SUBMISSION OF THE TREASURY BOARD TO THE ARBITRATION BOARD IN RESPECT OF THE SHIPS' OFFICERS GROUP

CHAIRPERSON: Mr. William Kaplan
MEMBERS: Mr. J.D. Sharp
Mr. Joe Herbert

OTTAWA November 08, 2023

IN THE MATTER of the *Federal Public Sector Labour Relations Act* and a dispute affecting the Canadian Merchant Service Guild and His Majesty in Right of Canada as represented by the Treasury Board, in respect of all of the employees of the Employer in the Ships' Officers (SO) bargaining unit as determined in the certificate issued by the former Public Service Staff Relations Board on May 31, 1999.

FOREWORD

This brief is being presented without prejudice to the Employer's right to present any additional facts or arguments it considers appropriate and relevant during the proceedings of the Board.

INTRODUCTION

The Canadian Merchant Service Guild (the Guild) and Treasury Board were engaged in negotiations between July 14, 2021, and March 3, 2022, to renew the collective agreement for the Ships' Officers (SO) group, which expired on March 31, 2018.

The SO group is a bargaining union in the Core Public Administration (CPA) and is defined in the Canada Gazette as:

> *"The Ships' Officers Group comprises positions that are primarily involved in the on-board command and control of the operation of civilian vessels requiring a certificate of competency; the operation of floating plants; the operation and maintenance of radio equipment installed on vessels engaged in marine operations; and the instruction of Nautical Sciences and Marine Engineering at the Canadian Coast Guard College."*

In accordance with *the Federal Public Sector Labour Relations Act* (FPSLRA), the Guild initiated the bargaining process by sending a letter of notice to bargain to the Employer on December 8, 2020. Subsequently, the parties exchanged their respective proposals in July 2021 and met for negotiation in October 2021. Bargaining continued with the parties engaging in a mediation session in March 2022.

The Guild declared impasse for the 2018 round of collective bargaining on May 3, 2022, and filed for arbitration with the *Federal Public Sector Labour Relations and Employment Board* (FPSLREB). The parties agreed that the arbitration will cover an eight-year period, from 2018 to 2025.

This document presents the Employer's position on the outstanding issues between the parties, including rates of pay. The Bargaining Agent has submitted a list of nine proposals to the Arbitration Board.

The document also provides relevant contextual information pertaining to the current round of bargaining and the SO group.

The Employer brief is organized as follows:

Executive Summary

Part I provides a status update on the completed 2018 round and the current round of negotiations for the core public administration (CPA) as a whole, and for the SO group specifically.

Part II presents information on internal and external comparability, recruitment and retention, and the government's economic and fiscal circumstances, and provides total compensation figures for the SO group.

Part III presents the Employer's submission for rates of pay and duration, and the associated rationale, as well as a response to the Guild's proposal.

Part IV presents the Employer's position on other outstanding proposals.

Part V provides information on the SO bargaining unit, including the group definitions and qualifications standards.

EXECUTIVE SUMMARY

The Government of Canada is committed to good faith negotiations and has a history of negotiations that are productive and respectful of its dedicated workforce. Its approach to collective bargaining is to negotiate agreements that are fair for public service employees and reasonable for Canadians.

The Ship's Officer Group (SO) group is comprised of approximately 1,300 employees in positions that are primarily involved in:

- the on-board command and control of deck, engine room, electronic or electrical, radio or supply operations on board civilian vessels, floating plants or submersibles on a continuous or relief basis;
- the training and preparation for continuing employment as a Ships' Officer;
- the piloting of military vessels in and about a harbour;
- the instruction of cadets or other officers undergoing training in the knowledge and skills related to the officer activities referred to above; and
- the performance of related activities on a rotational basis between ship and shore.

The collective agreement for the SO group expired on March 31, 2018, and the Canadian Merchant Guild (The Guild) served notice to bargain to Treasury Board on December 8, 2020.

The Guild and Treasury Board were engaged in negotiations and mediation between July 14, 2021, and March 3, 2022, in an attempt to renew the collective agreement for the Ships' Officers (SO) group. The Employer tabled its first comprehensive offer on March 2, 2022, during the second day of the mediation. However, the Guild declared an impasse on May 3, 2022, after three negotiation sessions and filed for arbitration with the Federal Public Sector Labour Relations and Employment Board (FPSLREB). The parties agreed that the arbitration will cover an eight-year period, from 2018 to 2025.

