**Tony Penikett and John Calvert**

# **35 Accords: Re-Imagining British Columbia's Public Sector Labour Relations**

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## Preface – A Problem

When British Columbia (BC) Premier Glen Clark won re-election on April 30 1996, he had big problems - and one that was perhaps larger than all the rest. The collective agreements with 240,000 public employees were about to expire and his New Democrats – by tradition and inclination – a *labour* party – was staring at an imminent economic crisis. There was no hidden bounty to delight his backers in organized labour, no cash for generous social welfare initiatives to reward campaigners for their effort on the hustings. Clark got through the next two years by persuading his reluctant labour supporters to accept wage increases of 0% in the first year and delayed 1% increase in the second year. But as bargaining began for the 1998 round, his fiscal challenges were worse than ever.

The contracts of almost all 240,000 public employees were about to expire on the same day. After two years of restraint, unions might have expected significant wage settlements. But Clark saw that he was boxed-in financially: the government could not afford wage hikes without dramatically increasing the deficit and exposing his government to the charge that he had sacrificed the province's public finances to appease his labour supporters. So how could he deal with his fiscal situation and still maintain the support of wage-earning voters? Conservative and Liberal governments across Canada had dealt with similar situations by forcing workers to accept massive lay-offs, pay freezes or cuts, asset sales, privatisation, and other regressive policies. As a member of the BC Legislature for a low-income constituency, Clark had little appetite for such measures.

Instead, he searched for something new and completely different: something that might reconcile the conflicting pressures of fiscal

propriety and left-liberal expectations. He landed on the idea of offering labour a trade-off in which his government would work with BC's unions to identify policy changes that would benefit both the province and working people. These would need to be sufficiently worthwhile to maintain labour's support, while avoiding further drains on the public purse. In short, the solution would be through innovative policy tools, not dollars and cents!

Late in the summer of 1997, Glen Clark approached former Yukon Premier Tony Penikett about leading social contract negotiations between the province's public sector employers and the unions respecting the almost quarter of a million workers represented by more than a dozen different unions. The province had two problems: the labour contracts for all these employees were expiring at the same time and the government simply could not afford large wage increases.

## **The Accord Story**

The story that unfolds in this book – and Clark's solution – may read like a template for transforming public sector labour relations across Canada and abroad in that it offers an innovative, open-ended approach to employee/employer engagement that might leave public-sector unionists somewhat happier and provinces better managed. Yet the events that Tony Penikett and John Calvert outline have remained under the radar for almost a quarter century, cloaked in a damp shroud of political disappointment and partisan obstructionism following the New Democrats' electoral disaster in the spring of 2001. It is timely – in the current polarised political environment, perhaps even urgent – that the details now come to light. There is much to be learned from Clark's initiative that can have a wider application across the country. Many of the issues discussed in this book still face governments today.

The main part of this tale takes place between January 1998 and May 2001. In that condensed and controversial period, representatives for the New Democrat government of British Columbia brokered 35 accords on a wide range of policy issues with all the major unions and most employers in BC's public sector. While some dealt with individual issues, most included several policies within a single accord. So the number of policies covered in the overall initiative was considerably larger than the 35 signed accords indicate.

These were not contract negotiations, forced by the end of one agreement and the pressure of getting it renewed as a matter of urgency. They were not side deals, letters of understanding, or the stuff of remedial orders, although some accords ultimately resolved issues that subsequently ended up before the courts. Rather, this was a case of a government voluntarily opening up a series of discussions about the complicated and cross-sectoral issues that politicians and employers generally avoid, not wanting to raise expectations or otherwise make their lives more difficult.

But BC's then-Premier Glen Clark professed a strong, three-part rationale for prying open the metaphorical can of worms – part pragmatic, part altruistic, all principled.

On the pragmatic front end, the contracts of 240,000 public sector union members were coming due and his government, which had allowed wage increases of just 0% and 1% in the previous two years, still felt it had nothing to give. It planned to offer unions a three-year collective agreement including wage increases of 0% – 0% – 2%. This was bound to be a hard sell for any government, but a potential disaster for a New Democrat administration that campaigned as a friend of labour. So, Clark's first objective was simply to find a way to get his union allies to accept these much-less-than-inflation agreements.

