

## 8.9 The Anti-Inflation Board

On October 14, 1975 the anti-inflation program went into effect. Prior to that time, wage and salary increases were being negotiated or established in the expectation that the rate of inflation was likely to continue or increase. Reports of large increases being demanded or obtained by various employee groups encouraged others to seek similar increases. The situation threatened to worsen as groups of employees coming off two- or three-year collective agreements attempted to catch up with others who had received large increases.

In this environment, the purpose of the compensation part of the anti-inflation program was to slow down gradually the rate of increase in labour costs while the restraints on prices and profits reduced the rate of increase in the cost of living.

Guidelines were introduced which employers and employees were encouraged to follow in arriving at wage or salary settlements. While all Canadians were expected to observe these guidelines voluntarily, large and strategic groups were required by law to comply, so that those who complied voluntarily would not then find themselves falling behind the larger or more powerful groups.

### 8.9.1 Compensation regulations

The aim of the regulations was to ensure that compensation for a group would not increase at a percentage rate higher than an allowable arithmetic guideline unless special circumstances justified a larger increase. These arithmetic guidelines were the sum of three elements: a basic protection factor set at 8% in the first program year, 6% in the second and 4% in the third; a national productivity factor of 2%; and an experience adjustment factor which could vary between plus and minus 2% a year, depending on a group's experience relative to the rise in the consumer price index (CPI) over the past two or three years. If, in any program year, the increase in the CPI exceeded the basic protection factor, the percentage allowed for the basic protection factor in the subsequent year would be increased by the amount of the difference.

Lower-paid employees were permitted increases beyond the arithmetic guidelines to an amount of \$600 a year, or to raise their wage to \$3.50 an hour. Groups at higher compensation levels were restricted to a maximum average increase of \$2,400.

The regulations applied to employee groups rather than individuals. Employee groups were: bargaining units; groups established by the employer for purposes of determining salaries or wages; and the executives of each organization. Separate guidelines were calculated for each employee group and were applied to the total compensation of that group. Values of benefits such as vacations, statutory holidays and incentive plans were included in the compensation package subject to the guidelines.

The board could exercise discretion in granting increases beyond the arithmetic guidelines. Special consideration could be given to groups covered by compensation plans that were entered into prior to January 2, 1974 and expired prior to October 14, 1975, and groups whose wages had historically been closely related to those of other groups.

The guidelines also provided for certain types of payment to be excluded when calculating compensation increases. The calculations of these exclusions were straightforward, although in many cases they required board consideration. They included such things as the elimination of pay differentials based on sex, and payments made in order to overcome difficulties in recruiting and retaining staff.

### 8.9.2 Coverage and compliance

The anti-inflation guidelines applied to everyone, and all Canadians were expected to comply with them. Certain major groups were required by law to do so including: firms with 500 or more employees in Canada including associated firms, firms in the construction industry with 20 or more employees in Canada,