Replication Principle

To date, the SO group remains the only group that has not yet reached a settlement in the 2018-2021 bargaining round. Overall, 26 out of 27 collective agreements have been successfully finalized in the CPA, representing 99.4% of the represented employee population. Additionally, 100% of separate agencies have completed their negotiations for the 2018 round of collective bargaining. The

Employer's offer to the SO groups for the initial four (4) years is aligned with the established pattern seen in these successfully concluded agreements.

Shifting focus to the ongoing 2021 round, twelve (12) collective agreements have been completed in the CPA, representing 67.8% of the represented employee population. All these agreements share common features, including base economic increases of 3.5%, 3.0%, 2.0% and 2.0% plus targeted wage measures of approximately 1.5% over the four-year duration of the agreements.

Additionally, there have been a series of core public administration-wide measures applied to all settlements. These encompass various improvements, such as provisions for family related leaves, leaves with and without pay for Indigenous practices, and the introduction of a new Designated Paid Holiday for the National Day of Truth and Reconciliation.

Year	2021	2022	2023	2024	2025
Groups with 3-year agreement in 2018 Round (Economic Increases)	1.50%	3.50%	3.00%	2.00%	
Group with 4-year agreement in 2018 Round (Economic Increases)		3.50%	3.00%	2.00%	2.00%
Pattern Wage Adjustments **(for all agreements)**		1.25%	**(See note 1)**	0.25%	

Note 1: While the table above represents the established pattern for the 2021 round of collective bargaining, a 0.5% pay line adjustment in 2023 has been provided to some groups and/or subgroups.

The established pattern, as noted above, includes a signing bonus in the form of a one-time allowance valued at $2,500.

There is no evidence to indicate that the SO group should receive a more favourable arrangement than the pattern set in 26 out of 27 agreements for the 2018-2021 period nor the 12 out 27 agreements within the CPA for the 2022-2026 period.

Recruitment and Retention

Based on current indicators, it is evident that compensation levels for the SO group are adequate. This is substantiated by the Employer's capacity to successfully attract and retain a substantial SO workforce. The findings of the recruitment and retention analysis, detailed below do not reveal any signs of recruitment or retention challenges within the group. In fact, the analysis demonstrates robust hiring and renewal levels within the group, even surpassing the CPA growth rate in three of the five years as illustrated in the table below.

Recruitment and Retention Summary

Population	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Population variation - SO group						
12-months average population	1,064	1,109	1,135	1,172	1,233	1,259
Year-to-year (y/y) increase	-	4.2%	2.3%	3.3%	5.2%	2.0%
Core Public Administration (CPA) y/y increase	-	1.30%	2.1%	4.4%	5.2%	4.2%

Source: Incumbent file

Notes:

1. Figures include employees working in departments and organizations of the core public administration (FAA Schedule I and IV).
2. Figures include all active employees and employees on leave without pay (by substantive classification) who were full- or part-time indeterminate and full- or part-time seasonal.

External Comparability and Wage Growth

In 2021, TBS commissioned Mercer Canada LLC to conduct an external wage study, aimed at assessing the competitiveness of base salary levels for 12 positions in the Ships' Officers (SO) group when compared to the external job market. Out of the 10 of 12 positions where suitable matches were identified, 9 of these 10 positions were within or ahead of the plus or minus 10% of the 50th percentile (median) of the market, which is the standard benchmark for wage comparability studies. When factoring in the Employer's proposed wage offer for the 2018-2021 round, all positions would be within the target range or above.

When we incorporate the Employer's proposed wage offer and evaluate it against wage growth indicators in the broader external labour market from 2010 to 2021, as reported by ESDC, it becomes apparent that wage growth would be approximately 54% higher than the figures observed in the unionized private sector. Similarly, wage growth within the SO group exceeded CPI growth by over 65% during the same period, taking into account the Employer's wage offer for the 2018 to 2021 timeframe.

The findings from the wage comparability study, coupled with external market indicators, support the Employer's position that there is no substantiated evidence supporting an increase above the established pattern for the SO group.

