

Labour Standards – Unionized Workplaces

Learning Objectives:

Upon completion of this chapter, you should be able to:

1. Describe the process of union certification
2. Describe the following and how they affect payroll in a unionized environment:
 - The collective agreement negotiation process
 - The administration of the collective agreement
 - Union deductions, taxability, year-end reporting

Communication Objectives:

Upon completion of this chapter, you should be able to describe the advantages of having payroll involved in the collective agreement negotiation process.

Chapter Contents

Introduction	6-3
Union Certification Process	6-4
Content Review	6-6
Review Questions	6-7
Collective Agreement	6-8
Content Review	6-10
Review Questions	6-11
Collective Agreement Negotiation Process	6-12
Content Review	6-16
Review Questions	6-17
Payroll's Role in the Negotiation Process	6-19
Content Review	6-23
Review Questions	6-24
Collective Agreement Administration	6-26
Types of Union Deductions	6-27
Content Review	6-29
Review Questions	6-30
Chapter Review Questions and Answers	6-31

Introduction

A **union** is a group of employees who join together to bargain with their employer about terms and conditions of work. Some of the most common compliance issues facing payroll professionals are those dealing with unionized workplaces. Payroll practitioners must understand the relationships that exist between employers, employees and the union. Rather than having a linear relationship between the employer and the employees that flows through the payroll professional, a unionized environment adds a level of complexity and a third party to many payroll tasks.

The percentage of the workforce that is unionized has been slowly declining over the past few years. The level of unionization in the public sector has remained relatively steady, hovering at 69.6%. Workers with private employers are less likely to be unionized (15.2% in 2014). In addition to differences between public and private sector workplaces, there are also regional differences in the labour market. Alberta is the least unionized province, whereas the provinces of Québec and Newfoundland and Labrador are the most unionized.

This topic can be examined from two perspectives:

- organizations that are not currently unionized
- organizations that are already unionized

Organizations that are not unionized should familiarize themselves with the legislation surrounding the union certification process to ensure compliance in this area, should their employees wish to unionize in the future.

In Canada, the certification process (or formation of a unionized group) is governed at the federal level by the Canada Labour Code Part I—Industrial Relations (the Code), and provincially/territorially by labour/industrial relations/trade union acts or codes. Labour legislation gives employees the right to form a union. Once a union is formed it is regulated to create a collective agreement between the employer and the employees.

Union Certification Process

If employees are seeking certification for the first time, or if employees are currently certified as a union but want to change to another union, an Application for Certification must be made to the appropriate Labour Relations Board. A Labour Relations Board is an administrative agency established by statute. The function of the Board is to regulate the relationship between employers and employees. Each jurisdiction in Canada has a Labour Relations Board.

First-time applications for certification can be made to the Board at any time. If the employees are already certified and the current collective agreement (union contract) covers a period of not more than three years, the Application for Certification must be made during the “open period”, which is the last three months of operation of the current collective agreement. If the existing agreement covers a period longer than three years, the agreement is said to be “open” in the last three months of the agreement’s third year of operation or the last three months of each subsequent year of operation.

To apply for certification, employees sign membership cards for the union and submit them to the Labour Relations Board with the completed Application for Certification form. Upon receipt of the application, the Labour Relations Board informs both the employer and the union. The Board also provides official notification of the application that must be posted in the workplace.

When an employer is notified that a trade union has made an Application for Certification, the employer cannot alter the rates of pay, the terms and conditions of employment or any other rights and privileges enjoyed by the employees from the date of the application until 30 days after certification have been granted or the application has been withdrawn. An employer cannot use intimidation, coercion, threats, promises, or undue influence to interfere with the certification of a union by employees.

Once notified, the employer submits a list of all employees and their signatures to the Labour Relations Board, to be used as verification of the authenticity of the original membership cards. Depending on the number of employees who signed cards as a percentage of the total employees eligible for inclusion in the certified group (bargaining unit), there may be a formal hearing to determine whether a formal vote by the employees is required. This happens where there is a narrow margin of employees who are in favour of the union.

