

Bargaining committee update

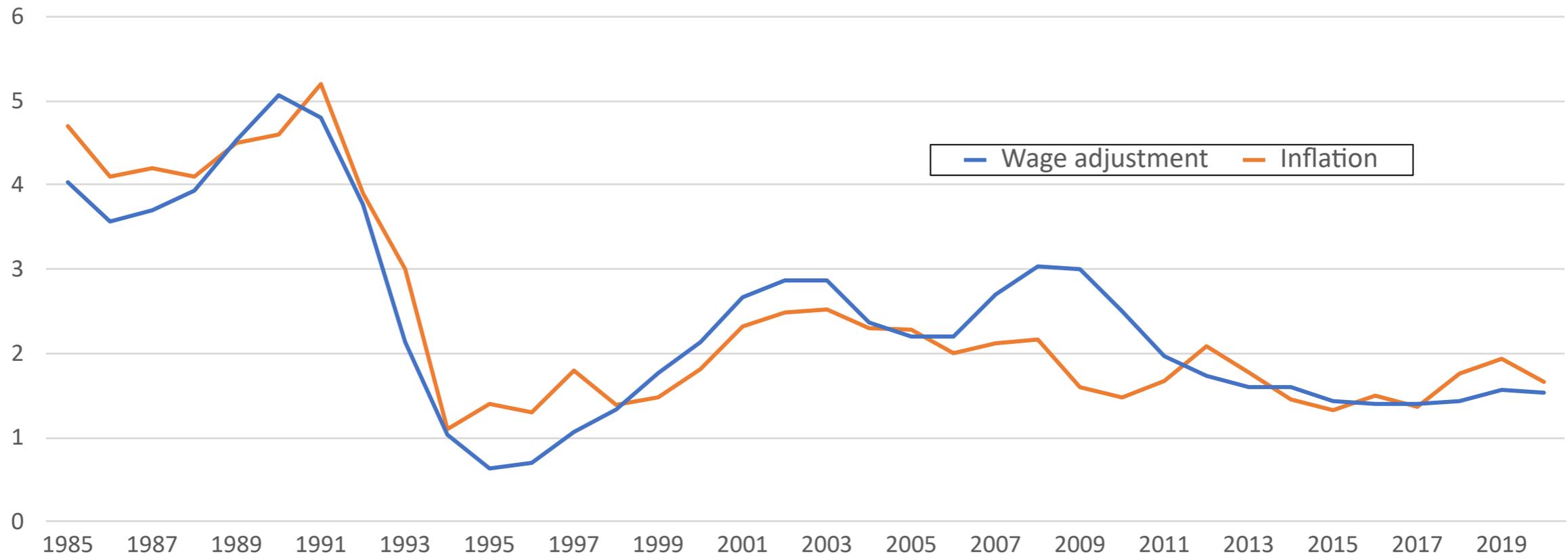
SFUFA GM
April 2022

Bargaining update

- Inflation – an historical overview
- Long-term consequences of inflation
- Sector roundup
- Bargaining at SFU