Internal Relativity

SO wages have exhibited a notably higher growth rate compared to the pattern seen in the core public administration between 2010 and 2017. As the SO group lacks direct internal comparators, the CPA pattern serves as an internal reference point for wage relativity. Taking into account the Employer's offer for the 2018-2021 period, the SO group has received wage increases that are 14.6 percentage points higher than the CPA average for the same period (SO 39.3% vs CPA 24.7%). Therefore, CPA wage growth rate would have to increase by over 59% to match the SO group's wage growth for the 2010-2021 period.

State of the Canadian economy and the Government of Canada's fiscal circumstances

Due to enormous fiscal and monetary policy support, Canada has managed to recover quickly from the economic damage caused by the pandemic. However, persistent economic and social challenges, including the global ramifications of the war in Ukraine, continue to exert pressure on Canada's economy.

Inflation initially increased following the Russian invasion of Ukraine. The resulting supply chain disruptions, compounded by recovering consumer demand which resulted from the alleviation of pandemic restrictions, caused higher inflation rates. Since then, inflationary pressures have eased, and inflation is forecast to continue to slow back to the 2.0% target rate.

Increasing weaknesses in the economy are starting to become evident. The current economic outlook anticipates slowing economic growth and higher unemployment.

According to the Bank of Canada (BoC), Canada's economic growth will slow due to the combined impact of higher interest rates and tighter credit conditions, decreased foreign export demand, lower terms of trade, and declining consumer and business confidence.

These factors collectively place pressure on the labour market, leading to an increase in unemployment and lower wage growth. A rise in unemployment would burden vulnerable Canadian households with high debt and exacerbate rising interest costs and increasing housing vulnerability, ultimately amplifying the economic downturn in Canada.

This weakening economic outlook has also led to an increase in the forecasted unemployment rate: As of August 2023, unemployment is forecast to increase to an average of 5.4% in 2023 and increase again in 2024 to 6.1%.

Indicator	2018	2019	2020	2021	2022	2023(F)	2024(F)
Average hourly earnings (y/y) (fixed weights)	2.3%	2.6%	3.6%	2.8%	4.0%	3.1%	2.6%
Unemployment rate (%)	5.7%	5.7%	9.7%	7.5%	5.3%	5.4%	6.1%

Regarding the federal fiscal situation, the declining outlook for real economic growth and increasing warning signs of a near-term recession indicate higher deficits and greater scrutiny of government spending.

Higher deficits and rising interest rates have combined to increase the Government's public debt charges, i.e., the interest costs on the federal debt. Public debt charges are projected to more than double from $20.4 billion in 2020-21 to $50.3 billion in 2027-28. Since this fiscal forecast was made, interest rates on public debt have continued to increase and these higher public debt costs will be reflected when a new fiscal forecast is presented.

The ability to borrow and spend these significant amounts at relatively affordable interest rates is reflective of earlier fiscal discipline and confidence in the Government's ability to prudently manage post-pandemic spending and deficits. In this context Budget 2023 proposed new measures to ensure that government spending is sustainable, efficient, and focused on priorities that matter most to Canadians.

This spending reduction includes the phase-in of a roughly 3 per cent reduction of eligible spending by departments and agencies by 2026-27 which would reduce government spending by $7.0 billion over four years, starting in 2024-25, as well as other measures totaling 15.4 billion over the next five years.

Throughout all this uncertainty, the Employer has provided stability to federal public service employees, alongside a pension and benefit package that most Canadians do not have access to because employers do not need to offer them to recruit and retain workers.

Given the deterioration in economic and fiscal conditions, providing wage increases above the established pattern would further expand and entrench the inequity between the federal public service and Canadians whose tax dollars fund them and who do not have access to the same entitlements.

Provincial and Territorial Government Compensation

Finally, provincial and territorial governments are facing similar elevated debt levels and an uncertain economic outlook. Their recent agreements have included modest wage increases, most of which are lower than the Employer's offer for the period. Some examples include:

Two notable provincial settlements in Quebec, covering 33,000 employees provided increases of 2% a year. These agreements cover various periods between 2022 and 2024.

- The Government of Alberta signed agreements covering 70,000 employees that provided average wage increases of just over 0.7% a year over three years from 2022 to 2024.

