

IN THE MATTER OF IMPLEMENTATION OF THE  
OCTOBER 20, 2005 INDUSTRIAL INQUIRY COMMISSION  
RECOMMENDATION TO  
RESOLVE A COLLECTIVE BARGAINING DISPUTE

BETWEEN:

BC PUBLIC SCHOOL EMPLOYERS' ASSOCIATION

(the "Employer" or "BCPSEA")

AND:

BC TEACHERS' FEDERATION

(the "Union" or "BCTF")

(Harmonization of Salary Grids)

**INTERIM AWARD**

ARBITRATOR:

Vincent L. Ready

COUNSEL:

Ron Christensen for  
the BCPSEA

Jinny Sims for  
the BCTF

WRITTEN SUBMISSIONS:

April 21, 2006

PUBLISHED:

June 1, 2006

## **BACKGROUND**

The parties to this dispute disagree about how to implement the recommendations of the Industrial Inquiry Commission (“IIC”) and facilitator of October 20, 2005 with respect to harmonization (“the Recommendations”). The relevant passage of the Recommendations reads as follows:

I recommend that Government commit to fund \$40 million towards harmonization of salary grids throughout the province. The parties will meet within 60 days of the return to work, in order to determine the application of the money for the purposes of this recommendation. In the event that any matters remain outstanding as of March 31, 2006, including the effective date, either party may refer the difference to the IIC for a binding resolution. The effective date will be after the end of the current fiscal year and before the expiry of the present collective agreement.

The present salary provisions in the parties’ Collective Agreement consist of a grid for each school district (and more than one grid for certain amalgamated school districts). The *columns* of the grids, called “categories”, differentiate levels of education. The *rows* (labeled ‘zero’ to a number between 7 and 12, with the length of the scale depending on the category and the school district) differentiate years of experience. The rows from zero to  $n$  are known as levels, and the numbers from 1 to  $n$  are known as steps. Thus a category with 12 levels would have a start rate and 11 steps. The top left corner of all the grids contains the salary cell for teachers with the least education and the least teaching experience, while the bottom right column contains the salary cell for teachers with the most education and experience.

The grids vary from school district to school district in numerous ways. Most have categories 3, 4, 5, 5+ and 6. One has a category 2, some have additional intermediary categories between 4 and 6, and some have another category above 6. The number of years of experience required to get to the top of the category varies from district to district, and sometimes also from category to category within a district. In addition, the bottom and top rates are

often different between districts, even where the number of steps is the same for the same category. (Sometimes these differences are due to what is in effect isolation pay, or there is some other rational basis for the distinction. In other cases, the differences have no apparent rationale, and are a carryover from bargaining exigencies in the period when salaries were bargained locally.) Finally, even where the rates for top and bottom steps in a category are similar between districts with the same number of steps in a category, the rates for intermediate steps can vary as the result of different size salary increments.

Harmonization is defined in the *New Shorter Oxford Dictionary* (Third Edition) as “the action or process of bringing into harmony or agreement; reconciliation, standardization”. Harmonization in the present situation should mean making the various salary grids more similar to each other, perhaps subject to an agreed differential for districts where there is a need for higher salaries to recognize particular difficulties in attracting and retaining teachers.

The parties have agreed on certain principles for “the application of the [harmonization] money”, but they disagree on others.

They agree that:

1. No salary grid will be lengthened as a result of Salary Harmonization (i.e., there will be no increase in the number of steps to maximum).
2. No salary grid will decrease as a result of Salary Harmonization (i.e., superior rates will remain unaffected by the Salary Harmonization Recommendations).
3. The implementation of Salary Harmonization Recommendations cannot cost more than \$40 million on an annualized basis for the 2005-2006 school year.

I understand the second point to mean that the salary rate for any step of any category will not be reduced, even if that results in an anomalous rate within a new grid structure. I understand the third point to mean that, if the

new grids had been in effect for the whole of the 2005-2006 school year, the cost would not have exceeded \$40 million.

(BCPSEA makes clear that its agreement on the first two points is in the context of seeking agreement, and that it views the present exercise as a “first step towards harmonized salary grids in the Province”.)

The two points on which the parties disagree are significant. In the absence of resolution, they bring the process of applying the \$40 million to a dead halt. These issues are:

1. *Can the costs of present harmonization measures exceed \$40 million in future years?* BCPSEA says “the recommendations can only be read as imposing a maximum \$40 million annualized funding commitment on the part of Government”, in this and future years. The Union, on the other hand, believes the intention of the recommendation is to “harmonize the salary grids, to the greatest extent possible with the \$40 million available, within the specified timeframe [April 1, 2006 to June 30 2006]”, regardless of the downstream impact. Nowhere in the recommendation is there mention of any dampening effect on harmonization that future costing might incur”.
2. *Is the \$40 million intended to include the effect of salary increases on wage-impacted benefits?* BCPSEA estimates the wage impact of salary increases as 13.4%, and says “there is no rational basis to exclude these real costs from the parties’ calculations”. BCTF doesn’t quarrel with the factor for wage impacting, but it “rejects the assertion...that the \$40 million dedicated to harmonization of salary grids should include any consideration of benefit costs”.