A second goal, more obviously altruistic and principled, was to identify and implement public policy changes that the government viewed to be in the public interest. For example, the party had campaigned on promises to improve pay equity and to lift the fortunes of the lowest-paid government sector workers. Which, again, was complicated; if you're offering 0% to most workers, it is harder to explain including additional money for (in this instance, at least), a relatively less well-paid subset of workers.

A third objective was to maintain the support of the BC labour movement. The New Democrat government had squeaked into power in 1996 because of a fortunate distribution of votes. Although the Opposition Liberals had won more votes, the New Democrats wound up with a slim majority of the seats. The following two years were also drunk with controversy, so Clark and his caucus were properly concerned about keeping faith with their base.

So, Clark's idea – built partly on the experience of other social democratic governments in Canada and internationally – was to negotiate what they had called "social contracts;" essentially agreements to negotiate progressive policy reforms beyond the scope of unions' usual contracts that would still deliver concrete non-monetary benefits to union members and the broader public. In recognition of those benefits, Clark hoped that union members would be more likely to suffer the very limited wage increases on offer.

An obvious problem, as Penikett and Calvert report, is that other social democratic governments had tried variations of this strategy and most had failed. The United Kingdom's Labour Cabinets in the 1970s, and Australia's a decade later, saw their pacts with trade unions collapse even before the end of their terms in office. In Ontario, rather than inviting labour to collaborate on policy innovations – thereby trading wage restraint for progressive social benefits and long-term



support – the New Democrat government of former Premier Bob Rae damaged the labour/government relationship by initially insisting that unions accept not just a wage freeze but a 5% rollback. This was to be in exchange for a set of policy changes that the government alone would define. The resulting schism doomed the Rae government's austerity measures and ruined his government's electoral prospects.

While resolute, Clark also took care to design a very different approach to negotiations between the government and its unionised staff. Rather than assembling large union and government teams to meet in a single negotiation to reach a province-wide deal under the glare of media scrutiny, he appointed Tony Penikett as his Chief Public Sector Accord Negotiator and Associate Deputy Minister, with a mandate to negotiate different, sector-specific accords, roughly aligned with the various bargaining groups whose collective agreements were also up for negotiation. He also left the subject matter of the accord negotiations open-ended, inviting unions to bring their ideas, aspirations, or innovations forward for discussion. He recognised that the unions would be wary if the government arbitrarily presented its policy priorities as the basis for negotiations. Rather, the government left it to the unions (sometimes in cooperation with their employers) to identify the policy issues they felt were important. It would be their priorities that shaped the accord bargaining process.

Mindful of their fiscal circumstances, a principal government condition was that policy changes would be cost neutral. The initiative would never work if it turned into a parallel round of bargaining where unions topped up what they gained at the bargaining table with additional accord monetary benefits. Clark also did not want his New Democrat government to be castigated by the Opposition

Liberals and the media for doing lavish side deals with its labour allies (Palmer 1993; Palmer 1994).

Penikett, a former union activist who had gone on to be Legislator and Premier in the Yukon from 1978 to 1992 and a senior official in the Saskatchewan and BC governments, brought a thorough understanding of both negotiations and political risk. Within government, expectations about the impact of the accord negotiations were modest. At a time when the media clearly sensed weakness in BC's New Democrat administration and was eager to seek out and highlight damaging examples, Penikett rejected the opportunity to assemble a big, high-profile, and (inevitably) leaky team, recruiting only John Calvert from the Crown Corporations Secretariat (CCS) and a single administrative support person, Gwen Steigler. Penikett then consulted widely within government, with labour leaders and among Crown corporation employers, reporting regularly to the provincial Cabinet. Next, Penikett and Calvert then set about pursuing a concurrent, but parallel, set of accord negotiations with those already underway by the Public Sector Employers Council (PSEC) and the Public Service Employee Relations Commission (PSERC) in traditional collective bargaining.

What followed were a sector-by-sector set of talks that were low-profile without being secretive. Absent a big, high-pressure bargaining table with two sides shouting over a simple – and easily reported – issue like wage increases (or freezes), the media just did not take an interest. As Penikett and Calvert point out, it is hard to write a snappy headline about pension reforms, a health and safety agency for health care workers, or extra training for nurses or BC Ferry workers. There being nothing sensational, reporters tended to write nothing at all.