Wages vs inflation

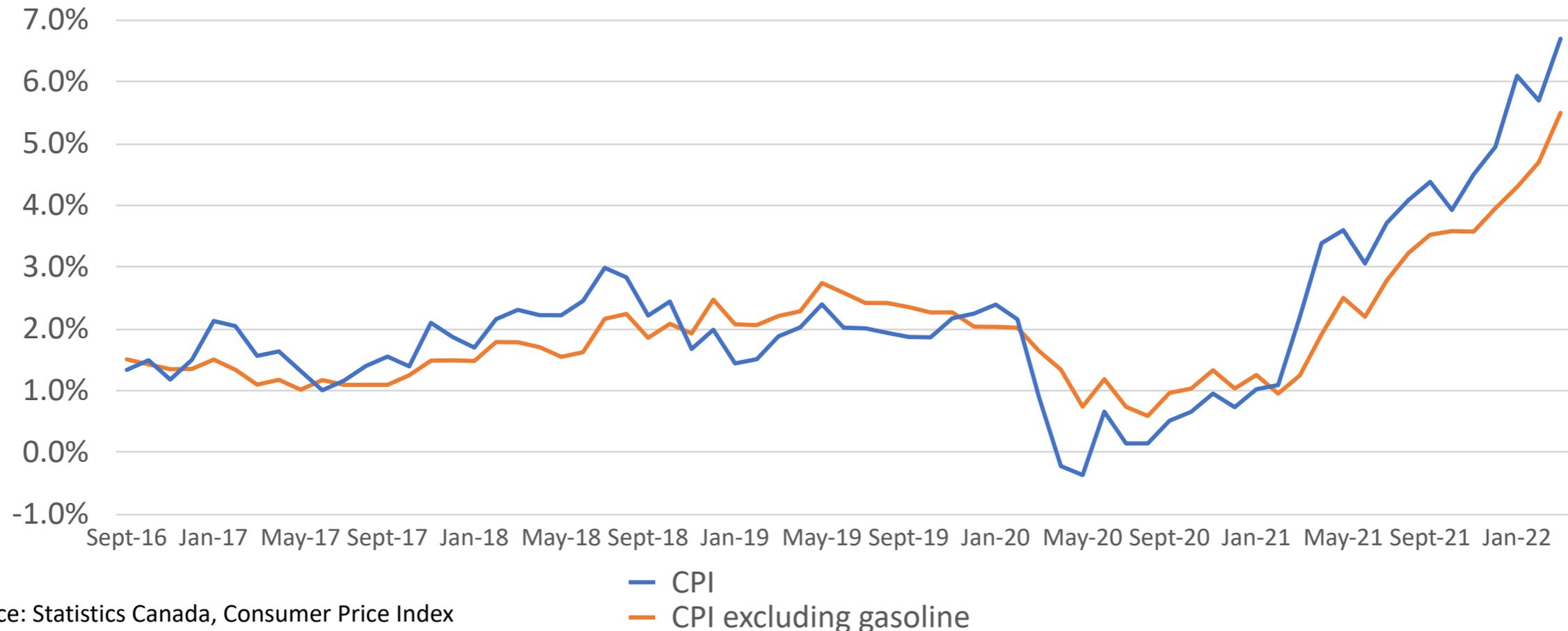
Average Wage Adjustment and Inflation in Canada



- Average wages in Canada have historically kept pace with cost of living.
- This has preserved purchasing power.
- This was true even during period when inflation exceeded 5%.

Inflation in the last 6 years

12-month % change in the Consumer Price Index (CPI) and the CPI excluding gasoline