A final point to be decided is the effective date. As noted above, “the effective date will be after the end of the current fiscal year and before the expiry of the present collective agreement” – in other words, sometime from

April 1, 2006 and June 30, 2006. BCTF urges me to adopt April 1. BCPSEA expresses no preference (and notes its concern that the school districts be funded for whatever date is chosen).

### **DECISION ON DIFFERENCES OF APPROACH**

I start my analysis with an example of a single category in a theoretical school district, in order to explore costing issues and principles.

In the example in *Table 1* below, a grid with 11 levels – zero plus 10 steps – is reduced by one level. In this example, the reduction was achieved simply by eliminating the bottom rate, so that everyone except those at the top moved to the next higher rate – while retaining the step of the same label. For example, if a teacher were at step 3 on the old scale, he or she would stay at step 3 (until his/her next anniversary date), but his/her rate would be 4.7% higher. Note that on the new scale the people on step 9 would now be at the same rate as those on step 10, so the separate designation for step 10 would disappear (although it is retained in the table for ease of calculation). The new step 9 would have 31.6 FTEs: 7.4 FTEs plus 24.2 from the former step 10.

The same number of FTEs was used for the “before” and “after” calculation. In projecting the budgetary impact for future years, the school district secretary-treasurer might do it differently, trying to predict “real life” by moving the numbers of FTEs at each level in the base year ahead to the next level for the following year, adjusting the numbers to account for estimated attrition and the estimated experience level of new hires. It is possible (but not certain) that his or her estimate might be closer to reality than using the same numbers over again for next year – and so on into the future for longer range budget projections. But this approach is not practical (and is subject to manipulation) when applied on a sectoral scale. As a result, the dominant costing convention, for both employers and unions, is to use the distribution of employees in the base year for each subsequent year. (This is sometimes called the “snap shot” approach.) In that way, costing can determine the impact of a

change to rates as a single variable – distinct from the impact of other factors, such as attrition and replacement, downsizing or increasing staff, and so forth.

*Table 1*

Column 1 is a list of designated *levels*, consisting of zero and 10 *steps*. These describe years of experience. Column 2 provides the number of full-time equivalents at each level – often not whole numbers, reflecting the large numbers of part-time teachers. Column 3 is the annual salaries before the reduction in the number of levels. Column 4 is the product of Column 2 (FTEs) times Column 3 (the “current scale”). Column 5 is the new salary scale after the grid reduction. Except for level 10, each level on the new scale is equal to the next higher level on the “current scale” in Column 3. (Note: Although not reflected in the table, the 24.2 FTEs in the new “level 10” row are simply part of the new level 9. In other words the new top rate is level 9, with 31.6 FTEs.) Column 6 is the product of Column 2 (FTEs) times Column 5 (the new rates).

<b>Level</b>	<b>FTEs</b>	<b>Current Scale</b>	<b>Cost</b>	<b>New Scale</b>	<b>Cost</b>	<b>% Increase</b>
0	4.9	\$39,580	\$193,942	\$41,740	\$204,527	5.5%
1	4.6	\$41,740	\$189,918	\$43,901	\$199,747	5.2%
2	3.9	\$43,901	\$171,212	\$46,062	\$179,641	4.9%
3	4.3	\$46,062	\$198,066	\$48,222	\$207,355	4.7%
4	11.7	\$48,222	\$564,198	\$50,382	\$589,473	4.5%
5	8.4	\$50,382	\$423,212	\$52,544	\$441,367	4.3%
6	12.7	\$52,544	\$667,304	\$54,704	\$694,739	4.1%
7	8.7	\$54,704	\$475,924	\$56,864	\$494,718	3.9%
8	9.3	\$56,864	\$528,836	\$59,025	\$548,937	3.8%
9	7.4	\$59,025	\$436,788	\$61,186	\$452,774	3.7%
10	24.2	\$61,186	\$1,480,694	\$61,186	\$1,480,694	0.0%
<b>Totals</b>	<b>100.1</b>		<b>\$5,330,095</b>		<b>\$5,493,973</b>	<b>3.1%</b>

With that background, I now turn to the position of the parties on the first of the above two issues in dispute. The BCTF made a proposal that resulted in decreasing most of the grids in the province not by a single level (as in the above example), but by several levels. The immediate cost impact would have been much greater than \$40 million – if the union had proposed that its members go immediately to the new step with the same label. To deal with that problem, the Union proposed a transitional measure, whereby people would go to a step that provided a low or even no increase in the short term.