Later in the process, the accords' potential promoters in government also went quiet, in part because the chief advocate became suddenly *persona non grata*. The Royal Canadian Mounted Police (RCMP) raided Clark's home on March 2, 1999, investigating an allegation that he had been involved in a breach of trust over the award of a gaming license. Clark (who was ultimately exonerated) was forced to resign that August and for a time his name became politically toxic. No one wanted to be associated with a program so obviously of his creation.

But negotiations continued, often with surprising success. It was surprising because the whole process was reliant upon trust. In most cases, the public-sector unions were negotiating accords and contracts at the same time, often accepting limited gains in their contract negotiations without guarantees that a government significantly weakened by continuous attacks by its Liberal opposition – attacks cheered on by hostile reporters – would be able to implement the often-complicated policy changes agreed to in the accords. In some cases, they had to wait until only a few months, or weeks, until the eve of the 2001 election for the government to fulfil its promises.

Given the New Democrat administration's sinking popularity, the unions also had to trust that a successor government would honour the deals negotiated in the NDP's dying days – a hope that was frankly unrealistic. Shortly after its election, the BC Liberal government announced it would not be bound by many of the commitments in the accords. It went so far as to pass legislation (Bill 29) in which it stated explicitly that: "A party to an accord is not required to carry out a term of the accord." This meant that the new government was unwilling to honour the commitments of its predecessor.

Yet, an equally surprising number of accords survive to this day. For example, one of the most significant – and at times controversial – accords implemented joint trusteeship (co-management) of the

province's major public pension plans, giving union members an unprecedented measure of control of the savings and investments that underpin their members' retirement benefits. There was significant pushback on this issue, especially among the Crown corporations, from employer-side managers who challenged whether labour representatives would be sophisticated enough to handle the investment money prudently. By the time the Liberals took over, however, the new agreements on pension trusteeship were already in effect, and unravelling trust law was something it decided not to do. In 1998, when accord negotiations began, there were approximately \$30 billion of pension assets in the four provincial plans, as well as that of the Workers' Compensation Board and several Crown Corporations. By the end of 2024, the BC Investment Management Corporation (BCI), which they use to manage their funds, now has over \$250 billion in assets – capital now available for investment in job-creation projects around the province<sup>1</sup>

In assessing whether the entire program was a success, it is worth going back to the original three goals: to allow the government to achieve public-sector wage increases consistent with its fiscal objectives; to institute a wide range of policy changes for the public good; and to maintain a good relationship with labour. While the process was not without strains, these goals were largely achieved. Settlements were within its money mandate, enabling the government to implement its goal of funding pay equity and raising the pay of the lowest paid workers (low wage redress). So, yes to goal one.

Success on the second goal, however, seems unequivocal. Penikett and Calvert conclude that: "The accords showed that relations between governments and their unions need not be exclusively through the collective bargaining system and that unions can

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<sup>1</sup> BCI website <https://www.bci.ca/who-we-are/>

contribute to policy making in a constructive and innovative way if appropriate fora exist for them to do this.” The 35 accords covered a wide range of policy areas and sectors. In addition to pension trusteeship, they included a new occupational health and safety agency for health care workers, training programs for nurses and BC Ferry workers, benefits trusts in education and community social services, early retirement packages, anti-violence initiatives in health and social services, and several ministerial consultative committees to improve consultation between senior managers and unions representing their workers among the 35 accords.

As Professor Mark Thompson, one of Canada’s leading industrial relations scholars has noted:

“This approach was new to Canadian public-sector industrial relations but attracted little attention from the public or interest groups. Limits on public sector compensation imposed by ministers of finance have been common in Canadian federal and provincial governments since 1982-3. The offer to discuss public policy issues was an innovation in Canada and recalled corporatist negotiations between labour and government in the 1970s and 1980s in other countries. While there have been discussions between government and labour (or other interest groups) in the past in Canada, there appears to be little precedent for such an arrangement at any level of government. Labour governments in Europe and Australia have made ‘accords’ or ‘social contracts’ with national labour organisations, covering terms and conditions of employment as social policy. None of these was restricted to the public sector, however.” (Thompson, 2001)

Turning to the third goal, organised labour maintained its support for the New Democrats, something that social contracts in other

jurisdictions were unable to do. It still saw that party as its best avenue for achieving future progressive social and economic changes. Relations with the leadership of BC's trade union movement remained reasonably solid at the end of the government's mandate in 2001. However, while union leaders continued to support the NDP, they were unable to get many of their members to vote for the party during the 2001 election. The New Democrat's complement of Members of the Legislative Assembly (MLAs) fell to a rump of only two seats – too few by BC Legislature rules even to qualify for administrative funding as a political party. It was left without the customary resources provided to the official Opposition.