Another reason for a formal hearing would be if there is contention as to whether or not certain employees belong in the bargaining unit, in particular supervisory staff, professional employees, or employees working with confidential information. Often these employees are excluded from the bargaining unit because they can influence policy and exercise a degree of control over other employees.

The certification process concludes with the Labour Relations Board either granting the employees union certification or rejecting their application. If the union is granted certification, then the collective bargaining process begins.

Content Review

- In Canada, the certification process (or formation of a unionized group) is governed at the federal level by the *Canada Labour Code Part I–Industrial Relations* (the *Code*) and provincially/territorially by labour/industrial relations/trade union acts or codes.
- If the employees are currently certified and want to change to another trade union, an Application for Certification must be made to the appropriate Labour Relations Board.
- To apply for certification, employees sign membership cards for the union and submit them to the Labour Relations Board with the Application for Certification form.
- When an employer is notified that a trade union has made an Application for Certification, the employer cannot alter the rates of pay, the terms and conditions of employment or any other rights and privileges enjoyed by the employees from the date of the application until 30 days after the certification is granted or the application has been withdrawn.
- An employer cannot use intimidation, coercion, threats, promises or undue influence to interfere with the certification of a union by employees.

Review Questions

1. What pieces of legislation govern the union certification process?
2. True or False. An employer can alter the terms and conditions of employment within two weeks of being notified that a trade union has made an Application for Certification.

Collective Agreement

Once the union certification process is complete, a collective agreement will be negotiated through a process called collective bargaining. If the workplace is already unionized, a collective agreement will be in place. The **collective agreement** is a formal, legally binding document that details the terms and conditions of employment between the employer or a group of employers and their employees who are members of a union.

In most jurisdictions, Labour Relations acts state that collective agreements must cover a period of at least one year. Normally they do not extend beyond three years, although there is no restriction on the number of years they may cover. While the duration of the agreement is fixed, amendments can be made during its term with the written approval of both parties.

The collective agreement typically begins with a union recognition clause that acknowledges the employer's recognition of the union as the sole and exclusive bargaining agent for the employees. This means that employees cannot negotiate individually but must go through their union.

The terms and conditions of employment detailed in a collective agreement are governed by the *Canada Labour Code Part I–Industrial Relations* (the *Code*) and provincial/territorial labour/industrial relations acts or codes. They usually include clauses on items such as:

- recognition of the union
- definition of terms used in the agreement
- scope of the agreement, including its length and the employees covered
- management rights
- reporting for work
- working conditions
- rates of pay
- hours of work
- overtime provisions
- shift differentials
- vacation and statutory holiday pay
- notice requirements for lay-offs
- maternity, paternity, bereavement and other leaves of absence
- seniority, breaks in service, recall
- clothing
- benefits
- job postings
- safety and health issues

- probationary employees
- sanctions and terminations
- grievances
- arbitration
- stewards
- check-off or deduction of union dues
- information to the union
- notices to employees
- duration of the collective agreement

Many of the items covered in a collective agreement are similar to those covered under provincial/territorial employment/labour standards. Typically, collective agreements provide employees with conditions that exceed employment/labour standards. These standards are minimum protections that are put in place to safeguard the entire workforce.

Content Review

- The collective agreement is a formal, legally binding document that details the terms and conditions of employment between the employer or a group of employers, and their employees who are members of a union.
- The terms and conditions of employment detailed in a collective agreement are governed by the *Canada Labour Code Part I–Industrial Relations* (the *Code*) and provincial/territorial labour/industrial relations acts or codes.
- Many of the items covered in a collective agreement are similar to those covered under provincial/territorial employment/labour standards.

3. What is a collective agreement?

- © National Payroll Institute – Payroll Compliance Legislation

Collective Agreement Negotiation Process

The negotiation process takes place so that the employer and the employees can produce the initial collective agreement or renew an existing agreement. The actual negotiations are carried out by the employer's labour relations experts and the union's negotiators.

Labour/industrial relations legislation requires that bargaining be conducted in good faith and that every reasonable effort must be made to reach a settlement that is satisfactory to both parties. It is important to recognize that, although the employer is usually represented by its labour relations experts and the employees are represented by their union's negotiators, the final ratification, or approval of the agreement, must be made by a majority vote of the organization's board of directors and a majority vote of the employees covered under the agreement.