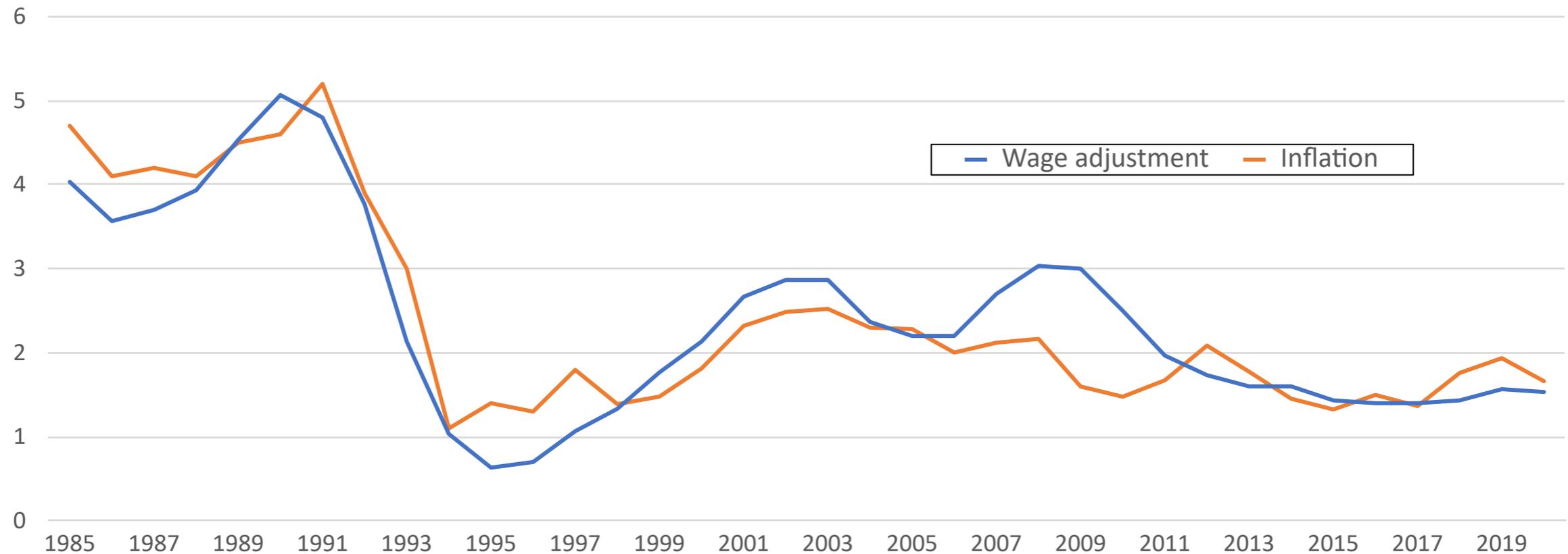
- Central bankers have long prided themselves on their ability to control and fine-tune the cost of living, with annual inflation ~ 2%.
- This is no longer the case. Central banks have given up on words like “temporary” and “transitory”.
- Inflation is currently ~7%, and climbing fast. (Will likely be even higher next month when used cars are included for the first time.)

Effect of inflation on real salaries

- What is the effect on real salaries?
- Well, if inflation were as temporary and transitory as central bankers initially made out, then not much.
- But persistent inflation steadily erodes purchasing power and, in real terms, cannot be thought of as anything other than a pay cut.
- Even worse, the effects of even a brief period of uncompensated inflation are permanent, as we will see, and cast a long shadow over workers' financial futures.
- In other words, when wages fall behind inflation the effect is cumulative, and does not go away when inflation returns to normal.
- Example: we are all aware that inflation has recently driven gas prices to around \$2/litre. If inflation were suddenly to drop from 7% to 0%, the price of gas would not drop: it would stay at \$2/litre.