- The Governments of Yukon and Nova Scotia signed agreements averaging 1.78% and 2.16% respectively for 12,000 employees. Both are three-year agreements covering various periods between 2021 and 2025.
- While Ontario Public Service Employees Union (Unified Bargaining Unit) and the Association of Management, Administrative and Professional Employees of Ontario have settlements in place of 1% for each year of the 2022-2024 period, a recent arbitral award for close to 65,000 Ontario nurses provided base wage increases of 3.0% in 2023 and 3.5% in 2024. The CPA pattern was cited in reference to the replication of free collective bargaining. The award also included other adjustments, with the total award for the two-year period being valued at approximately 11%. Significant recruitment and retention issues were in evidence and cited with respect to the total award.
- The Government of British Columbia remains an outlier with their Shared Recovery Mandate. This mandate applies to all public sector employers with unionized employees whose collective agreements expire on or after December 31, 2021.
- Elements of the 2022 mandate include:
    - Three-year term
    - General wage increases
    - Year 1 – a flat increase of $0.25/hour which provides a greater percentage increase for lower paid employees, plus 3.24%
    - Year 2 – 5.5% plus a potential Cost of Living Adjustment to a maximum of 6.75% (Maximum 6.75% triggered as of March 21, 2023)
    - Year 3 – 2% plus a potential Cost of Living Adjustment to a maximum of 3%
    - A negotiable Flexibility Allocation of up to 0.25% in years 1 and 2

However, British Columbia has faced particular issues with inflation and the Government has provided 0% increases wage increases in 2011, 2012, and 2015, significantly lowering wage growth over the last 11 years.

Overall, other governments in Canada are not providing wage increases that exceed that of the Employer's offer, and several are offering significantly below.

Bargaining Agent Proposals

The parties have signed off on a number of articles, but key elements remain outstanding, including rates of pay. The Guild's ten proposals are the following:

1. Article 20 Vacation leave with pay: Increases to leave credits earning rates and the expansion of expenses to be reimbursed in the event of leave cancellation or recall from leave.

2. Article 21 Designated holidays: Inclusion of the National Day for Truth and Reconciliation.
3. Article 23 Other types of leave with or without pay:
    - Inclusion of step-siblings, foster child, children-in-law, and grandparents of spouse, an additional 3 days of leave with pay for non-immediate relatives, with respect to Bereavement leave;
4. Article 30 Hours of work and overtime: Paid meal breaks.
5. Article 35 Pay administration: Inclusion of Allowances appendices as applicable in Article 35.
6. Wages: Economic increases of 3%, 3%, 3%, 3%, 7.5%, 5%, 4.5% and 4% over eight years and a market adjustment on April 1, 2023.
7. Appendix E Canadian Coast Guard officer cadets:
    - Increase of monthly training allowance to $800;
    - Increase to monthly sea training allowance.
8. Appendix G Extra Responsibility Allowance: Change from dollar amount to 18% of final increment of annual rate of pay.
9. Appendix K 40-Hour Workweek System: paid meal breaks.
10. LOU 13-4 Variable Hours of Work:
    - Paid meal breaks;
    - New language to specific that a designated paid holiday is equivalent to the officer's normal scheduled hours of work.

As illustrated in the table below, the Guild's wage proposal comprises various components, including annual economic increases, a restructuring of pay increments for SO-INS, SO-MAO, SO-FLP, and SO-RAD, an 18% increase applied to ERA allowances, increases to Cadet training and sea training allowances, expanded bereavement leave with pay, and paid meal breaks. Collectively, these proposals equate to a 19.69% increase when compared to the SO group's 2018 wage base and a substantial 22.67% increase when compared to the SO group's 2021 wage base.[1]

[1] The ongoing costs of these proposals are based on March 2018 population and compensation data for officers – this is referred to as the wage base throughout this document.