Identifying the Negotiating Team

Once notice has been served for the bargaining of a new contract or the renewal of an existing contract, both management and the union will appoint spokespersons to represent them during the negotiation process at the bargaining table. These spokespersons are usually allowed to select whomever they choose as participants on their negotiating (or bargaining) teams. Members of the teams are selected to provide input to the negotiation process based on their specific areas of expertise. The spokesperson would also appoint a resource committee to work behind the scenes to both identify its proposals, and research and cost the other side's proposals.

Forming the Bargaining Agendas

Once the bargaining teams and the resource committees have been selected, the process of forming the bargaining agendas begins. Both management and the union will have identified potential changes and additions throughout the life of the existing contract. The identified changes and additions will form the basis of each side's bargaining agenda. The organization's negotiating team will solicit further proposals from management and supervisory staff to include in their agenda; similarly, the union's negotiating team will consult with the employees on further proposals to include in their agenda. Proposals are typically grouped into "housekeeping", "non-monetary" and "monetary" issues. Furthermore, both sides will establish bargaining strategies that will categorize their agenda issues as "must haves" and "nice to haves." There may also be items identified as "giveaways".

Some examples of "housekeeping", "non-monetary" and "monetary" issues may include:

- Housekeeping issues
 - items agreed to by both parties throughout the life of the current contract that are being added into the new contract
 - correction of typographical errors in the current contract
- Non-Monetary issues

- changing hours of work
 - changing shift sign-up procedures
- Monetary issues
 - increases which may be given as a percentage increase or a flat cent amount.
For example:
 - 1.5% added to the current base rate
 - \$0.30 per hour added to the current wage rate
 - benefit increases

In times of high inflation, there may be a request for a cost of living allowance (COLA). The cost of living allowance is an escalator clause that stipulates a periodic increase or decrease in wages during the term of the contract. It is based on a formula that is tied in with the Consumer Price Index (CPI). The Consumer Price Index measures the percentage change in the value of a constant of about 600 items of goods and services identified to represent the price movement in 175 basic goods and services classes from one month to another to help determine the purchasing power of our dollar i.e. the cost of living.

Exchanging Bargaining Agendas

The first meeting of the two negotiating teams generally serves to:

- introduce the participants
- establish bargaining protocols (especially confidentiality and press release issues)
- establish future meeting dates, times and locations

The parties may exchange their agendas and give an initial overview of their bargaining positions at the initial meeting, or they may wait for the exchange to take place at the next meeting. It is considered bargaining in bad faith to add other proposals after the agendas have been exchanged. Once the agendas have been exchanged, negotiating teams for the organization and the union will meet privately and evaluate the other party's proposals.

In most cases, the union's agenda contains considerably more proposals than management's. The union's agenda is sometimes referred to as the union's demands. Until recently, management's agenda had traditionally only consisted of housekeeping proposals and other minor changes to the current collective agreement. There is now a growing trend towards a more aggressive company bargaining position. By adopting this approach, management may have the ability to achieve gains in the bargaining process that favour management but are more acceptable to the union in exchange for some of the gains the union seeks. The union may identify contract changes that will produce savings for management. These savings will be used to offset any pay increases or other monetary gains and provide, as near as possible, a "net zero" cost impact to the employer.

Resolving the Issues

It is customary to deal with and resolve all the housekeeping and non-monetary proposals before attempting to resolve the monetary proposals. However, an attempt is made to price the monetary items and determine the dollar impact of each proposal to the organization before beginning discussions on these items.

Once each side has met in private and established its position on the other side's agenda, each proposal is brought to the bargaining table and discussed openly on its own merit. At the table, there can be considerable debate on each proposal. Both negotiating teams will keep accurate minutes of the discussions in case of any future dispute.