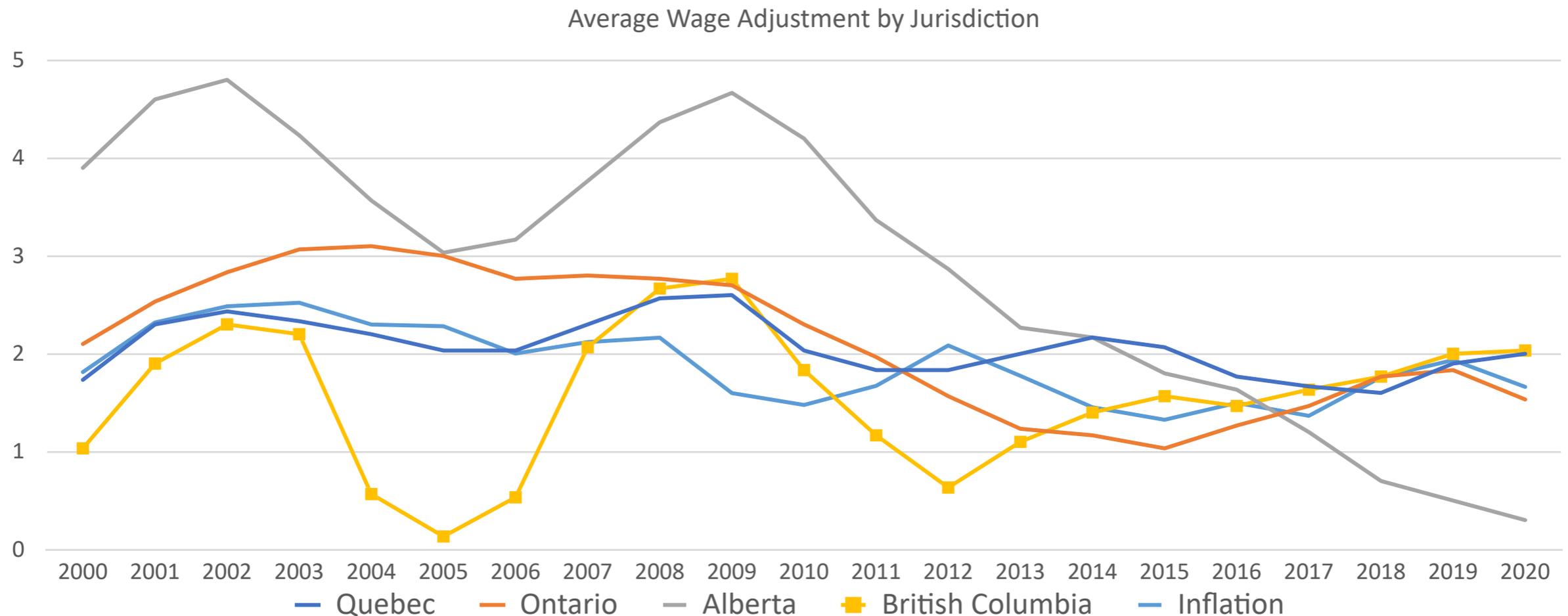
The solution?

Average Wage Adjustment and Inflation in Canada



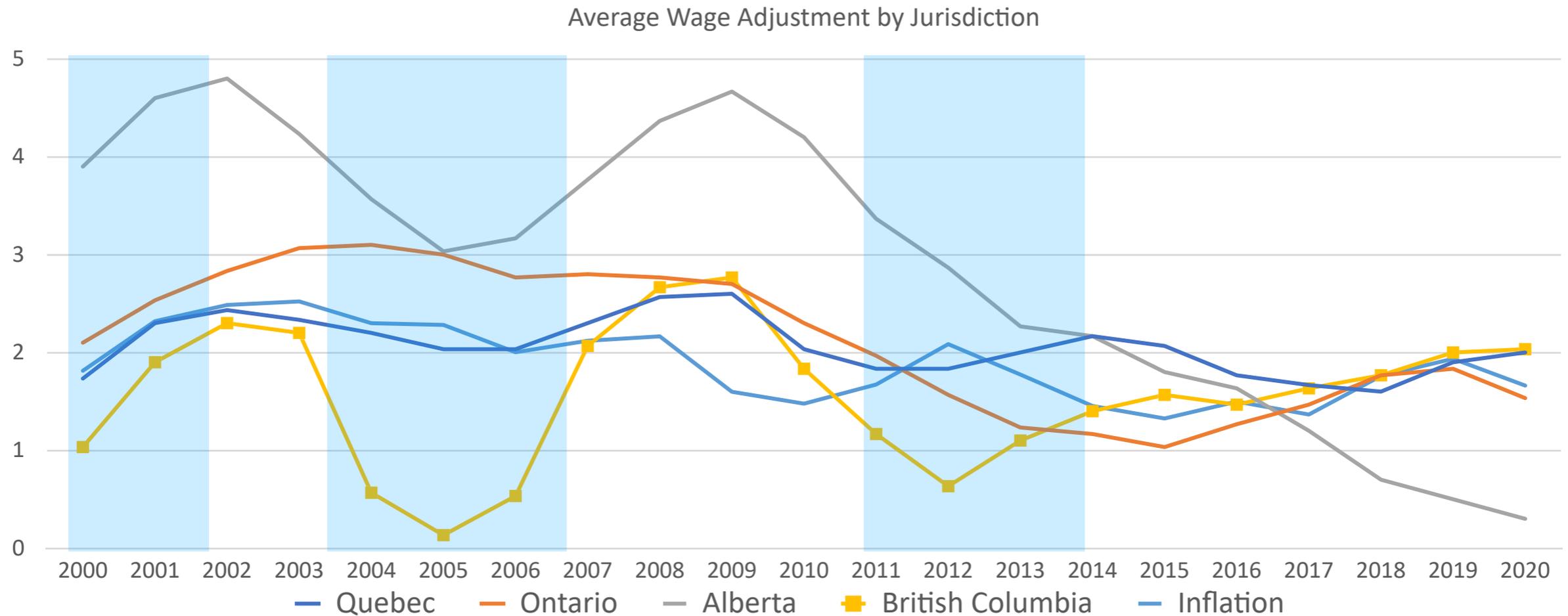
- What is the solution? The historical data seem to give some hope, showing that in the past, average wages in Canada were able to track along with inflation, even when inflation exceeded 5%.
- But the situation is not so promising when we dig further into the data to reveal differences between provinces.