There were many factors leading to the collapse of support for the New Democrats, including exhaustion after two terms in government, the damage done by the allegations against Clark, the subsequent conflicts within the party during the leadership race close to the election, newly selected NDP Premier Ujjal Dosanjh's inability to defend its record, and the impact of a hostile media which seemed to see its role not as journalists but, rather, as editorialists with the right to advise the public who should form the next government (Harcourt 1996; Tyabji 2002; Carroll 2005). However, the 0-0-2 mandate did not make it easy for union leaders to persuade their members that, on balance, they had not done so badly under the New Democrat administration. So while it was maintained, there were major cracks in the foundation of union support.

Bureaucracies try to be risk-averse and political administrations often grow less imaginative the longer they are in power: everyone learns that you are more likely to attract trouble for making bold changes than for tinkering cautiously within existing policy frameworks (Lindblom 1959; Carroll 2005). Labour negotiators may be similarly cautious, working to narrow their focus to issues that can be resolved

in a single negotiation and, perhaps too often, preferring postponement of complex or cross-sectoral innovations for future rounds of bargaining, even putting off the complex innovations that would make a particular set of talks more fruitful.

So, it takes a degree of courage, perhaps a bit of desperation, to invite a broader conversation – and, again, a degree of good faith from all parties, something that is more difficult to grasp in today’s highly televised and polarised political arenas. The Accord experience, however, shows that with goodwill, clear understandings of their respective long-term interests, sharpened strategic sensibilities, and only a spoonful of good luck, proponents on both sides of a negotiating table sometimes may achieve more by working together than they can by forever warming up for fights.

In successfully negotiating 35 accords, Penikett and Calvert showed this was possible 25 years ago. Clark’s central idea – that it would be possible to engage with unions on policy matters outside collective bargaining – remains relevant today, both as a vision of the wider role public employees and their unions should be playing in policy development and as a way of addressing more narrow labour relations problems that are beyond the scope of the collective bargaining system. Hopefully, it is a further service that they now explain exactly how the accord process worked. Their example, and this book, should offer a guide for other negotiators and policy makers – in the public *and* private sectors – in the years to come.

# Foreword

**By Glen Clark**

It may surprise some to learn that, in Canada at least, there is always tension between social democratic governments and their public sector labour allies. While the caricature painted by mainstream pundits suggests that New Democrat governments are beholden to labour and therefore act only in a manner which (financially) benefits trade unions, governing requires thoughtful consideration of numerous policy objectives that may or may not be in the direct interests of some union members. Nowhere is this truer than when it comes to collective bargaining.

Governments, after all, are the employer. And unions have a fundamental obligation to fight to improve wages and benefits of their brethren regardless of who happens to hold power at any given time. Collective bargaining does work, but it is by nature confrontational.

In 1998, the government of British Columbia, where I was Premier, faced significant financial constraints as the Federal government reduced its commitment to share funding many social programs and the province was running a budget deficit. (BC Budget 1996/1997: Report F). Public sector wages make up the bulk of government spending and so 'capping' costs in this area was seen as essential.

All the ingredients existed for a bruising and extremely difficult set of bargaining with over 200,000 employees in the broader public sector. And to further complicate matters, the government was an activist one and had committed to a number of worthwhile, but costly, new policy



initiatives- including improving the wages of low-paid workers and implementing pay equity.

So my challenge as Premier was simple, if daunting: how could we negotiate new collective agreements with little or no monetary improvements so we could divert scarce resources to low-income workers and make progress on pay equity? And how could we do this while maintaining our traditional support from public sector unions?

While I am a strong supporter of collective bargaining, it always struck me that there were numerous policy areas, beyond the scope of traditional bargaining, that could improve the lives of union members over the long term. More access to training, joint trusteeship on pensions, improved occupational health and safety, access to early retirement, reducing class size, portability of pensions, to name a few progressive ideas. I wanted to find a way to broaden the discussion with our unions and challenge them to think, not just about wages and benefits, but about structural change – about public policy.

