
# SALARY ISSUE
## SALARY GAP IN THE QUÉBEC PUBLIC SERVICES: THE CONSEQUENCES OF VARIOUS TYPES OF INCREASES

Centrale des syndicats du Québec

## An extensive history of reducing wage inequality

Throughout Québec's public sector's negotiations history, establishing greater equity between the different employment groups has been a key objective of the central labour bodies' wage demands. This goal was manifested in the fight against the systemic discrimination of women via pay equity claims or claims for improved recognition of the value of jobs through salary relativity exercises or flat-rate increases.

Since the first common front in 1972, huge advancements have been made to reduce the gap between the lowest and highest salary paid for a public sector job. In 1971, the maximum salary for an engineer was 4.14 times higher than the salary of a maintenance attendant (light duty). On April 2, 2019, this ratio will be 2.33 (See figure 1).

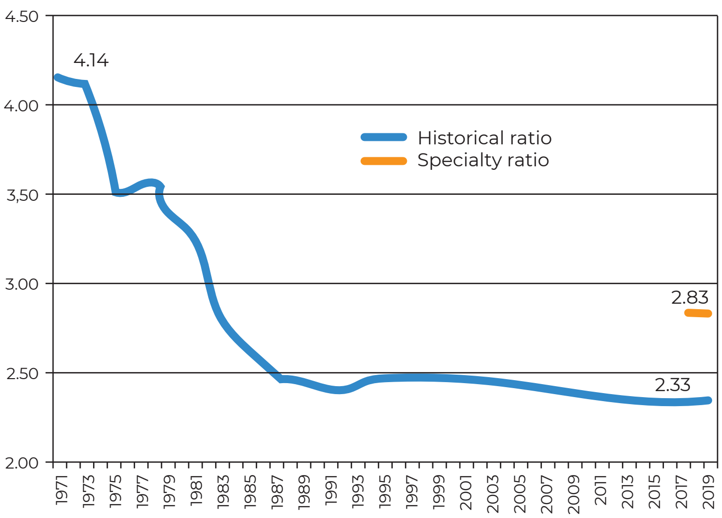


Fig. 1 - *Historical evolution of the ratio between the Québec public sector's highest salary and lowest salary*

These historical comparisons reflect several wage inequality reduction events:

- 1970s: minimum wage - $100 per week in 1972 and $165 in 1975;
- Between 1979 and 1981: flat-rate enrichment factor and adjustments associated to salary relativity;
- 1982: a government decree abolishes the top of the salary structure; class 1 is eliminated from the professional levels, thereby decreasing the maximum attainable salary;
- 1985 and 1986: a flat-rate enrichment factor is applied;
- Beginning of the 1990s: relativity exercises and the addition of three levels for professionals, slightly increasing the gap;
- 2006 to 2012: pay equity exercises.

In the past few years, we have witnessed, in the public sector, a recognition of specialties via the creation of professions requiring higher levels of education and responsibility (e.g. specialized nurse practitioners or psychologists with doctoral degrees). Specialization has increased the public sector's salary cap. Therefore, the true, real gap between the maximum attainable salary for a nurse practitioner and a maintenance attendant is 2.83. Given the recentness of these jobs, we cannot compare them to the situation in the 1970s.

Globally, we note a significant decrease in the gap between the highest and the lowest paid employees in the Quebec public sector over the last 40 years.


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## Type of wage increases and their consequences on the gap

As shown in the next two graphs, applying percentage increases will maintain the relative gap (ratio of the highest to lowest salary), while the difference in nominal dollars will increase. In the example illustrated in figure 2, salaries go from $20 and $40 to $30 and $60 after twelve increases. The highest is always double the other, but there is a $30 gap between them instead of the initial $20 gap.

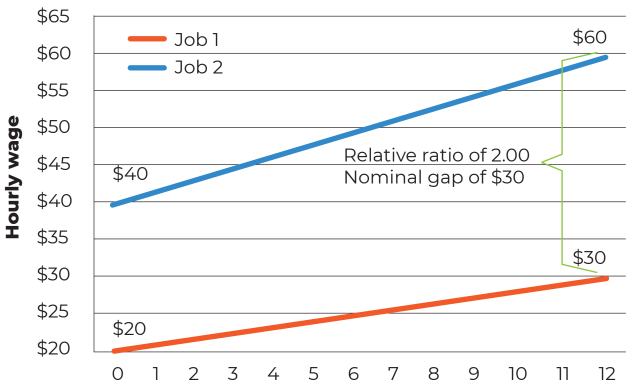


Fig. 2 - *Salary evolution with % increases (3.4% per year)*

Conversely, a flat-rate increase will stabilize the dollar difference, but reduce the relative gap. As shown in figure 3, after twelve wage increases, the salaries stand at $36 and $56. The $20 difference remains, although the relative gap decreased to 1.55.

As the gap between salaries is measured in relative terms (ratio), it would be wrong to say that percentage increases deepen the inequalities between the salaries of different jobs. On the other hand, flat-rate increases represent an efficient way to reduce the relative gaps.