Each proposal can be accepted, returned for further private discussion, or rejected. Those proposals that are accepted are documented in contract language and "signed off" by both parties as agreements are reached. In many instances, both negotiating teams must make compromises or change their initial position to reach a sign-off. Some proposals are withdrawn to have others accepted. Reaching a settlement may require many long hours of discussion, consensus building and skillful negotiations by both parties. The purpose of the negotiation process is to reach an agreement on the issues that will satisfy both management and the employees.

Dealing with Unresolved Issues

When there are outstanding issues that cannot be resolved, the bargaining process shifts to mechanisms known as conciliation and mediation. Conciliation and mediation are attempts to resolve the outstanding issues in a manner that is agreeable to both parties.

When necessary, conciliation officers and mediators are appointed by the Ministry of Labour. Their roles are to act as neutral parties and examine unresolved issues in an unbiased manner. They listen to the parties separately or together in an attempt to find common ground. They evaluate the positions of both sides and then recommend compromises or solutions to the outstanding issues. This process continues until a settlement is reached.

Conciliation is an informal labour dispute and conflict resolution procedure involving a specialist and a conciliation officer. Mediation is a procedure that complements conciliation. It is also designed to reach an informal resolution of labour disputes and conflicts through the involvement of a mediation officer.

The conciliation and mediation processes are similar; however, the mediator is only appointed after conciliation efforts have failed.

Ratifying the Collective Agreement

Once a tentative agreement has been reached on all the issues, the specific terms and provisions are documented in a Memorandum of Agreement or Memorandum of Settlement.

The organization's negotiating team will present a copy of the Memorandum of Agreement to the Board of Directors or Management Committee for a vote of acceptance or approval.

The union members will be advised of the terms and provisions in the Memorandum, usually at a meeting with the union negotiating committee present to answer any questions. The union members then vote by secret ballot or show of hands, on whether or not to accept the terms of the agreement.

Once the organization and the members of the union have agreed to the terms and provisions in the Memorandum, a new collective agreement is prepared and signed by representatives of both parties. At this point, the collective agreement is ratified.

The collective bargaining process can be quite time consuming and therefore many collective agreements are not signed until well after the expiration date of the old contract. It is worth noting that there is no statutory requirement to pay retroactively. Whether or not to pay retroactively is an issue that has to be negotiated between management and the union, or through mediation.

Content Review

- The employer and the employees use the negotiation process to produce the initial collective agreement or to renew an existing agreement.
- The final ratification, or approval of the agreement, must be made by a majority vote of the organization's board of directors and a majority vote of the employees covered under the agreement.
- Both management and the union appoint spokespersons to represent them at the bargaining table.
- The spokespersons select whomever they choose as participants on their negotiating (or bargaining) teams and appoint a resource committee to work behind the scenes in both identifying its proposals, and researching and costing the other side's proposals.
- Proposals are typically grouped into "housekeeping", "non-monetary" and "monetary" issues.
- It is considered "bargaining in bad faith" to add proposals after the agendas have been exchanged.
- Proposals that are accepted are documented in contract language and "signed off" by both parties as agreements are reached.
- The purpose of the negotiation process is to reach an agreement on the issues that will satisfy both management and the employees.
- Conciliation and mediation are attempts to resolve any outstanding issues in a manner that is agreeable to both parties.
- A Memorandum of Agreement or Memorandum of Settlement documents the specific terms and provisions of the agreement and is voted on by both the union and the organization.

Review Questions

5. Who is responsible for ratifying the final collective agreement?

6. What is the role of the following participants on the negotiating team?

Spokesperson

Negotiating team members

Resource committees

7. What is a cost of living allowance?

Labour Standards – Unionized Workplaces

- © National Payroll Institute – Payroll Compliance Legislation

Payroll's Role in the Negotiation Process

Many organizations are finding that the payroll manager can provide significant input into the negotiation process by being included as a member of the employer's negotiating team or a member of the resource committee. The payroll manager may be required to provide information or reports on cost-related issues as well as answers to 'what if' monetary situations.

At the very least, the payroll department should be consulted on individual issues that affect pay, as that is payroll's area of expertise.

From the payroll manager's perspective, there are distinct advantages of being an integral part of the negotiating process, such as being involved in the negotiations at an early stage and understanding the intent of any proposed changes.