Differences between provinces



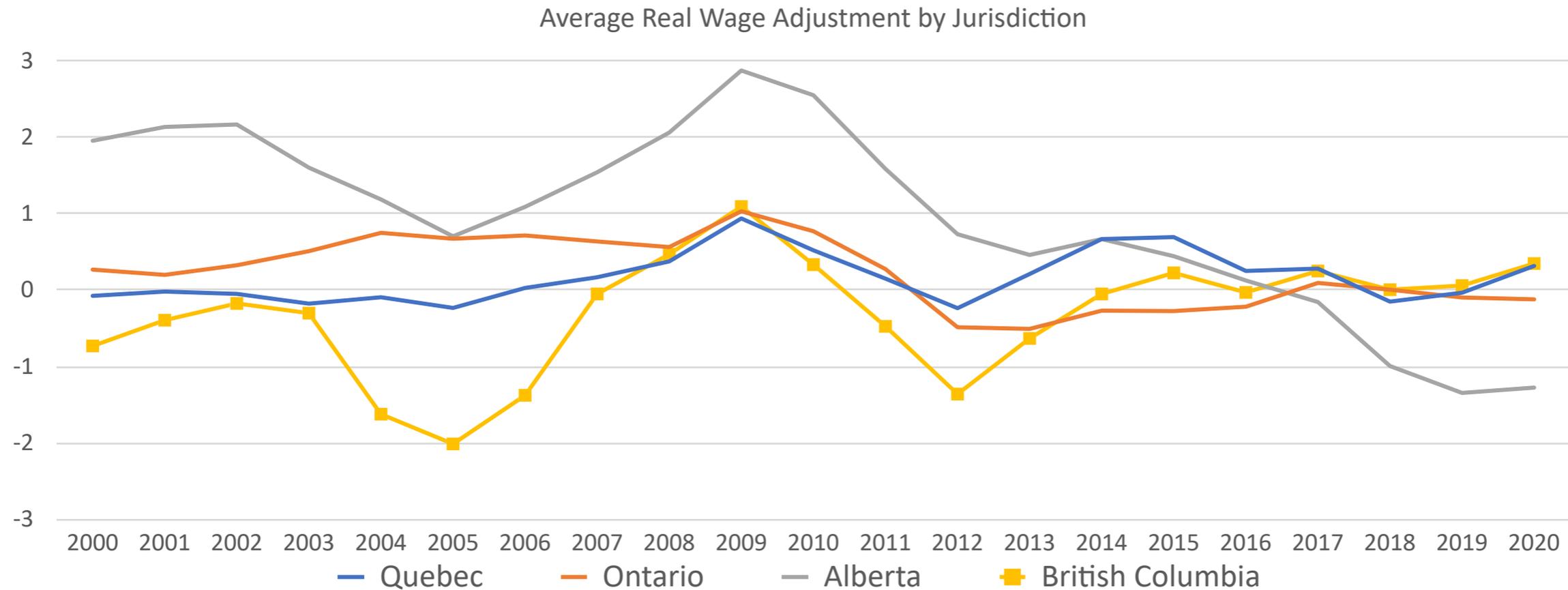
- While wages may have kept pace with inflation at the national level, in British Columbia they have fallen woefully behind.
- This has led to significant periods in which the real % change (nominal % change minus inflation rate) was significantly negative.

