Inflation, Bargaining and the Impact of Restrictive Mandates

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Inflation bargaining and the impact of restrictive mandates

The return of increased inflation now threatens continued labour stability in BC's public school system. As such it places in question a system of labour negotiations that has allowed the provincial government to constrain public school settlement costs while diverting funds to the financing of other school system priorities.

Inflation

The Covid-19 pandemic, through all of its successive waves, has produced massive disruption to the global economy. Supply chains that had evolved in accordance with 'just-in-time" inventory models proved themselves less than robust at dealing with such disruption. Across the developed capitalist world, state responses to the pandemic centred on an infusion of massive new liquidity into domestic markets in efforts to sustain purchasing power. Much of this money found its way into asset and property markets. And the spring 2022 escalation of the war in the Ukraine has, by disrupting international trade and investment flows, injected further pressure on prices.

In the two decades running from 2001-2021, consumer price increases in BC averaged 1.7% per year.[1] Yet, already, by the final five years in this period, price increases were gathering real momentum, restrained only temporarily by the economic impact of Covid in 2020. By March of 2022, monthly inflation rates in BC had reached the 6.0% mark and were showing signs of continuous increase.

Public school labour negotiations

A mandate-governed system of wage and salary negotiations has institutionalized relative labour peace in the public schools for much of the past decade and a half. BC's mandate system has its origins in a 1993 report which recommended creation of an overarching provincial agency to administer bargaining of public sector agreements in line with provincial priorities and fiscal means. Since then, mandate bargaining has been updated and deployed by successive provincial governments. No public sector union of any size has successfully broken through mandate-governed restrictions on wage and salary increases since the time of the system's inception.

The so-called "Olympic round" of bargaining (covering the period 2006-10) was the last that saw labour poised to exercise real power in the face of a booming provincial economy and significant shortages in labour supply. However, for various reasons, the labour movement failed to leverage this potential and ended up with extremely conservative settlements, both in terms

[1] Statistics Canada. Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted. Https://doi.org/10.25318/1810000501-eng (Downloaded 4/1/22 and 4/20/22)

of what they delivered to members as well as their financial impact on government. Completed in this manner, the Olympic round effectively set the template for the mandates that were to follow.

Since 2005 public sector mandates have centred on securing union acquiescence to modest general wage increases coupled with a variable mix of labour supply and benefit-related initiatives. These included:

- Targeted increases directed to trades workers and other technical staff within bargaining units where employers experienced problems in "attracting and retaining" workers within the larger labour marketplace,[2]
- Training and qualification initiatives to redress specific constraints affecting labour supply,
- Focused efforts to rationalize and contain costs associated with various pension and benefit plans.

Unlike in the province of Quebec, public sector unions in BC have never confronted provincial mandates in a collective fashion, choosing rather to "go it alone" on a union-by-union basis. Successful efforts to secure restrictive settlements were directed by the Public Sector Employers' Council (PSEC) via sectoral employer associations like the BC Public School Employers' Association (BCPSEA.)

Of all public sector unions, the BCTF has clearly shown the most pluck in challenging PSEC mandates. Following a major provincial teacher work stoppage in 2005 – backed directly by unionized support staff – teachers' last provincial job action came in 2016. But neither of these actions conferred a significant benefit in terms of increased salary outcomes for teachers.

The recent history of negotiated public-school wage and salary outcomes – shown in the following table – confirms this. The data in this table does not represent a full costing of contract settlements but rather a more limited attempt to tabulate broadly reported wage and salary increases negotiated by the respective unions, and to map these increases in relation to applicable PSEC negotiating mandates.

Table 1: BCTF and CUPE settlement increases matched to PSEC mandates [3]

Date	Teachers	Support Staff	PSEC Bargaining Mandate
7/1/06	2.50%	2.10%	Olympic round (4 year)
7/1/07	2.50%	2.10%	
7/1/08	2.50%	2.10%	
7/1/09	2.50%	2.10%	
7/1/10	2.00%	0.00%	Net zero (2 year)

[2] These increases worked to erode a decades-old pattern of pay equity in both the health and education sectors.
[3] Compiled from a range of collective agreements and publicly-available reports, including those provided by the BC Public School Employers' Association. (https://bcpsea.bc.ca/)