Information Required

The issues requiring the advice of payroll that are traditionally brought to the bargaining table deal with salaries and wages paid leave entitlements and employer-provided benefits.

To simplify calculating what the potential cost of proposed changes would be, the current pay and benefits information is loaded into costing model software or into a spreadsheet application. The data can then be manipulated, based on the union's demands, to determine what the additional costs to the organization might be, including any compounded effect of the proposed changes over more than one year.

The most common issues discussed at the negotiation table, as detailed below, may also impact employer costs for Canada Pension Plan contributions, Employment Insurance premiums, Workers' Compensation, provincial health levies and other employee benefits.

Salary and wage issues:

- average wage rate, or rates of pay by job group or job classification
- overtime premiums and premiums for working on Sundays
- statutory holiday pay rates
- allowances, for example, clothing and tool allowance amounts

Chapter 6

Labour Standards – Unionized Workplaces

Example:

There is a proposed 1% salary and wage increase for all union members that will impact regular, overtime, and statutory holiday pay. The company's total current salaries and wages can be increased by 1% in the model software to see the effect of this expense on the company, as well as the increase to the statutory and non-statutory costs to the employer. The historical data on the company's overtime and statutory holiday payments can also be recalculated at the increased rates to determine an estimated effect on the company's expenses.

Hours of work and paid absence issues:

- annual vacation entitlements and pay
- sick leave entitlements and pay
- details on paid leaves of absence

Example:

There is a proposal on the table that employees with 25 years of service are given an additional week of vacation. Years of service can be organized in the costing software and the potential cost of the additional vacation week can be determined.

Employer-provided benefit issues:

- premiums and/or payments for health benefits, life insurance, pension plans
- benefits such as Canada/Québec Pension Plan, Employment Insurance, Workers' Compensation, Québec Parental Insurance Plan, provincial health taxes and levies

Payroll Manager Involvement

The payroll manager can advise on issues surrounding the timing of proposed payroll changes and payroll system implementation changes that may be necessary with acceptance of the union's terms. The payroll manager can also advise on any costs related to changing the payroll system to accommodate the negotiated agreement.

Example:

The union is proposing that the negotiated agreement is implemented on the first pay after it is ratified, including the retroactive salary/wage increases. This proposal is brought to the payroll manager for advice.

The payroll manager can have the salary/wage increases effective the first pay after the agreement is ratified; however, it will take at least one month to calculate the retroactive increases. The payroll manager advises the management team that the company cannot meet the deadline for that issue. The company spokesperson can then bring a feasible retroactive payment date to the table for negotiation. There may also be costs associated with the implementation of the change to the system that the payroll manager can communicate to the company.

The payroll manager can develop implementation strategies for individual changes as they are signed off, possibly resulting in the accelerated implementation of the contract changes.

Example:

The proposed negotiated increase to the group term life insurance benefit changes the coverage from 1.5 times the employee's annual salary to 2 times the annual salary. The payroll manager must discuss this change with the company's insurance provider to determine when they can have the change effective in the company's policy.

Once the collective agreement has been ratified, it is important that changes are communicated to management and that enough time is provided for the implementation of the changes. An explanation of the changes, and more importantly, interpretation of the changes, should be communicated to all management and supervisory staff, preferably during face-to-face meetings.

These meetings allow for feedback, answers to questions and clarification of the issues. Ideally, the payroll manager should be included in these meetings to advise management of the implementation dates for the contract changes, payment dates of any retroactivity and method of payment (a separate pay cheque/deposit can be issued or the retroactive payment can be combined with a regular pay).

Paying Retroactive Adjustments

Retroactive pay adjustments may be required when the new collective agreement is settled after the expiration date of the existing contract. There is no statutory requirement to pay retroactively. Whether or not to pay retroactively is an issue that has to be negotiated between management and the union, or through mediation. When retroactive pay has been negotiated in the collective agreement, it would be calculated and paid as stated in the collective agreement. While a lump-sum payment to compensate employees may be easier from payroll's perspective, most agreements stipulate that the retroactive payments are calculated based on the actual hours worked from the expiry of the old contract to the signing of the new agreement.

