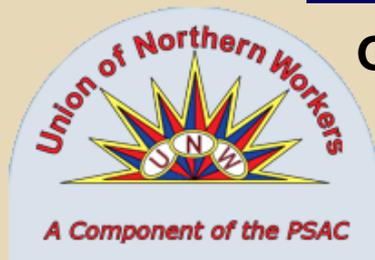




UNDERSTANDING THE NORTHERN ALLOWANCE



GNWT Workers Collective Bargaining Conference
July 2015



Alliance de la Fonction publique du Canada
Public Service Alliance of Canada

Outline

1. What is the Northern Allowance?
2. Components of Northern Allowance
3. Updating the Components
4. Methodological Issues
5. Summary



What is the Northern Allowance?

- Allowance paid to employees in NWT Communities to offset community differences in cost of living and travel;
- Forms part of the UNW-GNWT Collective Agreement;
- Rates for the base (Yellowknife) are set in bargaining based on Yellowknife costs;
- Rates for all other communities are set relative to Yellowknife based on cost data;
- Adjusted when required using Statistics Canada data.



Components of the Northern Allowance

Transportation Component

➤ Travel Factor

- Compensation relative to cost of return transportation by air and/or road between Yellowknife and Edmonton;
- Where no flights to Edmonton – return cost of driving to nearest community that has flights to Edmonton;
- Includes air surcharges and GST.



Components of the Northern Allowance

➤ Accessibility Factor

- Recognizes differences in road access for different communities;
- Looks at annual road accessibility, return road mileage from community to Edmonton;
- Accessibility > 50% - mileage x GNWT duty travel rate;
- Accessibility < 50% or 0% - additional travel factor (flight or mileage to nearest community airport servicing Edmonton).



Components of the Northern Allowance

Cost of Living Component

➤ Basket of Goods Factor

- Equalizes the cost of a basket of goods and services in communities relative to Yellowknife;
- Factor determined by two things: spending patterns in Yellowknife Survey of Household Spending (SHS) and cost of the basket of goods in Yellowknife;
- Basket items agreed to between GNWT and Union.



Components of the Northern Allowance

Cost of Living Component

➤ Basket of Goods Factor

BASKET OF GOODS

- Food purchased from stores;
- Household operation;
- Household furnishings and equipment;
- Operation of automobiles and trucks;
- Personal care;
- Recreation; and
- Clothing and footwear.



Components of the Northern Allowance

➤ Living Cost Differentials Factor (LCD)

- LCD calculated for communities every 4 years by Statistics Canada;
- Relationship between retail prices of goods and services in community to those in southern Canadian Base Cities;
- Difference is rebased (indexed) to Yellowknife prices;
- Value of the basket of goods and services in Yellowknife is adjusted by the LCD of the NWT community to determine the value there;
- If an adjustment to Yellowknife cost of living amount is negotiated, this amount is adjusted by each LCD and added to basket value to arrive at total cost of living amount.



Updating the Components

- Travel – airfares provided by Class H (or equivalent) by travel agency;
- Kilometric rates – updated per the GNWT Duty Travel rates;
- Accessibility – updated when road access changes (Dept. of Transportation);
- Basket of goods and services – updated by SHS (StatsCan);
- LCD values – updated by StatsCan or average annual Canadian CPI for each item in basket for years SHS not available.



Methodological Issues

Changes to component factors

- Changes to information and available services used to arrive at costs (e.g. SHS replaced with another survey);
- Changes to northern transportation marketplace (e.g. arrival of low-cost airlines in the north);

Limitation of Basket of Goods and Services

- Only goods and services chosen are measured;
- Only items measured are compensated for;
- Based on Yellowknife spending patterns;
- Everything indexed to Yellowknife;
- Changes to Yellowknife (base) must be negotiated.



Methodological Issues

Perceived Cost of Living vs Northern Allowance

Cost of Living

- Basket of goods and services does not contain all items members might purchase on a regular basis (e.g. fuel, electricity, liquor, tobacco, etc.);
- Members' own experience of living in north regarding spending habits and costs (lived reality) is often different from Northern Allowance cost of living based on statistical methodology;
- Time lag in obtaining data (StatsCan) to application to Northern Allowance rates;
- Allowance rates are not responsive to prices changes in real time;
- Intention of allowance is to offset increased cost of living outside of Yellowknife, not account for all real increases observed.



Summary

- Northern Allowance offsets some cost of living in NWT;
- Transportation and Cost of Living 2 main factors;
- All factor values arrived at by methodology, using Statistics Canada data;
- Can only negotiate changes to factors for the base location – Yellowknife;
- Methodology arrives at rates that are sometimes at odds with perceived real cost of living.

