

# LOU 14: Economic Stability Dividend

## ❖ Overview

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This LOU establishes how and when Economic Stability Dividends will be calculated. This language reflects a government initiative and nearly identical language has been introduced across the public sector.

## ❖ Letter of Understanding No. 14 Re: Economic Stability Dividend

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### *Definitions*

#### *1. In this Letter of Agreement:*

*“Collective agreement year” means each twelve (12) month period commencing on the first day of the renewed collective agreement. For example, the collective agreement year for a collective agreement that commences on April 1, 2014 is April 1, 2014 to March 31, 2015 and each period from April 1 to March 31 for the term of the collective agreement.*

*“Economic Forecast Council” means the Economic Forecast Council appointed under s. 4 of the Budget Transparency and Accountability Act, [S.B.C. 2000] c. 23;*

*“Forecast GDP” means the average forecast for British Columbia’s real GDP growth made by the Economic Forecast Council and as reported in the annual February budget of the government;*

*“Fiscal year” means the fiscal year of the government as defined in the Financial Administration Act [1996 S.B.C.] c. 138 as ‘the period from April 1 in one year to March 31 in the next year’;*

*“Calendar year” Is a twelve (12) month period starting January 1st and ending December 31st of the same year based upon the Gregorian calendar.*

*“GDP” or “Gross Domestic Product” for the purposes of this LOA means the expenditure side value of all goods and services produced in British Columbia for a given year as stated in the BC Economic Accounts;*

*“GWI” or “General Wage Increase” means a general wage increase resulting from the formula set out in this LOA and applied as a percentage increase to*

*all wage rates in the collective agreement on the first pay day after the commencement of the eleventh (11th) month in a collective agreement year;*

*“Real GDP” means the GDP for the previous fiscal year expressed in constant dollars and adjusted for inflation produced by Statistics Canada’s Provincial and Territorial Gross Domestic Product by Income and by Expenditure Accounts (also known as the provincial and territorial economic accounts) and published as “Real Gross Domestic Product at Market Prices” currently in November of each year.*

#### *The Economic Stability Dividend*

*2. The Economic Stability Dividend shares the benefits of economic growth between employees in the public sector and the Province contingent on growth in BC’s real GDP.*

*3. Employees will receive a general wage increase (GWI) equal to one-half (1/2) of any percentage gain in real GDP above the forecast of the Economic Forecast Council for the relevant calendar year.*

*4. For greater clarity and as an example only, if real GDP were one percent (1%) above forecast real GDP then employees would be entitled to a GWI of one-half of one percent (0.5%).*

#### *Annual Calculation and publication of the Economic Stability Dividend*

*5. The Economic Stability Dividend will be calculated on an annual basis by the Minister of Finance for each collective agreement year commencing in 2015/16 to 2018/2019 and published through the PSEC Secretariat.*

*6. The timing in each calendar year will be as follows:*

- (i) February Budget – Forecast GDP for the upcoming calendar year;*
- (ii) November of the following calendar year – Real GDP published for the previous calendar year;*
- (iii) November - Calculation by the Minister of Finance of fifty percent (50%) of the difference between the Forecast GDP and the Real GDP for the previous calendar year;*
- (iv) Advice from the PSEC Secretariat to employers’ associations, employers and unions of the percentage allowable General Wage Increase, if any, for each bargaining unit or group with authorization to employers to implement the Economic Growth Dividend.*

*7. For greater clarity and as an example only:*

*For collective agreement year 3 (2016/17):*

- (i) February 2015 – Forecast GDP for calendar 2015;
- (ii) November 2016 – Real GDP published for calendar 2015;
- (iii) November 2016 - Calculation of the fifty percent (50%) of the difference between the 2015 Forecast GDP and the 2015 Real GDP by the Minister of Finance through the PSEC Secretariat;
- (iv) Direction from the PSEC Secretariat to employers' associations, employers and unions of the percentage allowable General Wage Increase, if any, for each bargaining unit or group with authorization to employers to implement the Economic Growth Dividend
- (v) Payment will be made concurrent with the General Wage Increases on the first pay period after respectively May, 1, 2016, May 1, 2017, May 1, 2018 and May 1, 2019.

#### *Availability of the Economic Stability Dividend*

8. The Economic Stability Dividend will be provided for each of the following collective agreement years: 2015/16 (based on 2014 GDP); 2016/17 (based on 2015 GDP); 2017/18 (based on 2016 GDP); and, 2018/19 (based on 2017 GDP).

#### *Allowable Method of Payment of the Economic Stability Dividend*

9. Employers must apply the Economic Stability Dividend as a percentage increase only on collective agreements wage rates and for no other purpose or form.

*Original signed by:*

*Peter Cameron  
For BCPSEA*

*Jim Iker  
For BCTF*

## ❖ Implementation

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In the event that an Economic Stability Dividend (ESD) is confirmed by the Minister of Finance, the amount of the ESD will be communicated to the PSEC Secretariat and BCPSEA will issue a bulletin to school districts upon receipt of the information from the PSEC Secretariat.

The May 1, 2016 ESD was 0.45%. The May 2, 2017 ESD was 0.35%.