Date (continued)	Teachers	Support Staff	PSEC Bargaining Mandate
7/1/11	0.00%	0.00%	
7/1/12	0.00%	0.00%	Co-operative gains (3 year)
7/1/13	0.00%	1.00%	
2/1/14	-	2.00%	
5/1/14	-	0.50%	
7/1/14	2.00%	-	
1/1/15	1.25%	-	
7/1/15	-	1.00%	Economic Stability (4 year)
7/1/16	1.00%	0.50%	
5/1/17	-	1.00%	
7/1/17	0.50%	0.50%	
5/1/18	1.00%	1.00%	
7/1/18	0.50%	0.50%	
5/1/19	1.00%	1.00%	
Economic stability dividend increases (4 in total)	1.96%	1.96%	
7/1/19	2.00% + .5%[4]	2.00%	Sustainable Services (3 year)
7/1/20	2.00%	2.00%	
7/1/21	2.00%	2.00%	
End of period (6/30/22)			
16-year total for the period ending June, 2022 (compounded)	**26.5%**	**23.6%**	
Increase in BC CPI over 16 years (estimated forward to June, 2022)	**32.4%** [5]		

[4] The BCTF received a 1% lift to salary maxima under the Sustainable Services agreement, immediately benefiting a little over half of teacher members. (Data from BC Ministry of Education, *Legacy Teachers Statistics, 1990/91 to 2016/17* shows that in the latter year, 56 per cent of BC teachers had ten or more years of teaching experience putting these teachers at salary maximum. For this reason, the 1% lift to salary maxima in 2019 is costed at half value or .5%. Data downloaded from https://catalogue.data.gov.bc.ca/dataset/bc-schools-teacher-statistics on March 19, 2022)

[5] The calculation assumes the annual BC inflation rate of 6.0% recorded for March, 2022 continues to the end of June 2022. June of 2022 is the terminus date for current teacher and support staff collective agreements. Historical price data series are from Statistics Canada. [Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted]() and Statistics Canada Daily, April 20, 2022, (https://www150.statcan.gc.ca/n1/daily-quotidien/220420/dq220420a-eng.htm).

As can be seen, both teachers and support staff have negotiated very limited increases over the period in question. Indeed, both groups have, under the auspices of the "Net Zero" and "Co-operative Gains" mandates, had to endure three years with no increase at all. The cumulative impact of this has been telling, this despite prevailing low rates of price inflation over the period under review. By the end of this coming June teacher salary levels will lag overall inflation since mid-2006 by 5.9 percentage points (using mid-2006 as a base). For CUPE support staff, the lag in wage growth is greater – a total of 8.8 percentage points using the same base period. Taking account of the way year-to-year increases are compounded, this means that teachers would need a 4.7% increase in the current bargaining round just to get back to where real salaries were in 2006. CUPE support staff requires an even larger 7.1% hike. And these increases would have to be in addition to any negotiated wage or salary increase for the period of the coming collective agreements.

Effects of mandate-restricted wages & salaries

As the preceding table confirms, mandate-restricted contract negotiations have had a direct and significant impact in lowering the real wages and salaries of those working within BC's public school system. Reduced system costs have, in turn, allowed provincial governments to allocate reduced financial resources to the K-12 sector. Expressed as a percentage of provincial Gross Domestic Product (GDP), spending on public schools continued its long downward slide during the period in question, reaching a low point of 1.7% of GDP by the year 2021. Ten years earlier in 2011 spending had registered 2.1% of GDP and ten years before that 2.8%. Were BC to be spending at a rate commensurate with the percentage level found a decade ago, there would be $2.0 billion more annually in board budgets; if spending were at the rate found in 2001, this figure rises to an astounding $4.3 billion in additional money.[6]

Another major effect of the decline in real wages and salaries has been a significant reallocation of internal shares of public-school budget spending. The following table tracks relative spending shares by Ministry of Education-defined "Expenditure Object" at five-year intervals over the past two decades.

[6] A more extended data series tracking spending and GDP can be found in Dan Laitsch, Larry Kuehn and John Malcolmson, "Critical Response to "A Short History of K-12 Public School Spending in British Columbia"," *Canadian Journal of Educational Administration and Policy*, 198, 8-15.