Fundamentally, I wanted to see if we could drive more of a partnership where the trade union movement participated meaningfully in governing.

However, “social contract” discussions had a bad name in Canada. I was acutely aware that the Bob Rae government of Ontario had tried to negotiate a broader agreement – a so-called social contract – that would help the government avoid harsh austerity measures. In my view, the negotiations failed in Ontario because the government appeared to try and solve their financial problems at workers’ expense.

So, in BC, it was felt that we needed to separate traditional collective bargaining from social contract discussions. We created parallel tables

loosely tied together. Unions would not give up any right to bargain, nor would they explicitly trade broad policy gains for lower financial benefits. But there was an implicit understanding that social contract 'gains' weren't entirely 'free' and that respect and cooperation at one table meant that there needed to be a reciprocal understanding at the other. Indeed, failure to come to terms on an acceptable labour contract meant the government would not similarly consider an accord on other matters.

Collective bargaining is never easy. Negotiating structural policy changes at the same time makes the process doubly hard. The authors of this book, Tony Penikett and John Calvert, were instrumental in driving the accord process and as such are uniquely qualified to write about it.

In the end, thanks to the efforts of many, many people, this novel approach was by most measures a success. We achieved some 35 accords leading to significant policy changes, many of which continue to operate today. All public sector unions agreed to tough wage guidelines that effectively froze wages for two years.

We were not the first activist government to enlist our public sector employees in helping to find financial solutions. But we did prove that genuine dialogue and a willingness to share decision making can lead to fundamental and lasting change that is good for governance and good for workers. Hopefully, future governments will be inspired to improve upon our example.

Glen Clark  
Former Premier of British Columbia, Canada.

# Introduction

This book documents Glen Clark's public sector accord process. This was a major policy initiative of the New Democrat government of British Columbia (BC) during the final years of its 1996 to 2001 mandate. Conceptualised by him, the initiative was designed to address the government's major fiscal challenges while maintaining labour's support. It involved negotiating major policy changes with unions and some employers that would improve the climate at the bargaining table and enable the government to achieve settlements within tight wage guidelines, while still providing room to advance pay equity, low wage redress, and other policy goals.

The initiative assumed that both unions and many employers had public policy issues outside the scope of collective bargaining they would like the government to address. Given the size of the policy universe facing all governments and the relatively few policies that they can implement during an electoral mandate, the accord process could move these issues to the top of the legislative priority list. Acting on them could advance a policy agenda desired by the parties. In the process, the resulting policies could also improve the overall collective bargaining climate, making settlements easier to achieve.

To address the perception that accords were simply a back-door way to privilege its union supporters, the government promised that the resulting policy changes would meet the goal of cost neutrality and be demonstrably in the public interest. To avoid confusion with collective bargaining, the government made it clear that accord negotiations were to be conducted separately from normal labour negotiations. They could not be a back-door method of padding settlements for union members as this would undermine the

government's fiscal objectives and open it to the charge of privileging its union friends.

The process was new and untried. At the beginning, it was not clear whether the idea of initiating a set of policy negotiations in parallel with collective bargaining was sound. Nor was it clear whether public sector unions and employers would be receptive to this approach. There were also questions concerning the kinds of policies that might be identified during negotiations, whether they would be of sufficient importance to impact the bargaining climate and whether the government would be able, or willing, to implement them. How the process itself would function was also unclear, because none of the three parties – unions, public sector managers, or government – had much experience negotiating policy matters at the bargaining table. For the government, especially, there were huge risks of failure.

Yet over the next three years, the BC government negotiated 35 accords on a wide range of policy issues with all major unions and most employers in BC's broader public sector. Their scope and impact varied, but many involved major innovations in areas such as pension trusteeship, joint benefits trusts, workforce training, career development, early retirement, strengthening public services, occupational health and safety, successorship, and curbing workplace violence.