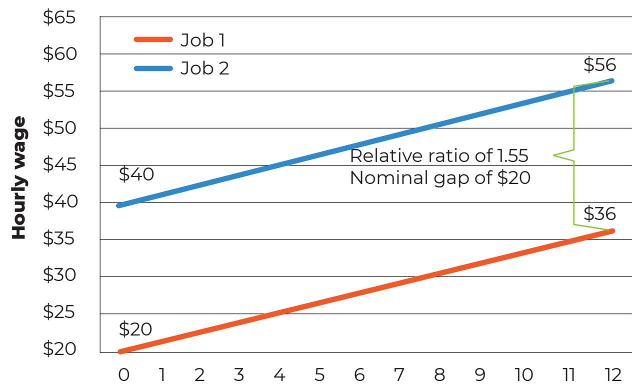


Fig. 3 - *Salary evolution with flat-rate increases ($1.36 per year)*

## Why are the gaps measured in relative terms?

The current practice in labour economics is to compare salaries using relative ratio:

- The gap between women and men = average salary for women/average salary for men;
- The ratio between employees and managers = average salary for managers/average salary for company employees;
- The public sector salary gap = average salary for Quebec public services/average salary for other sectors.

This practice is applied for both philosophical reasons — depending on the social context[1], wealth is a relative notion — and for technical reasons, discussed further.

## Inflation influences as a percentage

The rising cost of living — inflation — affects the available revenue as a percentage and not as a fixed amount. Therefore, if inflation is 1.5%, the entire revenue loses 1.5% of its real value. To protect the salaries' purchasing power, we must attempt to make them evolve at a pace that is equivalent to or above inflation. This pace is a percentage.[2]

Taking the example of the two previous graphs, table I shows the progression of real salaries adjusted to a 24% inflation rate over the period.


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**Table I**

Evolution of the purchasing power according to the type of the salary increases

| | Nominal salary | Salary adjusted for inflation | Real purchasing power gain |
|---|---|---|---|
| After 12 years of % increases | | | |
| $20 job | $30 | $22.50 | 13% |
| $40 job | $60 | $45 | 13% |
| After 12 years of flat-rate increases | | | |
| $20 job | $36 | $27 | 37% |
| $40 job | $56 | $43 | 7% |

In a context where inflation on commodities (food, transportation and clothing) is growing faster than that of other consumed products, it would be justifiable to increase low salaries more quickly. The lower the revenues, the greater the share that is dedicated to commodities.

However, recent studies offer no indication that an increase in the cost of living affects the poor more harshly.[3] Inflation eats away at all incomes at the same rate.

## A relative salary structure

Resulting from the pay equity exercises, the distribution of Québec's public service salaries is now controlled by an equation. This equation determines a base salary and adds a supplemental recognition salary in relation to the job rankings (see figure 4).

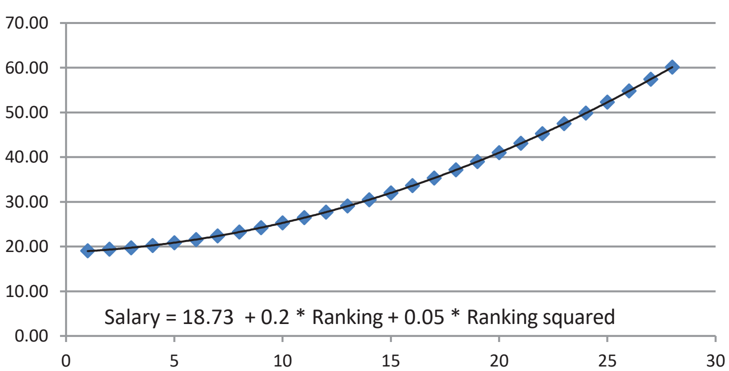


Fig. 4 - *2019 Salary equation*

Percentage increases mean that the base salary and the portion attributed according to the ranking, evolve at the same pace. This type of increase maintains the balance within the structure and the recognition offered by job rankings. A flat-rate increase raises the base salary and reduces the salary recognition associated with the ranking (see table II).

**Table II**

Evolution of the wage portion that is relative to the job level based on the type of increases applied

| | Nominal salary | base salary | Salary based on ranking | Portion related to ranking |
|---|---|---|---|---|
| After 12 years of % increases | | | | |
| $20 job (R4) | $30 | $29 | $1 | 3 % |
| $40 job (R20) | $60 | $29 | $31 | 52 % |
| After 12 years of flat-rate increases | | | | |
| $20 job (R4) | $36 | $35 | $1 | 3 % |
| $40 job (R20) | $56 | $35 | $21 | 37 % |

## Shaping salary distributions

As proven through the history of negotiations in the Québec public service sectors, we have the power to act on the distribution of salaries by adjusting the form of our demands. A percentage increase plays a key role when seeking to maintain a stable gap between the jobs and to preserve everyone's purchase power at the same level. Using a flat-rate increase reduces the gap between the higher and lower salaries or helps adjust the base salary attributed by the structure, when it is considered insufficient.

The form of the wage proposal may therefore be adjusted to the economic and social context, focusing on our members' current preoccupations. It is based on both technical evaluations and political orientations.

[1] Being poor in a developing country means earning less than $2 a day. In Québec, being poor means having an annual revenue of less than $20 000.
[2] This logic explains why the claims for flat-rate increases are solely applied to the share of increases that exceeded inflation (referred to as "collective enrichment").
[3] JODOIN, M. (2016). « L'inflation selon les quintiles de revenus des ménages », *Jeanne Émard*, [Blogue] (April 29 ). [jeanneemard.wordpress.com/2016/07/02/linflation-selon-les-quintiles-de-revenus-des-menages/].

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