WORKING PAPER
Salary-related issues

General Meeting

CSN

Secteur public

May 2009

Introduction

A strategy that measures up to our goals

In the last round of bargaining, the Charest government trampled all over our rights. There was no real collective bargaining at the central table. At the sectoral tables, unions were “forced” to accept settlements that often included major setbacks, with the government threatening to roll back our working conditions even further if we didn’t sign. The sole purpose of these phoney negotiations was to weaken us, make us poorer and discredit the work we do day in and day out with the population of Québec. We have to reassert the value of public services and our jobs. To achieve this, we have to win back the right to free collective bargaining for fair, decent and equitable working conditions.

The government has said that it wants to support Québec’s economy with infrastructure projects. Well, public and parapublic services are the best possible kind of “infrastructure.” Public services are what help get the population through hard economic times and job losses in all regions. Thanks to them, we can collectively avoid the worst: thanks to public services, we can continue to receive care, educate our children, acquire further training ourselves and receive key services without going further into debt at a time when unemployment and family debt are a real scourge.

Public services are the best safety net there is in times of crisis. But public services don’t exist without the hundreds of thousands of people who work in them. Will the Charest government recognize the value of our work and pay us what we are truly worth? Will the new finance minister drop the jokes about empty purses and realize that we have become poorer since the Liberals took power? That we are underpaid, according to all the comparisons between what we earn and what workers in the private sector, or unionized workers in Québec or elsewhere, earn? How will we be able to attract young workers for these jobs if our working conditions remain so unattractive?

A change of direction is an urgent necessity! This is the battle that lies ahead for us in the next round of collective bargaining.

We are proposing that this time, we concentrate our efforts on improving our pay and a few other important aspects that all government employees can unite around. There are, of course, many other very legitimate demands that could be put forward, and some of them will be at the sectoral tables. But in the current political and economic situation, we think that making demands covering the largest number of employees is the best way of defending all workers and forcing the government to sit down at the bargaining table and negotiate.

The bargaining proposals we are presenting will be supported by a historic common front (CSN-FTQ-SISP). All the organizations making up this common front share the same strategic framework. After harmonizing our demands, we will present them to management in October 2009 so as to maximize our chances of settling new collective agreements before April 1, 2010, the date on which the decree expires. As well, the common front will be asking to meet with the Conseil du trésor this spring to do the groundwork for negotiations.

Though an audacious gamble on our part, this is nonetheless a rigorous, realistic strategy. By making a limited number of demands, we are offering the Charest government a chance to reset its course. Of course these demands won't resolve all the problems we experience daily. But at the present time, we think we have to start by winning back our right to free collective bargaining; after that, we can together continue making progress.

We know, however, that it will not be easy. The government will use the economic situation to serve us its rhetoric on how government can't afford to improve our working conditions. We'll also hear voices calling for cuts to services or even their transfer to the private sector. We will have to show that as well as being realistic and legitimate, our demands are the essential ingredients of a strategy for economic recovery that puts people first.

Public services are more precious than ever in these times of economic uncertainty. They are a rampart against the impoverishment of Québec's population. This is why the current economic context must not blunt our determination or discourage our mobilization. In a common front, united around fair demands, we will have to close ranks and speak out wherever we can in defence of our demands and quality public services. Our mobilization will be the key to building the bargaining clout we need to win a satisfactory agreement.

Have a good debate!

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Salary

When the Liberal government decreed our pay in 2005, abruptly cutting off the last round of collective bargaining, it left workers in the public and parapublic sectors poorer. There is an urgent need for a change in direction. The objectives we have set for the next round of bargaining are to protect our purchasing power, obtain a raise that helps us catch up with what other employees in Québec earn and re-establish the principle of sharing in the growth in Québec's collective wealth: these are.

And although pay equity and maintaining pay equity are not bargaining matters, we do of course have a legal obligation to preserve the gains made with the pay equity programme. Consequently, we will have to take into account adjustments that could result from our pay demands.

a) Protecting purchasing power

From 2000 to 2008, annual inflation in Québec, as measured by the Consumer Price Index (CPI), averaged 2.1%. For 2009, the inflation rate could hover around 1.2%.

Given that the Bank of Canada's monetary policy is aimed at containing inflation to an annual rate of 2%, and given the on-going volatility in the markets, we think it is realistic to base our demand for protecting our purchasing power on a 2% increase in rates and scales.

As well, our demand includes a clause if inflation exceeds 2% in a given year. If this were to happen, pay rates would be adjusted the following year to cover the additional inflation. Adjustments to cover inflation would be applied as percentages of salary rates and scales.

b) Catch-up pay

In its November 2008 annual report, the Institut de la statistique du Québec (ISQ – Québec's Statistics Institute) once again observed that pay for Québec government employees lagged behind pay for employees in the private sector in Québec – by an average of 5.2%.