Differences between provinces



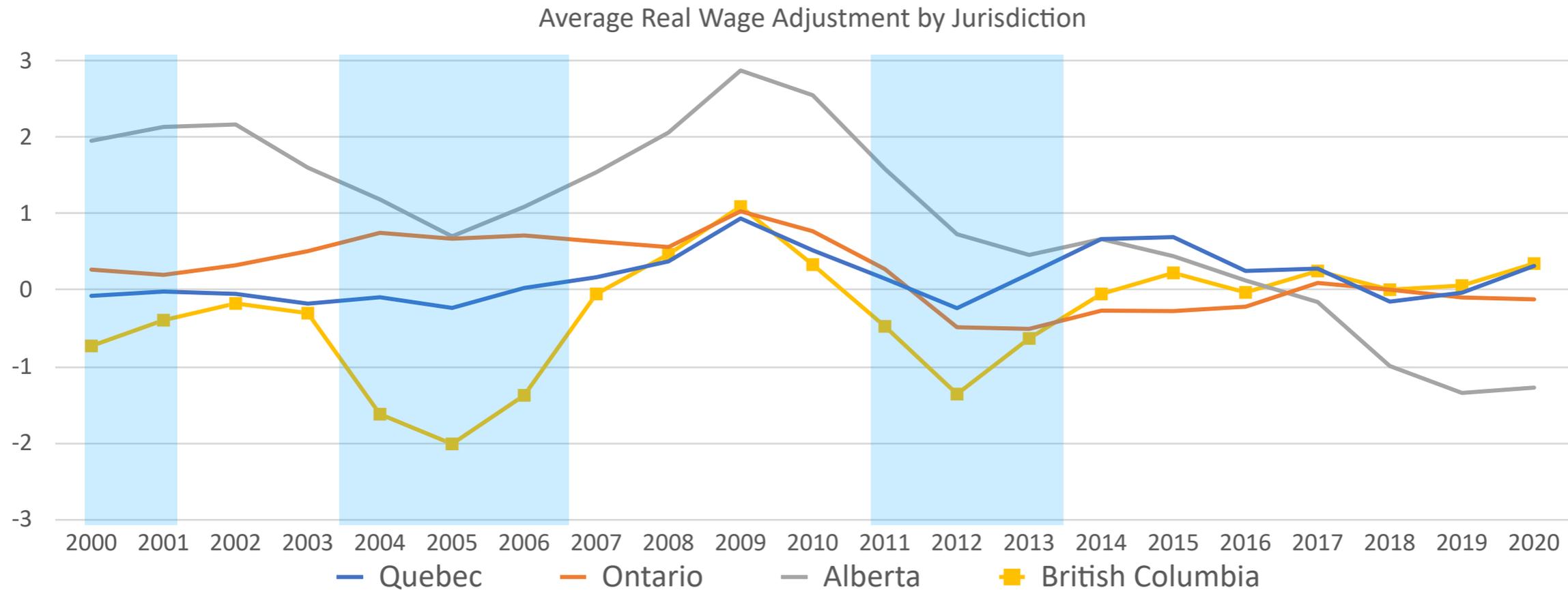
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Real wages by province