BARGAINING AGENT WAGE & MONETARY PROPOSALS	ONGOING COSTS	% OF WAGE BASE
2018 Round of Collective Bargaining		
2018-2021 Economic increase for 4 years: 3%, 3%, 3%, and 3%	$12,689,785	12.55 %
Appendix G - Extra Responsibility Allowance (18% of final increment)	$1,383,516	1.37%
Restructure SO-INS: Eliminate Steps 1 through 6 of the rates of pay and make equivalent to SO MAO 11/12	$733,268	0.73%
SO-MAO / SO-FLP / SO-RAD: Add steps 5, 6 and 7	$4,402,644	4.35%
Bereavement Leave – change to definition and expanded Paid Leave	$118,690	0.12%
Increase to Cadet training and Sea training allowance	$296,833	0.29%
Paid meal breaks (Article 30, Appendix K)	Need additional data to cost	%
LOU 13-4 – Paid Meal Breaks & Designated Paid Holiday	Need additional data to cost	%
Increase to leave credits earning rates	$281,453	0.28%
Cancellation of leave	Need additional data to cost	%
DPH – National Day for Truth and Reconciliation	See note 1	-
Total 2018 Ongoing Cost	**$19,906,189**	**19.69%**
2021 Round of Collective Bargaining		
2022-2026 Economic increase for 4 years: 7.5%, 5%, 4.5%,4% (plus COLA re-opener in the event that CPI ending January 31, 2025, is over 4%)	$29,431,743	22.67%
Market adjustment in 2023 (amount unspecified) - a 1% MA was costed as an example	$1,592,439 See note 2	1.23 %
Total 2021 Ongoing Cost (excludes unspecified 2023 Market Adjustment)	**$29,431,743**	**22.67%**

Employer Proposals

Based on recent economic and compensation indicators, along with the current economic landscape, it is evident that modest economic increases are appropriate for settlements expected in the near to medium term for the SO group.

The parties have signed off on a number of articles, but key elements remain outstanding, including rates of pay. The Employer's proposals which remain in dispute are the following:

1. Article 2 Interpretation and Definitions
   - Delete reference to gender neutral language
2. Article 3 Application
   - Gender neutral clause
3. Article 10 Check-Off
   - Notification of changes to deductions
   - Transfer of authority

4. Article 14 Information for Officers
    - Electronic access
5. Article 19 Leave General
    - No duplication of leave entitlements
6. Article 22 Sick leave with pay
    - Termination for incapacity
7. Appendix A, B, C, and D Rates of pay
    - Wage increase
8. Appendix F Special Allowances
    - Delete Fisheries Enforcement and Diving allowances
9. Appendix G Extra Responsibility Allowance
    - Clarification of ERA for career development
10. Appendix NEW Implementation MOU

The Employer proposes wage increases as follows:

EMPLOYER WAGE PROPOSAL	ONGOING COST	% OF WAGE BASE
2018 Round of Collective Bargaining		
Economic increases of 2.8%, 2.2%, 1.35%, and 1.5% over four years for the 2018-2021 round	$ 8,166,523	8.08%
2021 Round of Collective Bargaining		
Economic increases of 3.5%, 3.0%, 2.0%, and 2.0% over four years for the 2022-2026 round	$ 13,601,869	10.91%
Market Adjustments of 1.25% on April 1, 2022, and 0.25% on April 1, 2024	$ 2,078,134	1.67%
Payline Adjustment of 0.5% on April 1, 2023	$701,662	0.56%
Delete Fisheries Enforcement and Diving allowances	$0	0.00%
Designated Paid Holidays – Add National Day of Truth and Reconciliation (note 1)	See note 1	
Bereavement Leave – expand the definition of family	$0	0.00%
ERA Language Clarification	$0	0.00%
Late Implementation - $200 over 181 days	$1,004 (See note 2)	0.001%
Total 2021 Ongoing Cost	**$16,382,669**	**13.14%**

Notes:
1. The Government of Canada proclaimed that September 30 be the National Day for Truth and Reconciliation (NDTR), a new national holiday. Article 32 entitles members of the bargaining group to a designated paid holiday to observe this day, starting in 2021. The parties agreed to identify the NDTR in Article 32 while retaining the provision to add one additional day when proclaimed by an act of Parliament as a national holiday. Generally, the productivity cost of introducing a new designated paid holiday is roughly equivalent to 0.36% of wages, assuming a similar economic increase proposal. Much like the productivity cost of introducing the NDTR in 2021, a new designated paid holiday introduced in future years would carry the same productivity cost. This does not include impact on overtime costs.
2. This cost is amortized over four years.
3. The one-time signing bonus cost is estimated at $3.9 million. This cost is funded separately and is not included in the total 2021 on-going cost.