It should be noted that the ISQ also reports that the normal maximum rates on pay scales for benchmark jobs in the public and parapublic sectors among professionals, technicians and office employees lagged 7.9%, 11.5% and 14.3% respectively behind the rates for other employees in similar jobs in Québec. For blue-collar workers, the gap reached 27.5%. In fact, the government's entire salary structure lags behind!

So as you can see, it is important to catch up on rates of pay in the next round of bargaining. Since this is not a matter of restoring or protecting our purchasing power, but rather of catching up to average rates of pay for other employees in Québec, we are proposing that this catch-up raise take the form of a flat amount that is the same for all employees.

This flat amount would be calculated as 1.75% of the average hourly rate in the public and parapublic sectors. For example, if the average hourly rate in the public sector is $26.51, the flat amount of the catch-up raise would be $0.46. So a person with an hourly rate of $19.03 would go up to $19.49 an hour – an increase of 2.43%; while someone with an hourly rate of $37.03 would have that rate increased to $37.49, for a 1.25% increase. The $0.46 would then be indexed in accordance with changes in parameters for pay.

There is a precedent: in 1988, we obtained a flat amount – an increase of $0.10 an hour for everybody.

c) Collective enrichment

When the economy grows, the workers who contribute to the growth in collective wealth should be able to benefit from it. This is why one of our traditional demands has been for our fair share of the increase in collective wealth. True, the current hard economic times may at first glance seem relatively unfavourable to a demand for enrichment. But it should be kept in mind that economy recovery should coincide with the period covered by our next collective agreement. This is why we should make sure we have a formula that will enable us to obtain our fair share of any increase in collective wealth that does occur.

The formula we are proposing implies that if Québec's nominal GDP increases by more than 3.75% in a year – which would be a significant improvement in the economy – an additional adjustment in pay would be obligatory.

Although the past doesn't necessarily offer guarantees for the future, it is worth recalling that Québec's nominal GDP has grown by more than 3.75% in five of the last eight years.

Proposal no. 1:

a. Protecting purchasing power
We propose that salary rates and scales be increased by the following percentages to take account of inflation:
2% on April 1, 2010
2% on April 1, 2011
2% on April 1, 2012

plus an inflation protection clause if the CPI increases by more than 2%.

b. Catch-up
A catch-up raise corresponding to 1.75% of total payroll per year. This percentage would be calculated on the average rate of pay and then integrated into salary rates and scales as a flat amount.

c. Enrichment
We want a commitment from government to resume discussions aimed at agreeing on the amount to be paid as a share in the increase in collective wealth if the nominal GDP grows by more than 3.75%.

In conclusion:
Unless inflation exceeds 2%, and apart from any share in the increase in collective wealth, raises would total 11.25% for three years. The average increases in salary rates and scales for each year would be as follows:
3.75% on April 1, 2010
3.75% on April 1, 2011
3.75% on April 1, 2012

It is understood that flat-rate premiums would be increased on the same basis as pay.

Salary relativity

Thanks to the work on pay equity, the value of predominantly female and male job classes was established. Gender-neutral job classes have not been evaluated yet, though. We will therefore have to do this value determination work in order to carry out a complete process of salary relativity and agree on the adjustments needed as a result.

Proposal no. 2:

That the CSN, if possible together the other union organizations, begin work with the government parallel to negotiations at the central table on the whole issue of salary relativity, and that this work start by evaluating gender-neutral job classes.

Duration of the collective agreement

The period of instability we are now going through causes us to prefer a short term for the collective agreement, so that we can negotiate our working conditions again fairly soon. Furthermore, the unions that make up the public and parapublic sectors of the CSN would like to avoid having the period for changes in union allegiance coincide with the month of July. A collective agreement lasting less than three years would enable us to achieve both these goals.

Proposal no. 3:

That the duration of the next collective agreement be two years and nine months – from April 1, 2010 to December 31, 2012.

Pensions

The RREGOP is a pension plan whose costs are shared by the employer and participants. Participants' contributions are paid into a dedicated RREGOP fund, called the employees' fund, and the participants' share of benefits are paid out of this fund. The government, on the other hand, doesn't pay into a dedicated RREGOP fund; instead, it keeps an account of the amounts that it would normally pay in contributions. A few years ago, however, it began to put money into a specific fund for this, called the FARR (Fonds d'amortissement des régimes de retraite, or pension plan amortization fund). The government claims, though, that its commitments are strictly limited to paying benefits in accordance with the agreed-upon cost-sharing arrangement.

• Funding the RREGOP

The RREGOP is a defined benefits plan, meaning that we know in advance how much our benefits will be, but not the amount that we will have to contribute (the cost of the plan). There is an actuarial valuation of the pension plan every three years to determine what contributions rate is needed.