To accurately calculate any retroactive payments, detailed records must be kept for each employee for the period the retroactive increase applies to, usually from the end date of the previous contract. The payroll manager must be provided with the details of the contract to process the retroactive payments. The following information should be included in the negotiated agreement:

- which employees qualify for the retroactive pay
- whether inactive and/or terminated employees are eligible for the retroactive pay
- whether employees who transferred from the unionized payroll to the non-unionized payroll between the expiry date of the old contract and the signing of the new contract are eligible for the adjustment for the time before their transfer
- which organizational benefits require retroactive adjustments
- which earnings are subject to retroactivity

It is important to allocate sufficient time for the calculation of retroactive pay. In some cases, the calculations can be complicated, tedious and time-consuming. Missed deadlines may create labour relations problems if the employees do not receive their retroactive payments when expected. It is better to overestimate the time required to calculate the retroactive payments rather than to underestimate it.

Content Review

- Payroll departments are the custodians of the required information to support the organization during negotiations on issues related to salary and wages, hours of work, paid absences and employer costs.
- The payroll manager can advise on issues surrounding the timing of proposed payroll changes and payroll system implementation changes that may be necessary with acceptance of the union's terms.
- The payroll manager can advise on any costs related to changing the payroll system to accommodate the negotiated agreement.
- Retroactive pay adjustments may be required when the new collective agreement is settled after the expiration date of the existing contract.
- To accurately calculate any retroactive payments, detailed records must be kept for each employee for the period the retroactive increase applies to, usually the end date of the previous contract.

Review Questions

12. Provide two examples of how the payroll manager can provide input as a member of the negotiating team or resource committee.

13. How will the organization benefit by having the payroll manager involved in the negotiation process?

14. What employee concerns could the payroll manager address during face-to-face communication meetings with employees?

15. When might retroactive pay adjustments be required?

Collective Agreement Administration

Once a collective agreement has been negotiated, payroll will assist in the ongoing administration of the clauses within the agreement. The collective agreement does not change during its term, which is often three years.

Payroll will likely be involved in the administration of:

- hours worked
- overtime provisions, shift differentials
- vacation and statutory holiday pay
- allowances
- maternity, paternity, bereavement and other leaves of absence
- terminations
- notice requirements

Payroll will be responsible for ensuring these issues are administered according to the terms of the collective agreement.

Payroll will also be responsible for deducting and remitting union dues, initiation fees and special assessments.

Types of Union Deductions

All union members pay union dues; the amount of the dues is determined by the provisions in the collective agreement. There may also be a requirement for new employees to pay initiation fees upon commencement of employment. Special assessment fees are levied by unions for projects such as building a new union hall and are often charged back to employees for a specified period.

The employee must provide written authorization for the deductions from their pay for union dues, fees and assessments. The authorization is usually provided on a form that is kept on file for audit purposes. The form states the amount of any initiation fees and the current membership dues to be deducted. To avoid re-authorization, there is a statement on the form that allows for dues amendments and special assessments.

The employer is legally obligated to ensure union dues are deducted and remitted to the union. The format of these deductions and the associated remittances will often be outlined in the union security clause of a collective agreement.

In cases where union membership is not compulsory, and non-union members are part of the bargaining unit, the “Rand Formula” applies. This formula was developed in 1945 by Justice Ivan Rand, who reasoned that all employees benefit from the efforts of the union to secure better wages and working conditions. The “Rand Formula” requires compulsory payment of union dues from all employees in the bargaining unit, whether or not the employees are members of the union, but does not require that all employees become union members.

In most jurisdictions in Canada, employees may be exempt from becoming union members and/or paying union dues because of religious or human rights reasons. This exemption is granted by the applicable federal/provincial Labour Relations Board after the Board is satisfied that the employee has the right to the exemption. Once an exemption has been approved, an amount that would be equal to the union dues must be deducted and remitted to a registered charitable organization that has been mutually agreed upon by the employee and the union. The Labour Relations Board will designate the charity if the employee and union cannot agree. The employer cannot act upon the employee’s request for an exemption; it must be formally approved by the Board.