Based on the government's eventual success at obtaining settlements, the accord initiative did contribute to improving the climate at the bargaining table in most sets of negotiations. Still some labour disputes happened, most notably in provincial public education - kindergarten to grade12 (K-12), universities, and community social services sectors. All of these were eventually resolved in a manner that maintained a reasonable relationship between the government and its

unions.<sup>2</sup> Thus while the government achieved its overall collective bargaining objectives, unions felt the resulting settlements were acceptable, as evidenced by the ratification of their collective agreements. They also saw the accords providing significant benefits for their members and the services they provided.

The subsequent Liberal government of Premier Gordon Campbell was deeply hostile to what had been achieved, seeing it as a union stitch up. It ignored the progress that had been made in improving relations between the government, unions and public employers as well as the significant public policy achievements of many accords (Gillespie 2007). It proceeded to repeal many of them shortly after its election in 2001, most notably, by passing Bills 27, 28, and 29. It also failed to honour numerous other accord commitments.

However, the Liberal government's use of legislation to rewrite collective agreements affecting teachers, health care, and social service workers was, in turn, reversed by Canada's Supreme Court. In two separate cases, it ruled these breeches were violations of the Charter rights of workers. It directed the government to amend its legislation and provide compensation to those affected. Many of the accords remain in place today, confirming the soundness of former Premier Clark's basic premise.

Little has been published on the accord initiative (Thompson 2001). This is an issue we explore further in this text. This is despite enabling the New Democrat government to achieve its financial, pay equity, and low wage objectives, implement a wide range of major public policy changes, and maintain relatively good relations with its union

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<sup>2</sup> The pieces of legislation were: Bill 21 *Education and Health Collective Bargaining Assistance Act* 1996; Bill 7, *Public Schools Support Staff Collective Bargaining Assistance Act* 2000;

supporters and. BC unions continued to be major financial contributors to – and supporters of – the New Democrats in the two decades after the 2001 election loss (Savage 2021). Clark’s success contrasts sharply with the failure of Bob Rae’s social contract earlier in the same decade which poisoned relations with most of its union supporters, caused a major split between labour and the New Democrats, and led to ongoing internal disputes within Ontario’s trade union movement whose scars remain until today.

It also contrasts with the very different, confrontational approaches of other provincial governments towards organised labour, such as that of Ontario’s Mike Harris in the mid-1990s and, more recently, Doug Ford, in the same province, to cite two well-known examples. Both these governments attempted to fix their financial challenges by forcing unions to accept concessions, leading to major – and very disruptive – labour conflicts. Harris implemented his “Common Sense Revolution” to address the province’s economic and fiscal challenges by making major cuts to public services, privatising government programs, laying off public employees, and cutting wages. His Bill 7 anti-union legislation provoked unprecedented province-wide walkouts through Ontario’s Days of Action and poisoned relations with Ontario’s labour movement, particularly its public sector unions (Reshef 2007; Kellog 2011; Nesbitt 2018).

More recently, the policies of Doug Ford in Ontario have provoked a series of confrontations with its public sector unions over his high handed, arbitrary legislation. Bill 124 imposed a 3-year wage settlement and removed the right to strike from a large group of Canadian Union of Public Employees (CUPE) education workers. When the courts struck down the legislation, he threatened to use the Constitution’s Notwithstanding Clause (Section 33 of the Charter of Rights and Freedoms). But this threat generated massive opposition

from across the political spectrum, eventually forcing him to abandon it. However, it still left major question marks about his government's respect for the collective bargaining system as well as its attitude towards Canada's Constitution and its judicial system.

The BC experience indicates that things can be done differently. Whatever the fiscal challenges facing provincial governments, simply bludgeoning workers into accepting wage rollbacks and contract concessions has proved a recipe for labour relations conflict. Differences can be negotiated, rather than arbitrarily suppressed, where there is a will – and the patience – to do so. But agreements cannot be one-sided. There must be something tangible for labour as well as for the government.

The authors tell the Accords story in four parts. The first three detail the origins of the initiative, the principles shaping the accord process and some of the details of the negotiations. They also discuss challenges it faced, both during the period it was being negotiated and, subsequently, when the Liberal Government of Gordon Campbell chose to repeal – or simply not implement – a significant number of the signed accords. These sections also reflect on the lessons of the accord initiative and the unfinished business that it presents to unions and government policy makers.