Ever since it was created, the RREGOP has used the actuarial funding method known as the "level premium" method, a method that calculates the cost of the plan, and consequently contributions, by taking into account the entire careers of the group's contributing members. This method takes into account future commitments, as well as past and current ones. It never shows a surplus or a deficit, because these are directly incorporated into the process of setting the rate of contributions.

Originally, this method ensured a certain stability in the level of contributions, because commitments for past years of service were relatively unimportant. But over the years, as the plan matured and the value of the fund's assets increased considerably, employee contributions became more and more sensitive to fluctuations in the fund's yields as well as to changes in actuarial assumptions.

The CSN and the other union organizations sitting on the pensions committee agree on recommending that the current funding method be replaced with what is called the "single premium" method. With this method, the rate of contributions depends on the value of the benefits that a participant accrues annually. It is also a method that lets us see whether our fund has surpluses or deficits. Obviously, the contribution rate can vary depending on such surpluses or deficits, but we propose a mechanism for gradually adjusting the contribution rate over time. Our simulations show that it is fluctuations in yields, not fluctuations in the contributions rate, that have the most impact on our fund's status. To secure benefits, we are also proposing that our fund maintain reserve levels that are sufficient to deal with fluctuations. We think that we shouldn't envisage improvements to our benefits until our assets exceed our liabilities by 20%.

Proposal no. 4:

That the current method of funding the RREGOP (for the portion paid by participants) be replaced by the distribution of accrued benefits with projection of salaries method, known as the "single premium" method, for the actuarial valuation to be done on the basis of the December 31, 2008 data.

• Contributions formula

Since its creation in 1973, the contributions formula for the RREGOP has provided a slight advantage for low-paid workers. Each participant pays contributions on the portion of his or her earnings that exceeds 35% of MPE.[1] With the improvements made to the RREGOP, including a lower retirement age, the advantage in favour of low-paid workers increased. Lower-paid workers therefore pay proportionately less in contributions than do higher-paid employees, and the latter also benefit from this trade-off when they reach 65, since their total benefits are reduced less proportionally, given the rules on the co-ordination of benefits with the Québec Pension Plan.

For example, in the case of an employee with an annual income of $29,000, the 8.19% contributions will only be paid on $12,795 ($29,000 minus $16,205), for total contributions of $1,047.91, or 3.6% of her or his total earnings. For an employee with an annual income of $70,000, the amount on which contributions are paid will be $53,795 ($70,000 minus $16,205), for $4,405.81 in contributions, or 6.3% of total earnings. We would like to take advantage of discussions on changes to the method of funding the plan to try and restore the balance that originally existed. Based on the results of previous studies, this would require reducing the exempted earnings from 35% to 25% of MPE. Such a change would effectively reduce the contributions rate while increasing the portion of earnings on which contributions are paid. This would reduce the amount of contributions paid by employees with incomes of more than $46,300 in 2009, and would

[1] Maximum pensionable earnings (MPE) for 2009 are $46,300. This is the upper limit, beyond which an individual no longer pays contributions on employment earnings in a given year for the Québec Pension Plan, which is co-ordinated with the RREGOP.

increase the contributions paid by low-paid employees. Of course, we don't want the latter to bear the cost of this adjustment, so we will ask the government to pay for this increase, as it had proposed doing iin 2005.

> **Proposal no. 5:**
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> That in the framework of discussions on the funding formula for the REGOP, changes be made in the contributions formula so that contributions are paid on earnings exceeding 25% of MPE instead of 35% of MPE, and that any increase in costs resulting from this change for any contributing employees be borne by the government.

• Indexing

Improving the indexing formula applied to contributory years of service between July 1, 1982 and December 31, 1999 has been one of our objectives for a long time. In the framework of discussions on funding the pension plan, we think that we should indicate our determination to improve the formula for indexing these years as soon as the fund reaches a certain level of surpluses. This would avoid an increase in contributions as a result of such indexing.

> **Proposal no. 6:**
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> That once the RREGOP fund's assets exceed liabilities by 20%, the indexing formula for years of service since 2000, namely CPI – 3%, minimum of 50% of CPI,[2] be applied to contributory years of service between July 1, 1982 and December 31, 1999.

As for improving the indexing formula for contributory years of service between July 1982 and December 1999 for teachers' pension plans (TPP and RRCE) and the public servants' pension plan (RRF), we intend to call on the government to apply to them any improvement obtained for RREGOP participants.

