

## PSAC gave up severance to save jobs: president

Union under fire for making concession In return, it negotiated bigger wage increase; increased payouts for existing workers and some improved severance for laid-off workers.

BY KATHRYN MAY, THE OTTAWA CITIZEN    OCTOBER 25, 2010

Canada's largest and most militant federal union agreed to give up severance pay in a deal with the Harper government to help minimize job losses in the public service, says its president.

The Public Service Alliance of Canada has been under fire for making an unprecedented concession when it struck a three-year, 5.3-per-cent wage deal with the government that included giving up severance pay for public servants when they retire or leave. The tentative deal has yet to be voted on by the union's members.

But PSAC president John Gordon said the surrender of severance isn't a concession, but a tradeoff the union made to help minimize possible job losses.

"It was a tradeoff and we got additional money that immediately goes onto salaries and is pensionable," he said. "So they may not be accumulating severance any more for when they retire but they're getting more in every pay cheque."

With an operating freeze, departments must absorb any increased costs, which the union fears could mean cutting jobs. By cutting an early deal, departments can plan with certainty around wage increases.

About 0.75 per cent of the 5.3 per cent wage increase would offset the loss of severance pay for voluntary departures.

The deal was also structured over three years to minimize the impact on departmental budgets so managers won't be pressured into job cuts.

The union negotiated a 1.5 per cent raise in each in the next three years with a gradual phase-in of the 0.75 per cent severance provision. Workers would get 0.25 per cent for severance in 2011, but the bigger slice of 0.5 per cent will come in 2013 after the freeze on operating budgets is lifted. PSAC hopes this will take some pressure off departments as they cope with the freeze.

As part of the tradeoff, PSAC also negotiated improved severance payouts for all existing workers, including term employees. All workers can keep the severance pay they've accumulated during their working years with several options to cash out.

Treasury Board has agreed to foot the bill for these payouts rather than make departments find the

money, which Gordon argues will also ease pressure for possible job cuts.

Gordon said the union also negotiated three options for severance payouts so people have the flexibility to cash out when they need it. It also won significant increases, on top of the 5.3-per-cent increase, for compensation advisors, firefighters, parole officers and ships crews.

PSAC's tentative agreement was reached during a round of 'expedited talks' initiated by Treasury Board before the union's contracts even expired.

Gordon said Treasury Board clearly wanted severance liabilities off their books and put it on the table from the start.

He said there were so many uncertainties hanging over the public service that PSAC decided to accept Treasury invitation for early talks. A rocky economy, drive to cut the deficit, a possible election, and a government that doesn't like big government combine to ratchet up fear and pressure to cut jobs in the public service.

PSAC could have said no and stuck to its regular round of bargaining when contracts expire next year. That means it could have dragged into 2012 and departments would have to come with a big chunk of retroactive pay. The government could also impose whatever it wants with legislation.

PSAC could have said no and stuck to its regular round of bargaining when contracts expire next year. The government, however, could have forced a deal with budget legislation -- as it did two years ago.

"We were looking at many things and we believe we made the best judgment under the circumstances and only time will tell if we moved in the right direction at the right time," said Gordon.

The writing was also on the wall that severance for voluntary departures were numbered.

Severance hit the Harper government's radar over the furor when 1,250 Ontario bureaucrats were paid up to \$25 million in severance when they left and transferred to Canada Revenue Agency to handle the HST. Few other workers enjoy such benefits.

The union estimates severance pay costs the government about 1.3 per cent of the yearly \$30-billion payroll.

The loss of severance has been highly divisive among unions and workers -- depending on the age, years of service and even the occupation of workers.

The number of people who retire and can collect the maximum 30-week is shrinking. The days of people joining the public service out of high school are long gone. Many join in their 30's or mid career and others come and go after a few years.

The union figures workers' personal situations will determine how they vote for the deal. Some will grab the payouts and others protest the move as selling off future workers for 0.75 per cent.

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#### The Severance Proposal

#### Wage Increase

PSAC gave up severance in exchange for an extra .75-per-cent-wage increase. This means the accumulation of severance stops for existing and new employees.

#### Increased Payouts

PSAC negotiated that all workers, including terms, would receive one week's pay for each year they have worked. Currently, workers with less than 10 years receive nothing and those with between 10 and 26 years are entitled to half a week for every year worked.

#### Three Options for Payouts

Cash out severance accumulated immediately at today's rate of pay; keep it and cash out upon retirement at future pay rate; cash out some now and the rest when they retire or leave.

#### Severance for Layoffs and Involuntary Departures Continues

Severance pay continues for public servants who leave because of layoff, death, incapacity or incompetence. The proposed deal would improve severance with seniority. Workers laid-off with more than 10 years of service will now get three weeks of pay, instead of two, for the first year of service and a week for every year after that. Those with more than 20 years will now get four weeks for the first year and a week for every year after that.

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