The fourth section provides a detailed outline of each of the accords, including its objectives, content and the process involved in reaching it. This contains considerable detail for the interested reader who may want to examine individual accords or obtain a more comprehensive understanding of the scope of the project. There are also several tables which summarise the key polices of all 35 accords, as well as their names and the dates on which they were finalised. We have, therefore, avoided summarizing the details of each of the accords in the first sections of the book, in favour of focusing attention on those that

illustrate key features of the accord process or its challenges and accomplishments.



## **Part 1: The Challenge**

# Chapter 1

## The Economic, Political and Labour Context

In 1998, BC faced labour negotiations involving 240,000 public sector union members, in 12 different public sector components over the coming bargaining cycle. The government felt that significant wage increases would undermine its ability to meet its fiscal targets and expose it to media and Opposition Liberal Party attacks as being spendthrift and in the back pocket of the trade union movement (Palmer 1994; Carroll 2005). Clark also faced repeated allegations that he had misled the electorate in the 1996 election when he claimed that his government had balanced the books. This placed pressure on it to demonstrate that its subsequent budgets would avoid deficits. The government also faced financial challenges, most of which reflected adverse economic developments beyond its control, but for which it was blamed by a partisan media intent on discrediting it (Scarfe 1996; Tyabji 2002). Federal Finance Minister Paul Martin's decision in the mid-1990s to deal with his deficit by slashing transfers to the provinces was particularly unwelcome (Jackson 2010). The BC Ministry of Finance stated that: "In 1996/97, the province's major cash transfers will be \$435 million *less* than the province received in 1995/96. The 1997/98 entitlement will be \$731 million less – a reduction of 33 per cent over the two years" (BC Ministry of Finance, 1996/97 Budget, Report F).

As an export dependent economy, BC was also impacted by global commodity prices over which the government had little influence (Scarfe 1996). Although BC's economic growth exceeded the Canadian average in 1996, it fell slightly below that average in the following five

years, placing further financial pressure on government revenues (BC Financial and Economic Review 2000, p. 6; McMartin 2009).

In addition, the government faced a Liberal Party Opposition deeply wounded by its unexpected defeat in the 1996 general election which it had assumed it would win in a walk. While the New Democrats had received fewer votes than the Liberals, they had obtained enough seats to form a majority, albeit a very thin one. The new administration also faced a media that was extremely hostile to any government effort to address its financial challenges through tax increases. It consistently portrayed Clark as addicted to a reckless 'tax and spend' approach to public finances. As Cohen noted, much of this was a manufactured financial crisis because BC's total 1994 debt was only 6% of its GDP, in sharp contrast with the Federal debt of 35% of GDP at the time (Cohen 1994).

Having played a major role in the downfall of former Social Credit Party Premier Bill Van Der Zalm and, subsequently, NDP Premier Mike Harcourt, some in the media viewed their role as political actors and 'king makers', not simply reporters. They felt that influencing the politics of the province in a partisan manner was a legitimate activity for journalists and much of their reporting reflected this assumption (Gawthrop 1996). The political role of the media was the subject of Harcourt's 1996 book, *A Measure of Defiance*, in which he took issue with the media's one-sided reporting on his government arguing, with some justification, that its coverage reflected an unprofessional bias (Harcourt 1996).<sup>3</sup> Former MLA Judi Tyabji expressed a similar

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<sup>3</sup> Harcourt was not involved in the Nanimo Commonwealth Holding Society scandal, but was premier when the media launched its unrelenting attack on the New Democratic Party for the illegal use of charitable funds. Such was the virulent adverse publicity, which seemed likely to continue for years into the future, that Harcourt decided that only by resigning could he bring closure to the issue. So he stepped down for the good of the party. (Hawthorne 2013)

view in her assessment of the media's relentless attacks on Glen Clark, actually naming her book *Daggers Unleashed: The Political Assassination of Glen Clark* (Tyabji 2002).<sup>4</sup>

The deficit was a major problem, politically, for the government in the aftermath of the 1996 election (Thompson 2001). The opposition repeatedly attacked Premier Clark for Finance Minister Elizabeth Cull's claim, made before the election, that the budget would be balanced. Forecasting public budgets accurately is notoriously difficult given the numerous factors that impact a province's budget, many of which are outside the control of the province. The state of the Canadian and international economy, interest rates, world commodity prices, federal transfer payments, and other factors significantly influenced BC's finances. As further data emerged after the election that there had been a small deficit, the media quickly labelled it the 'fudge-it-budget' (Tyabji 2002).