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2 In actual fact, the term should be the "TAIR", or the "taux d'augmentation de l'indice des rentes" (rate of increase in the pension index) within the meaning of the Act respecting the Québec Pension Plan. The annual pension index is based on the average of Canadian's Consumer Price Index for each month during the 12-month period ending on October 31 of the previous year.*

Although legislative provisions mean that these two plans are entirely closed, we wish to remind the government of its explicit commitment on this in the 1995-1998 collective agreements:

> *10.01*
> *The government undertakes to amend the TPP and the Civil Service Superannuation Plan (RRF) so as to introduce any amendment to the pension indexing formula now provided in the RREGOP, if participants decide to take on the costs of future service in the same proportion as RREGOP participants do for the same changes.*

• Removing the ceiling on years of service

In 1991, the federal government amended tax rules on retirement savings. New legislative provisions were adopted that led to the introduction of a pension adjustment (PA) for participants in a registered employer pension plan or deferred profit-sharing plan. As a result of this PA, provisions that set a limit of 35 for the number of years of contributions to a defined benefits plan became obsolete. The choice of setting a maximum number of years of "contributory" service lies with the parties to a pension plan, rather than being governed by legislative provisions.

Allowing people to contribute for more than 35 years and thus offering people who want to work longer the possibility of drawing pension benefits of more than 70% is a measure that could be part of a comprehensive retention strategy. Note that this measure would not generate any costs for the participants' fund.

Proposal no. 7:

That the ceiling of 35 years of "contributory" service entitling a participant to a life annuity of 2% per year be abolished.

• Phased retirement

We think that discussions on phased retirement should continue, first on an inter-union basis and then with the government, especially since it is an idea that is of definite interest for many of our members. Recent changes to the *Act respecting supplementary pension plans* (Bill 68) and tax rules on phased retirement offer possibilities in this regard. These changes mean that an employee can go on working and contributing to a pension plan while drawing a percentage of his or her pension benefits.

Proposal no. 8:

That discussions on phased retirement be undertaken with the other union organizations.

Once the union organizations harmonize their positions, discussions could be undertaken with the government.

In support of family-work-study balance

In this section, we propose action on two aspects. First, we have to update our collective agreements to make them consistent with legislative changes that have occurred since the last round of bargaining.

Next, we have to make progress on our rights with respect to family-work-study balance. Many studies show that the situation continues to deteriorate. It is urgent to restore a healthier balance between our family obligations and the demands of our work. A steadily growing number of our members are faced with responsibilities for children, aging parents or other family situations.

Since it is a situation that affects all workplaces and all segments of society, the united strength of all public and parapublic employees could be enough to trigger legislative changes of benefit to the entire population of Québec. In this regard, you are reminded of the mandate from the CSN's 61st Convention, which will guide our work on this issue.

> *That the CSN and its affiliated organizations reiterate the need for framework legislation to promote and support family-work-study balance. Such legislation should be universal, applying to all workers. It must take into consideration the diversity of stakeholders (public services, companies, unions, etc.) whose contribution is essential to achieving convincing results. Finally, it must encourage each workplace to develop concrete solutions for facilitating family-work-study balance. This aspect must be addressed jointly by the union and management.*

Proposal no. 9:

That we demand that the Québec government adopt framework legislation promoting family-work-study balance.

Other proposals

• Skilled workers

In the course of the next round of negotiations, we propose paying special attention to the working conditions of skilled workers in trades like plumbing, mechanics, refrigeration, etc. in health, education and the public services.

There are two good reasons for paying special attention to this issue. For one, the number of skilled workers in the public and parapublic sectors is declining steadily. And second, their rates of pay are no longer competitive.

What explains the reduction in the number of skilled workers in the public and parapublic sectors? What role does contracting-out play in this? These are questions that need to be answered.

Proposal no. 10:

That a technical management-labour committee be created with the mandate of reviewing the issue of the working conditions of skilled workers and making recommendations to the parties.

• Other central-table items

Given the strategic framework for this round of collective bargaining, the CSN and its federations agree that demands on regional disparities, group insurance, premiums and arbitration costs will be addressed at the sectoral level and harmonized if need be. We want to ensure the closest possible co-ordination on these matters, at least within the CSN.

• Mandate to harmonize

The central-table matters are recommended by the CSN's four public- and parapublic- sector federations, and there are various stages of consultations that must be completed before we can file our demands with the government.

In previous rounds of collective bargaining, we always wanted to negotiate as part of the broadest possible alliance with other labour organizations. We believe that in the current situation, unity around both the objectives pursued and the means for achieving them is more necessary than ever.

Proposal no. 11:

That the union mandate the federation to do the work needed to harmonize central-table demands with the other CSN federations and with Common Front partners.

Conclusion

We are entering the most exciting but also the most difficult phase of trade-union work: negotiating for better working conditions and to offer quality public services to the population. Together, united in a historic common front, we will succeed in meeting this challenge.