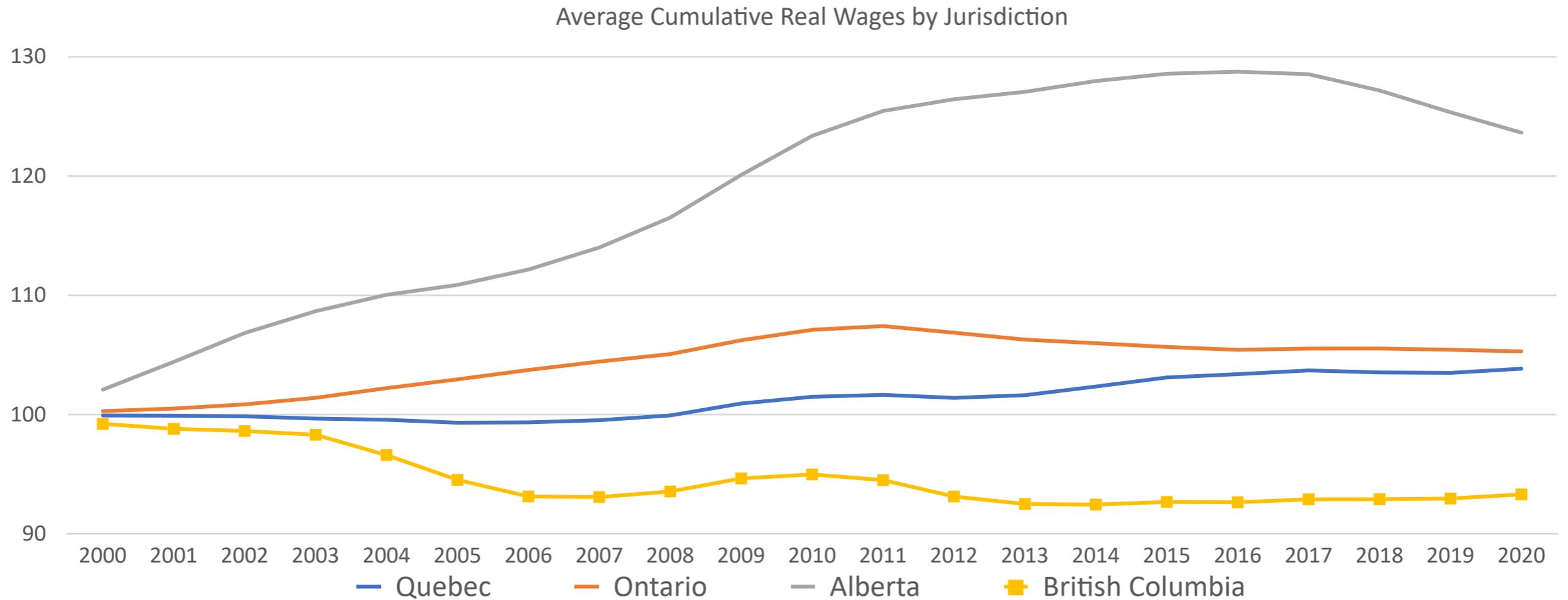
- This can be seen more clearly by subtracting the inflation rate from the rate of wage increase to reveal the real wage increase.