Table 2: Percentage shares of audited public school spending by major expenditure object[7]

Expenditure Object	2000/01	2005/06	2010/11	2015/16	2020/21	Change over 20 years
Teachers' salaries	47.6%	44.9%	45.9%	44.0%	43.6%	-4.1% pts.
Principals'& vice-principals' salaries	5.7%	5.5%	5.3%	5.2%	5.9%	+0.2% pts.
Support staff wages (total)	16.4%	16.7%	15.7%	16.1%	17.0%	+0.6% pts.
- Educ. assistants	5.3%	6.3%	6.4%	6.9%	7.9%	+2.6% pts.
- Other support staff	11.1%	10.4%	9.3%	9.2%	9.1%	-2.1% pts.
Other professionals' salaries	2.2%	2.3%	2.3%	2.4%	2.9%	+0.6% pts.
Substitute wages/salaries	2.6%	2.8%	3.1%	3.1%	2.9%	+0.3% pts.
Benefits costs	14.0%	14.9%	16.9%	18.2%	17.7%	+3.7% pts.
Services & supplies costs	11.3%	13.0%	10.8%	11.0%	10.0%	-1.4% pts.
Total spending (audited)	100.0%	100.0%	100.0%	100.0%	100.0%	

The province's 50,000+ teachers have seen a near-secular drop-off in budgetary allocations directed to their salaries. This is a direct product of mandate-reduced bargaining outcomes together with layoffs of staff concentrated in the special education system, layoffs that have yet to be fully repaired as per an historic court decision reversing the legislative stripping of contract provisions affecting class size and composition. The result is a relative share of spending plumbing ever-deepening lows over the

[7] Calculated from BC Ministry of Education, Revenue and Expenditure Information, Tables 23 & 24 (various years). (https://www2.gov.bc.ca/gov/content/education-training/k-12/administration/resource-management/school-district-financial-reporting/revenue-expenditure-tables. Data for just the past six years can be found on the above Ministry of Education website. Most recent data accessed March 19, 2022).

the entire period this measure has been calculated.

Principals and vice-principals, while representing a much smaller expenditure category, have a relatively constant percentage share although some growth was registered in the final five-year period.

The share accorded Other Professionals – primarily board-based administrative and business officials – has risen by a significant amount over a similar period, this despite the relatively small size of this group. The same applies to overall spending shares directed to Supplies and Services.

On the other side CUPE – representing most of the more than 31,000 support staff in schools – has seen an increase in the share of spending allocated to education assistant wages, driven by the expanding role EAs play in the provincial special education system. At the same time, the increased share devoted to EAs has been largely offset by a significant decline in reported wage spending on other categories of school support staff – clerical workers, custodial staff, transportation, maintenance and trades workers, and central office technicians – as boards of education sought out and administered reductions in staffing levels and other “efficiencies.” The net effect for school support workers has been muted – their overall percentage share of spending has averaged 16.2% of total audited spending with the final year coming in at 17.0%.

Substitute and replacement worker costs have also trended upwards over the period in question, although costs had tapered slightly by the 2020/21 year (perhaps as a reflection of the impact of Covid).

A significantly rising share for benefit costs reflects both changes in and improvements to the areas of pension coverage along with health & welfare plans. Key here has been a full rollout of benefits such as Long-Term Disability to school sector staff and changes to pension coverage. Another factor driving increased spending has been prices for key inputs in the benefit area rising at rates higher than those found with overall levels of provincial funding support.

The overall pattern reflected in the above figures points to different provincial governments being able to finance both labour supply initiatives as well as pension and benefit modernization out of savings realized through the successful imposition of labour settlement restrictions across the public school sector. Whether this pattern continues will depend on whether unions representing teachers and support staff allow it in negotiations this time around.

Current bargaining context

BCTF has been largely silent in terms of public statements on the current bargaining round. This is a posture that will surely evolve as bargaining progresses closer to the contract end date of June 30th and as pressure mounts for a settlement in anticipation of the fall, 2022 re-opening of schools. In the case of support staff, CUPE has recently announced a recess in negotiations. This likely reflects a perception that the provincial government's bargaining mandate is not yet "fixed" and that further negotiations at the present time (early April, 2022) would likely go in circles.

At the same time, BC's government has been preoccupied with other cost and spending pressures. BC's economic recovery program received a high profile in the most recent provincial budget, coming as it has in the wake of COVID-19 shutdowns as well as last year's climate-related disasters. And mounting costs associated with transportation initiatives and megaprojects like Site C dam construction will certainly produce an ever-mounting draw on provincial finances in the coming period. Nothing here augurs well for the continued success of restrictive negotiating mandates affecting school workers, particularly as BC moves further into a period of mounting and sustained inflation.

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