Amount of Union Dues

The amount of union dues is determined by the provisions in the collective agreement. The most common methods of calculating union dues are:

- a percentage of regular pay
- a percentage of gross pay
- a fixed dollar amount each pay
- a set monthly amount

Chapter 6

Labour Standards – Unionized Workplaces

- a multiple of the employee's rate of pay
- a rate per hour worked or hour paid

There are usually minimum amounts to be deducted and sometimes there is a maximum amount that can be deducted.

Taxing Union Dues

The Canada Revenue Agency (CRA) allows for union dues to be treated as a before-tax deduction unless the amount:

- is for initiation fees
- is for special purposes, such as to fund a strike
- relates to a superannuation fund or plan, or a fund or plan for annuities, insurance or other benefits

As we learned in the chapter on federal income tax, an employer can reduce an employee's gross taxable income by the amount the employee pays in union dues.

The province of Québec does not allow union dues to be treated as a before-tax deduction. This will be discussed in the chapter on Québec legislation.

Remitting Union Dues

Some collective agreements specify that the employer will remit the union dues collected to the union, when the remittance will be made (for example, each pay period, once a month) and the information that will accompany the remittance (for example, the employee's name, arrears, a breakdown of the amount remitted into current and arrears). In most cases, this information is documented in the form of a letter. The employer must be careful not to supply information covered under privacy legislation, for example, an employee's social insurance number or unlisted telephone number.

Reporting Union Dues at Year-end

At the end of each calendar year, the union must give each member a receipt showing the annual union dues that are tax deductible. Alternatively, the union can arrange with the employer to print the amount of the tax deductible union dues on the employee's T4 (box 44) and/or RL-1 (box F) information slip. Initiation fees and special assessments are not reported on the T4 or RL-1.

If dues are printed on the T4 and/or RL-1, the union must provide the employer with a certificate of agreement that the union will not give the employees a receipt for the same dues. That way the employees do not get double credit for their union dues when filing their income tax returns.

Content Review

- Payroll is responsible for deducting and remitting union dues, initiation fees and special assessments.
- The amount of union dues is determined by provisions in the collective agreement; employees must provide written authorization for the deductions from their pay for union dues, fees and assessments.
- The provisions outlining an employer's responsibility to collect union dues from employees are detailed in the union security clause of a collective agreement.
- The "Rand Formula" requires compulsory payment of union dues from all employees in the bargaining unit, whether or not they are members of the union, but does not require all employees to become union members.
- In most jurisdictions in Canada, employees may be exempt from becoming union members and/or paying union dues because of religious or human rights reasons.
- The province of Québec does not allow union dues to be treated as a before-tax deduction.
- The Canada Revenue Agency (CRA) does allow for union dues to be treated as a before-tax deduction unless the amount:
 - is for initiation fees
 - is for special purposes, such as to fund a strike
 - relates to a superannuation fund or plan, or a fund or plan for annuities, insurance or other benefits
- At the end of each calendar year, either the union or the employer must report the union dues paid by the employee. If the dues are printed on the employee's T4 and/or RL-1 information slip, the union must provide the employer with a certificate of agreement that they will not give the employees a receipt for the same dues.

Review Questions

16. How does the payroll department know how much to deduct from an employee's pay for union dues?

17. Describe the "Rand Formula".

18. True or False. The province of Québec allows union dues to be treated as a before-tax deduction.

19. How are union dues reported at year-end, and by whom?

Chapter Review Questions and Answers

1. What pieces of legislation govern the union certification process?

The certification process is governed at the federal level by the *Canada Labour Code Part I–Industrial Relations* (the *Code*) and provincially/territorially by labour/industrial relations/trade union acts or codes.

2. True or False. An employer can alter the terms and conditions of employment within two weeks of being notified that a trade union has made an Application for Certification.

False. An employer cannot alter the terms and conditions of employment until either the application has been withdrawn or the union has been certified and thirty days have elapsed.

3. What is a collective agreement?

A collective agreement is a formal, legally binding document that details the terms and conditions of employment between the employer or a group of employers, and their employees who are members of a union.

