



# Costing Collective Bargaining

## Part 1: A Framework for Costing Bargaining Proposals

# CAUT Series on Costing

- Part 1: A Framework for Costing Bargaining Proposals
  - Thursday, February 27 at 1pm EST
- Part 2: Identifying Elements of Compensation & Collecting Information about Costs
  - Thursday, March 5 at 1pm EST
- Part 3: Calculating Costs & Building the Base Year Model
  - Thursday, March 12 at 1pm EST
- Part 4: Costing During Negotiations
  - Thursday, March 19 at 1pm EST



# Part 1 Agenda

1. Why cost?
2. Basic framework
3. Core costing concepts
4. Total compensation
5. Operational assumptions & costing projections



# Why Cost?

1. Financial literacy skills associated with costing essential for managing bargaining priorities and maximizing the value of academic labour.
2. Changes in bargaining environment (e.g. activity-based budgeting)
  - Independent expertise regarding value of academic labour – not an acceptance of managerial responsibilities and mindsets.
  - Legislated constraints (e.g. Bill 124 in Ontario and 'net zero mandates in other jurisdictions)
3. Costing provides additional tools and strategies for ensuring equity across the academic workforce.
  - Objective and standardized tools for comparing value and impacts of different bargaining proposals on a diverse bargaining unit.



# Limitations of costing

1. **Costing is a tool** to support the union's leadership team and inform decision making. Costing does not replace the important and often difficult political decisions in bargaining.
2. **Costing projections are inherently imperfect.** Costing projections are built on certain assumptions which are subject to environmental changes and managerial counter-actions.
3. **Bargaining power**, not economically rational discussions regarding cost estimates determine negotiated outcomes. The best costing practices are no substitute for engaging members and building bargaining power.



# CAUT Costing Manual & Templates

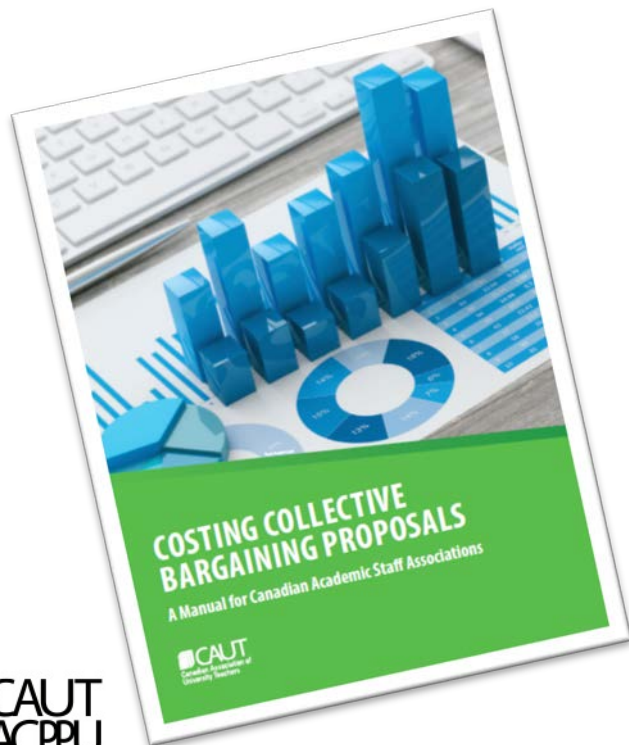


Figure 4 - Worksheet framework the costing template

Component of compensation:							
	Salary-related?	Units	Rate	Total annual costs	Average annual costs per FTE	Average course (credit) cost per FTE	% of base salaries
Item 1							
Item 2							

Summary for Category:				
	Total annual costs	Average annual costs per FTE	Average course (credit) cost per FTE	% of base salaries
Total salary-related costs				
Total non salary-related costs				
TOTAL COSTS OF ...				



# Acknowledgements

Adapts previous costing framework developed by Hickey, Chaykowski, and Sweeney.

Complex compensation structures and operational models in post-secondary sector.