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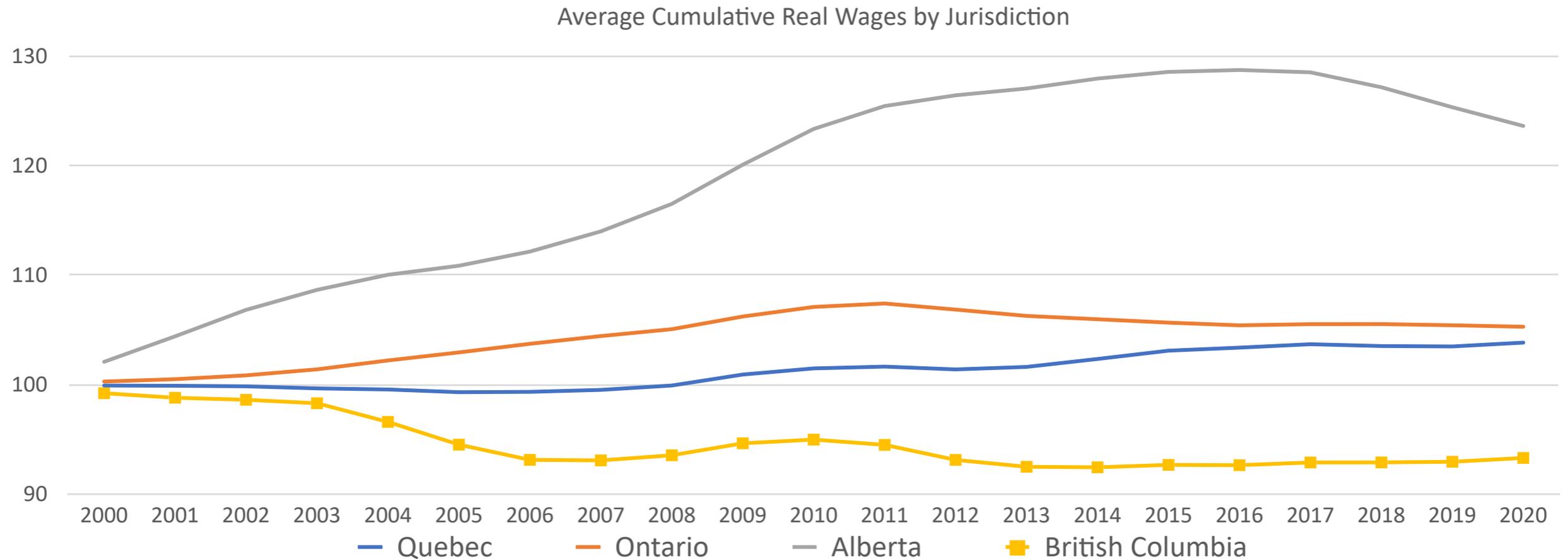
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Cumulative wages by province



- By compounding the wage increases over time, we see the long-term effect.
- The cumulative effect of not keeping up with inflation is drastic, with a permanent suppression of real wages.

Effect on pensions



pension $\approx 2\% \times$ years of service \times **highest average salary**

- The BCCPP pension has inflation indexing, but your *initial* pension in retirement, on which everything else is based, is determined by the salary at the end of your career.
- That is, the most important inflation indexing occurs while you are still working!

Why is BC the outlier?

- The reason for the dire situation here is that British Columbia has PSEC – the Public Sector Employers’ Council – a government entity, with no basis in legislation, that nevertheless imposes strict mandates on how much salaries can be increased to compensate for inflation.
- As the data showed, PSEC has been spectacularly successful in suppressing wages in British Columbia, compared to inflation and to the rest of the country. If past form continues into the current era of out-of-control inflation, we may unfortunately be poised on the brink of an erosion of real wages that is much more serious than anything we have previously seen.

What can be done?

- Questions must be asked about the validity of the PSEC mandate in the post-secondary sector, given that government sources now account for less than half of SFU funding and that, even during the pandemic era, the university has been able to post annual surpluses in excess of \$50M.
- Secondly, it must become clear that post-secondary salary scales cannot be shielded indefinitely from market forces, when knowledge workers have never been in higher demand throughout the economy.
- Finally, universities like SFU can and should consider seriously the impact of falling real salaries, refocus budgets on the core work of the university and the people who support it, and insist that universities can and do have the autonomy to make these decisions without government interference.

Sector roundup

- Our current contract expires on June 30, 2022, but remains in force until a new contract is bargained and ratified.
- Bargaining is currently underway at various tables across the province.
- No official PSEC mandate has been published, but sources suggest sub-2% per year, for three years. This is obviously incompatible with inflation.
- BCGEU, a large union that bargains early and has historically set the tone for the rest of the province, has indicated that cost of living must be taken into account, and that anything less will not be acceptable.
- The university sector has been slow to start bargaining, with employers preferring to wait for an official mandate.

Bargaining at SFU

- Our bargaining team has been meeting now for over 6 months, and is highly cohesive, experienced and focussed.
- The bargaining advisory committee has met several times and provided very useful input.
- Member outreach is ongoing, with more member events planned.
- A bargaining survey will go out shortly, to even better define member priorities – please fill this in.