4. Provide five terms and/or conditions of employment detailed in a collective agreement.

- **recognition of the union**
- **definition of terms used in the agreement**
- **scope of the agreement, including its length and the employees covered**
- **management rights**
- **reporting for work**
- **working conditions**
- **rates of pay**
- **hours of work**
- **overtime provisions**
- **shift differentials**
- **vacation and statutory holiday pay**
- **notice requirements for lay-offs**
- **maternity, paternity, bereavement and other leaves of absence**
- **seniority, breaks in service, recall**
- **clothing**
- **benefits**

- job postings
- safety and health issues
- probationary employees
- sanctions and terminations
- grievances
- arbitration
- stewards
- check-off or deduction of union dues
- information to the union
- notices to employees
- duration of the collective agreement

5. Who is responsible for ratifying the final collective agreement?

The final ratification, or approval of the agreement, must be made by a majority vote of the organization's board of directors and by a majority vote of the union employees covered by the agreement.

6. What is the role of the following participants on the negotiating team?

Spokesperson – **Represents their side at the bargaining table.**

Negotiating team members – **Provide input to the negotiation process based on their specific areas of expertise.**

Resource committees – **Identify their side's proposals, and research and cost the other side's proposals.**

7. What is a cost of living allowance?

The cost of living allowance is an escalator clause in a collective agreement that stipulates a periodic increase or decrease in wages.

8. What does the term “bargaining in bad faith” mean in the negotiation process?

“Bargaining in bad faith” means adding other proposals after the bargaining agendas have been exchanged.

9. What is the purpose of the negotiation process?

The purpose of the negotiation process is to reach an agreement on the issues that will satisfy both management and the employees.

10. What mechanisms are used to resolve outstanding issues in the bargaining process?

Outstanding issues in the bargaining process are resolved through conciliation and mediation in a manner that is agreeable to both parties.

11. What document specifies the terms and provisions of a tentative collective agreement?

The specific terms and provisions of the tentative agreement are documented in a Memorandum of Agreement or Memorandum of Settlement.

12. Provide two examples of how the payroll manager can provide input as a member of the negotiating team or resource committee.

The payroll manager may be required to provide information or reports on cost related issues as well as answers to ‘what if’ monetary situations.

13. How will the organization benefit by having the payroll manager involved in the negotiation process?

- **The payroll manager can advise on issues surrounding the timing of proposed payroll changes and payroll system implementation changes that may be necessary with acceptance of the union’s terms**
- **The payroll manager can advise on any costs related to changing the payroll system to accommodate the negotiated agreement**
- **The payroll manager can develop implementation strategies for individual changes as they are signed off, possibly resulting in the earlier implementation of the contract changes**

14. What employee concerns could the payroll manager address during face-to-face communication meetings with employees?

The payroll manager could discuss the implementation dates of the contract changes, payment dates of any retroactivity and the method of payment (separate pay cheque/deposit or combined with regular pay).

15. When might retroactive pay adjustments be required?

Retroactive pay adjustments may be required when the new collective agreement is settled after the expiration date of the existing contract.

16. How does the payroll department know how much to deduct from an employee's pay for union dues?

The amount of union dues is determined by the provisions in the collective agreement.

17. Describe the "Rand Formula".

The "Rand Formula" requires compulsory payment of union dues from all employees in the bargaining unit, whether or not the employees are members of the union, but does not require that all employees become union members.

18. True or False. The province of Québec allows union dues to be treated as a before-tax deduction.

False. The province of Québec does not allow union dues to be treated as a before-tax deduction.

19. How are union dues reported at year-end, and by whom?

At the end of each calendar year, the union must give each member a receipt, showing the annual union dues that are tax deductible. Alternatively, the union can arrange with the employer to print the amount of the tax deductible union dues on the employee's T4 (box 44) and/or RL-1 (box F) information slip. Initiation fees and special assessments are not reported on the T4 or RL-1.

If dues are printed on the T4 and/or RL-1, the union must provide the employer with a certificate of agreement that the union will not give the employees a receipt for the same dues.