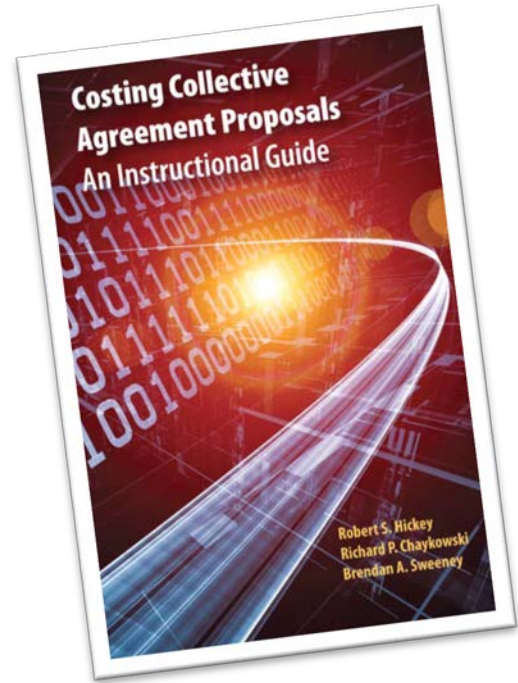
## Constructive feedback and inputs

CAUT Bargaining Reps

Pam Foster, CAUT

Leslie Jermyn, QUFA

Volunteer experts at faculty associations



Canadian Association of University Teachers  
Association canadienne des professeurs et professeurs d'université



# Modules on special costing topics

1. Costing academic salary models (e.g. PTR, merit, etc.)
2. Union rights to information
3. Cost impacts of salary-related benefits (roll-up costs)
4. Bargaining costs associated with faculty complement
5. Negotiating workload provisions
6. Costing paid and unpaid leaves
7. Costing employee rights (e.g. job security)
8. Costing new appointment types





# Basic Framework

## 12 Steps to Build a Base Year Model

1. **Comprehensive** – Total compensation  
(Not just salary)
2. **Standardized** - Expression of costs  
(Cost per FTE per course)
3. **Balanced** – Complexity and agility  
(The Art & Science of costing)

### Base Year Model

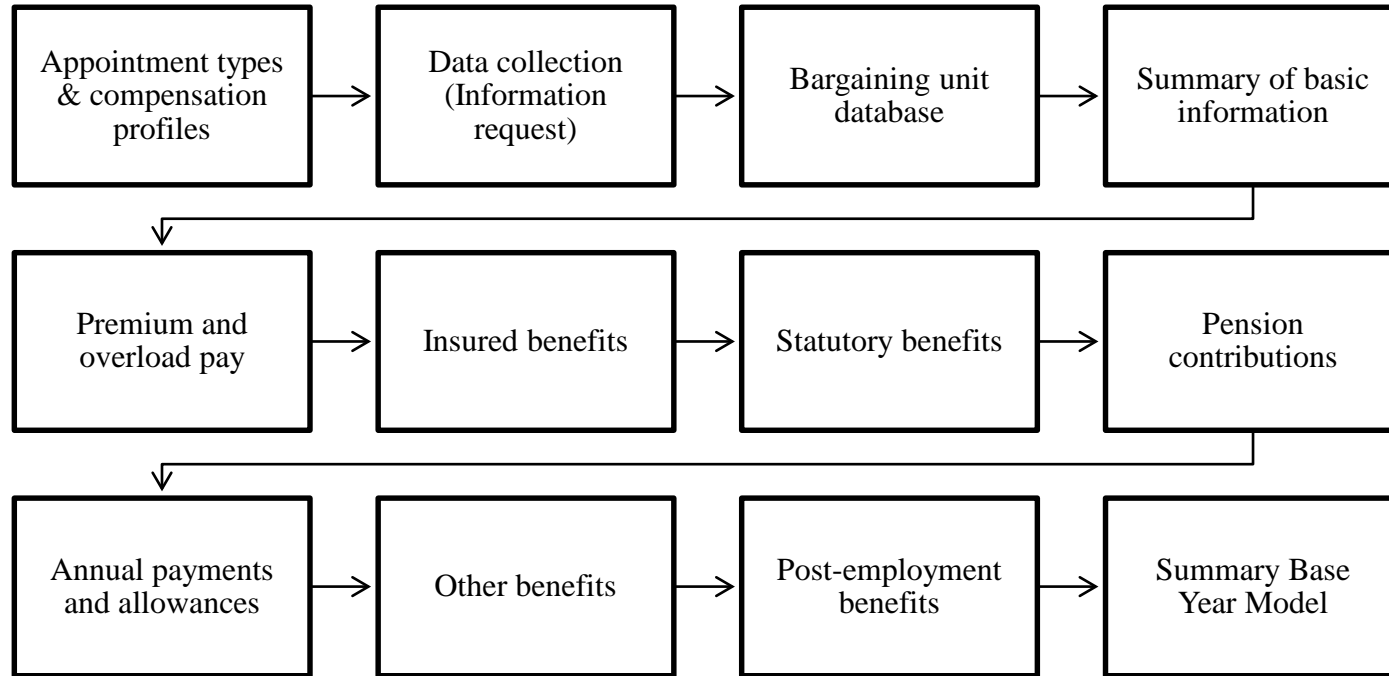
The base year model (see *Figure 2*) provides a summary of the total compensation structure of the bargaining unit. The costs are expressed in standardized formats to identify the average cost of each compensation category by FTE and the average cost per course by FTE.