To explain the effect of that proposal, let's consider the same hypothetical school district with the same distribution of teachers on the various levels of the grid as in Table 1. The following table (*Table 2*) shows the impact of an immediate implementation of a reduction of several grids. (Note: This example is meant to show the costing principles involved, and is not an example from an actual proposal of the BCTF.)

*Table 2*

<b>Level</b>	<b>FTEs</b>	<b>Current Scale</b>	<b>Cost</b>	<b>New Scale</b>	<b>Cost</b>	<b>% Increase</b>
0	4.9	\$39,580	\$193,942	\$46,062	\$225,703	16.4%
1	4.6	\$41,740	\$189,918	\$48,222	\$219,410	15.5%
2	3.9	\$43,901	\$171,212	\$50,382	\$196,491	14.8%
3	4.3	\$46,062	\$198,066	\$52,544	\$225,938	14.1%
4	11.7	\$48,222	\$564,198	\$54,704	\$640,036	13.4%
5	8.4	\$50,382	\$423,212	\$56,864	\$477,659	12.9%
6	12.7	\$52,544	\$667,304	\$59,025	\$749,623	12.3%
7	8.7	\$54,704	\$475,924	\$61,186	\$532,316	11.8%
8	9.3	\$56,864	\$528,836	\$61,186	\$569,027	7.6%
9	7.4	\$59,025	\$436,788	\$61,186	\$452,774	3.7%
10	24.2	\$61,186	\$1,480,694	\$61,186	\$1,480,694	0.0%
<b>Totals</b>	<b>100.1</b>		<b>\$5,330,095</b>		<b>\$5,769,670</b>	
				<b>Increase</b>	<b>\$439,575</b>	<b>8.2%</b>

The total cost in this hypothetical situation has risen from approximately \$164,000 in Table 1 to about \$440,000 in Table 2. However, the parties don't necessarily have to face the fiscal music in the first year. It would be easy for them to cushion the *immediate* impact of the change by implementing transitional measures. For example, if the FTEs in our Table 2 example stayed at the same *rate* (or, in the case of the three lowest categories, moved only to the \$46,062 rate), and changed their *level number*, instead of the other way around, the immediate cost would be much lower. Only the three lowest categories would get increases, and these would total just \$59,853 – much less than the cost of the single level of reduction in Table 1!

The only trouble is that sooner or later, the fully implemented new grid structure would cost the amount shown in Table 2: \$439,575. How soon would depend on the other features of the transitional measures.

Again, remembering this is a hypothetical example: if the government had agreed to fund a certain amount (say \$170,000) towards reducing the number of steps in that school district's grid, would the Union be entitled to introduce an eight level grid as per Table 2, with transitional provisions that – in the year of implementation only – kept the annualized cost below the amount committed by Government (and in subsequent years escalated to 2.6 times the agreed amount)?

Moving from the hypothetical to the practical issue before me: In my Recommendations as facilitator and IIC, I recommended that Government accept a commitment of funding \$40 million towards harmonization. I intended that this sum (almost 2% of total salaries) would go into the cost base for teachers' salaries, to be paid again every year as part of a more harmonized salary structure. However, I did not intend Government to be committed to fund amounts beyond the \$40 million per annum – certainly not amounts that



would increase year after year until transitional measures work their way out of the system and the full brunt of the increase (apparently over twice \$40 million) is realized.

I note the Union's concern that, if the ultimate cost is constrained to \$40 million, any transitional measures mean that the value in the first year to employees collectively would be less than \$40 million. The solution to that problem is to implement the new structure immediately, without transitional measures. In that way the immediate cost and the ultimate cost will be the same.

By way of summary of this issue: The parties must use standard costing methodology, which keeps the FTE data constant (i.e., the same FTE numbers and distribution as the base year) over time. Neither the first year cost nor the ultimate (fully implemented) cost of any grid restructuring can exceed \$40 million.

The next issue is whether the effect of wage-impacted benefits should be considered. Again, Government's commitment is to fund \$40 million towards harmonization. The impact on certain benefits is an inescapable part of the cost of harmonization. Consequently, I direct the parties to include the effect of salary increases on the cost of wage-impacted benefits as part of the \$40 million.

#### **OTHER DECISIONS AND DIRECTIONS**

I believe that the parties are in the best position to determine the priorities for application of the harmonization money, within the parameters of the principles set out above. However, I provide the following decisions and directions to facilitate their efforts.