The media told the public that budgets were a simple matter of accounting in which expenditures were deducted from revenues, just like someone doing their household finances. The job of the Ministry of Finance was simply doing the math and determining whether there was a surplus or deficit. If after, making the calculations, Cull found a deficit but did not tell the public, then she was cooking the books, or more bluntly, simply lying.

As the Ministry of Finance's estimates of the province's budget position in previous years had tended to under-estimate revenues and over-estimate expenditures by hundreds of millions of dollars, Cull had chosen to adopt the most optimistic of the different estimates

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<sup>4</sup> Perhaps the most vocal critics was Vancouver Sun columnist Vaughn Palmer who wrote many opinion pieces attacking Clark, both during his tenure as Finance Minister and, subsequently, when he became Premier of the Province.

made available to her by staff, a not completely unsurprising choice for a politician, although one that resulted in a firestorm of criticism from the media after the election.

Subsequent estimates indicated that the deficit was in the range of \$356 million, a tempest in a teapot in relation to BC's \$20 billion budget, its debt to GDP ratio, or the \$3.199 billion deficit of the Campbell government in 2003 which the media largely ignored (BC Financial Accounts 2001; BC Financial Accounts 2004; Beers, Francis et. al. 2005; McMartin 2009). But at the time, media critics asserted that Cull's failure to balance the books proved that the government had deliberately mislead the electorate, challenging the government's credibility.<sup>5</sup>

Accusations of profligacy from the Liberal opposition, sympathetically echoed in the media, were reinforced by pressure from hostile BC and national business interests. The government's critics argued that the bond rating agencies would drastically downgrade BC's credit rating if the government did not demonstrate adequate fiscal discipline. However, the government's rating was stable at AA between 1991 and 1996, dropped slightly to AA- between

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<sup>5</sup> The 1999 Report of the Auditor General on the various estimates that were considered prior to the tabling of the April 30 budget estimates by Hon. Elizabeth Cull stated the following: "On April 30, 1996, Ms. Cull tabled the 1996/97 Estimates. They indeed reflected a revised forecasted surplus for fiscal 1995/96 of \$16 million on revenues totaling \$20,130 million. She also tabled an amended debt management plan, which reflected a forecasted direct debt increase in 1995/96 of \$36 million and a direct debt decrease in 1996/97 of \$53 million. The original plan, introduced in 1995, had proposed direct debt decreases of \$414 million and \$225 million for 1995/96 and 1996/97, respectively." Auditor General of BC. (1999) A Review of the Estimates Process in British Columbia. February. p. 157. For a sense of only a small part of the controversy that emerged after the election, see the report in Maclean's magazine on November 11, 1996. <https://archive.macleans.ca/article/1996/11/11/the-credibility-gap#!&pid=22>

1997 and 2001 and remained at that level to 2006 under the Liberals. There was no dramatic financial crash during the government's second term (CBC 2013). Claims that government policy would result in a dramatic fall in the bond ratings simply did not materialise. The charge that the New Democrat administration was fiscally reckless was not substantiated by the auditors or the facts. In 2000/2001, its last year in office, the government had a surplus of \$1.548 billion (BC Financial Accounts 2002), raising concerns from its supporters that it had spent too little, not too much.

In comparing the economic performance of the last years of the Social Credit government, the decade of the New Democrat administration and the first decade of the Liberals, Will McMartin found that the New Democrats did marginally better than Social Credit before, or Liberals after, (McMartin 2009). Nevertheless, claims that the budget deficit was out of control created a climate in which the government felt that failing to 'balance the budget' was politically toxic, regardless of whether there might be good economic arguments for modest deficits or tax increases.

Consequently, controlling public spending was a central political priority of the government. Because public sector wages were such a large part of its budget, this meant limiting wage increases. Shortly after the 1996 election, Clark announced a public sector wage restraint policy that limited increases in new collective agreements to 0% in the first year and 1% at the end of the second year. Taking account of inflation, this meant a slight decrease in real incomes for most public sector workers. The policy was accepted, but not welcomed, by the New Democrats' union supporters.

Clark was acutely aware of the challenge his government would face to implement further wage restraint after the tight 1996 compensation mandate. Nevertheless, Cabinet decided to establish a new mandate