*Figure 2: Step 12 - Summary base year model*

	Total annual costs	Average annual costs per FTE	Average course (credit) cost per FTE	% of base salaries	% of payroll
Base salary					
Base salary costs					
Premium pay					
Total salary-related costs					
Total non salary-related costs					
Insured benefits					
Total salary-related costs					
Total non salary-related costs					
Statutory benefits					
Total salary-related costs					
Total non salary-related costs					
Pension contributions					
Total salary-related costs					
Total non salary-related costs					
Payment & allowance costs					
Total salary-related costs					
Total non salary-related costs					
Other benefit costs					
Total salary-related costs					
Total non salary-related costs					
Post-employment benefit costs					
Total salary-related costs					
Total non salary-related costs					
TOTAL BASE SALARY COSTS					
Total salary-related costs					
Total non salary-related costs					
TOTAL BASE YEAR COSTS					



# Basic Framework – Costing Steps



# Core concepts for costing

## Base Year Model

- Detailed breakdown of compensation at a benchmark point in time
- Provides quick reference points to aggregate, individual, and special costing issues

## Salary-related benefits & Roll-up costs

- The costs of some benefits (e.g. pension) increase with salary enhancements
- 'Roll-up factor' provides a quick estimate of these costs

## Operational assumptions

- Recent experiences serve as predictor for near future operations
- How many (and what type) of academic staff

## Cash flow vs. End rate

- Cash flow reflects expenditures over time
- End rate reflects proportional costs of ongoing, structural change

## Maintenance of benefits

- Inflationary costs for the premiums of existing benefits

## Churn

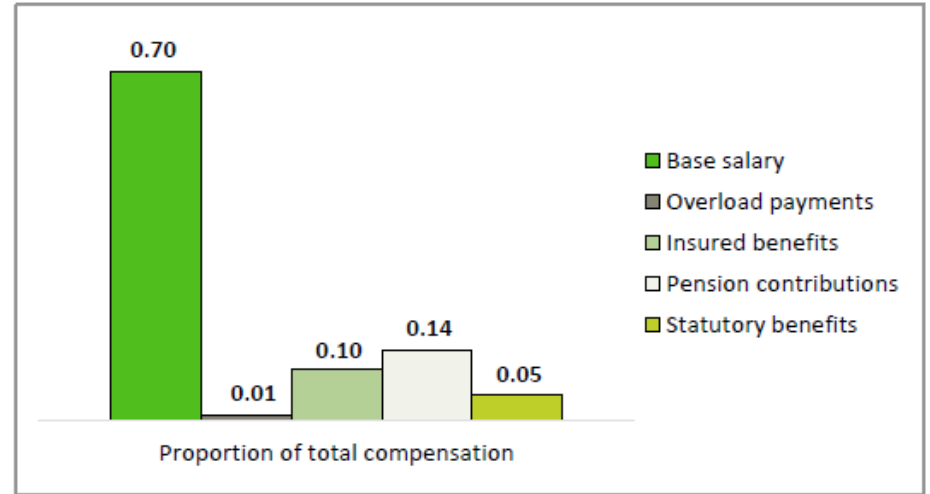
- Random changes to the composition of the bargaining unit



# Total compensation

- Salary + benefits = Total comp
- Interest arbitration decisions
- Characteristics of compensation
  - Salary
  - Salary-related
  - Non-salary-related
- Elements of compensation

*Figure 1: Example of total compensation breakdown*



# Operational assumptions

- Estimating future cost impacts of current bargaining proposals requires a broad range of assumptions about future university operations:
  - Composition of the bargaining unit next year
    - Academic staff on leave
    - Proportional distribution of appointment types
    - Retirements and new hires
  - University operations
    - Student enrolment
    - Course offerings
    - Research and service activities



# Focal Points for Costing Framework

- Costing framework constructs a benchmark Base Year Model
- The mathematics of costing is simple –identifying key assumptions (and gathering information) are the tricky bits.
- Collective agreement language focuses on benefits – costing focuses on costs
- Union objectives in costing distinct from management's
- Costing toolkit
  - Comprehensive
  - Systematic
  - Defensible
  - User-friendly (as much as possible)



# Next week – CAUT Costing Part 2

- Identifying elements of compensation
  - How to create a detailed profile of the compensation structure of academic staff
  - Give it a try and bring your questions and frustrations with you to the webinar next week.
- Collecting information about costs
  - “What information do we need in order to estimate the total annual cost for each component of compensation?”
  - “How do we get the information we need from the administration?”