1. The effective date of the harmonization changes must be sometime "after the end of the current fiscal year and before the expiry of the present Collective

Agreement". Despite the potential range of effective dates from April 1 to June 30, the recommendation for \$40 million towards harmonization is widely understood as costing \$40 million in the first fiscal year onward. If the effective date were later than April 1, however, the cost in the 2006-07 fiscal year would be less than \$40 million – \$10 million less in the case of a June 1 effective date. I believe that the date of April 1, 2006 is most consistent with the expectations of all parties, and I so award.

2. The BCTF wants to eliminate categories 2 and 3, moving all incumbents in the eliminated categories into category 4. There is agreement between the parties on eliminating category 2, but BCPSEA opposes the elimination of category 3 on the basis that there are about 500 FTEs in the latter category (whereas there is only a miniscule number of FTEs in category 2). BCPSEA says also that the existence of category 3 provides an economic incentive to its incumbents to obtain further education in order to qualify for category 4.

I agree here with the position of the BCTF. Even though most school districts have a category 3, the number in that category is still small relative to the other prevailing categories. The next smallest of these (category 4) has over six times the number of FTEs as category 3. The cost of eliminating both categories under category 4 is apparently less than \$2 million. I believe that the elimination of those categories will contribute to the simplification and ultimate harmonization of the grid structures.

3. The parties apparently agree on a formula to establish the levels for category 5+ (namely, category 5 rates plus .74 times the difference between category 6 rates and category 5 rates). In grids where current 5+ salaries are above the rates that would be produced by this formula, the current salaries will remain in effect. The .74 formula provides a very significant increase for many incumbents of category 5+, but the concept is consistent with the goal of standardization, and I so award. The parties now need to address standardized criteria for placement into the 5+ category.

4. The BCTF has proposed a minimum increase of \$250 for all maximum steps that do not otherwise get an increase of at least \$250. This expenditure would not further the goal of harmonization, and I do not award it.

Similarly, unless there are exceptional circumstances, categories other than 4, 5, 5+ and 6 should not receive any adjustment from the harmonization money. In some cases – where no incumbent would be adversely affected – it may be appropriate to eliminate non-standard categories altogether. In other cases, the rate or rates could be retained by way of a letter of understanding (particularly where there is only one or a small number of incumbents at a single step of a non-standard grid) rather than as part of the grid structure.

5. The expenditures required by the changes set out in item 2 above (i.e., eliminating categories 2 and 3) and in item 3 above (i.e., standardizing the internal relationship for category 5+ rates) still leave the biggest part of the \$40 million unexpended. I recommend that the parties approach the use of the remainder of the money in two ways:

- By reducing the number of steps in the longer scales. For categories 5, 5+ or 6 there should be no scale with more than 12 levels (11 steps). Category 4 scales should have no more than 11 levels (10 steps).

There are two main ways to reduce a grid by one level: either (1) by eliminating the bottom rate and shifting each of the remaining rows up one level – as per Table 1 above; or (2) by maintaining the bottom and top rates, and creating new intermediate steps. The second method costs less money to implement than the first. It may be possible within the available money to reduce the scales for all categories to standardize at 11 levels (10 steps) by using the second method. (It may also be possible within the available

money to use the first method for category 4 and the second method for the remaining categories – but the effect of mixing methods in that manner would be to diminish the gap between categories 4 and 5.)

Following the above exercise for reducing the number of grid levels:

- By adding a certain amount (say \$900) to the annual salaries at the top or bottom levels (or the top *and* bottom levels) where either (or both) is (are) beneath the provincial average. (For greater clarity, the provincial average top and bottom rates should be *weighted* averages, so that the true averages aren't skewed by a number of small school districts with high rates.) After adjusting the top and/or bottom rates, the rates in between will need to be adjusted to avoid both compression at the bottom and spreading at the top.

In determining the appropriate adjustment amount, the parties need to consider (in addition, of course, to the amount available) the impact on inter-district salary relationships. *Any* amount will tend to narrow the salary differential between urban school districts and more isolated ones. It may be that a premium for attraction and retention should be recognized as legitimate within the ultimate harmonization scheme. These are matters for the parties to discuss and determine, not only as part of this harmonization exercise but also in broader bargaining.

I urge the parties to consider the decisions, directions and observations in this interim award, and seek agreement on the disposition of the \$40 million. I remained seized of all matters pertaining to the Recommendations in the event that the parties are unable to agree.

It is important for the parties to note that I will require comprehensive costing, according to the costing principles set out in this decision, for any package of agreed or proposed measures.

Dated at the City of Vancouver in the Province of British Columbia this 1<sup>st</sup> day of June, 2006.

*Vincent L. Ready*

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Vincent L. Ready