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PART I – STATUS OF NEGOTIATIONS

1.1 Negotiations in the Federal Public Service

The Government of Canada is committed to bargaining in good faith with all federal public sector bargaining agents and has a history of negotiations that are productive and respectful of its dedicated workforce. Its approach to collective bargaining is to negotiate agreements that are fair for public service employees and reasonable for Canadians.

2018 Round of Collective Bargaining

It is important to note that in the previous round of negotiations (the 2018 round), the Government reached 53 tentative or signed agreements with groups covering close to 270,000 employees or over 99.4% of public servants in represented groups in the CPA and 100% of SA. Most agreements negotiated in the last round were four-year agreements and without the assistance of a third-party.

Further, the 2018 settlements included a significant number of government-wide improvements that increased the overall value of total compensation reflected in collective agreements (i.e., benefits, leave, pay, allowances, etc.). These included the introduction of new leave provisions for domestic violence and caregiving, improvements to the maternity and parental leave and allowance provisions, as well as an expansion to the definition of family that broadens the scope of certain leave provisions. The cumulative value of the economic increases as well as other improvements in the 2018 round to date equate into a value of approximately $424M.

The maturity of the collective agreements aside, the value of improvements for the 2018 round are considerable by any measure especially when viewing through the eyes of taxpayers.

2021 Round of Collective Bargaining

The Employer’s approach for the 2021 round of collective bargaining in the CPA and SA is articulated around two main themes to support an agile workforce and continuous improvement of service to Canadians:

Economic Context and Fiscal Responsibility

The Employer’s approach and objective is to negotiate, in good faith, collective agreements that are fair for employees and reasonable for Canadians.

The events over the past several years have brought significant economic, social and political stress. Canada and the rest of the world are slowly coming out of the pandemic. However, the economic impact of the pandemic continues to evolve as new COVID waves strain our health care systems and supply chains worldwide, the effects of climate change and worsening natural disasters such as forest fires, hurricanes, drought have become more and more common and as well as political instability and the War in Ukraine all have had a significant impact on Canada's and the world's economies. Inflation has increased significantly, as prices climb to higher worldwide, including for fuel, food, and consumer goods.

In terms of the impact of the COVID-19 pandemic on the CPA workforce, federal public servants have enjoyed robust job security and continuity as, unlike many other jurisdictions and employers, it has avoided enterprise-wide workforce adjustment (e.g., job loss) and has introduced benefit flexibilities (e.g. extending emergency travel benefits and accepting claims for social workers and psychotherapists as mental health professionals) to support its workforce in a relevant and responsible way. With support mechanisms in place, such as "699 paid leave", federal public servants were well protected against adverse economic impacts stemming from the pandemic.

Further information on the Employer's considerations around the economic context and fiscal responsibility is detailed in Part II of this brief.

<u>Pay Simplification (including implementation of the collective agreement)</u>

To support the continued stabilization of the existing HR-to-pay systems and pay administration and the success of the NextGen HR and pay solution (which is slated to replace the current HR and pay systems), and in light of the lessons learned during collective agreement implementation over the past two rounds of negotiations, the Employer is seeking to secure changes with limited impact on the current and future pay system (e.g., prospective implementation of salary increases as was the case in the last round of collective bargaining).

In this vein, the Employer and the PSAC have established a joint sub-committee of the PSAC Common Issues table to discuss and identify issues/possible options for pay simplification with consideration to cost and operational requirements in order to streamline and standardize collective agreement provisions across the CPA with the goal of simplifying HR and pay administration in the current systems and reducing the level of complex customization of the future HR to pay solution.

The issue of retroactive payments and timelines for implementation remains a priority for the Employer in the 2021 round. As such, the Employer is seeking to establish a new norm that recognizes the complexity of implementation of collective agreements, continues to distinguish between manual and automated transactions and provides clarity around the process to employees and bargaining agents. This approach has been developed with consideration to lessons learned from the 2018 round and builds on the success of the retro methodology employed in the last round.

1.2 Status of Negotiations in the CPA

Since June 2021, the Treasury Board of Canada Secretariat (TBS) has been actively engaged in negotiations on behalf of the Treasury Board, the Employer for the core public administration (CPA). A significant portion of negotiations have been dedicated to the renewal of collective agreements with bargaining agents who negotiated four (4) year agreements during the 2018 round, which subsequently expired in 2022. Two major milestones during this round of negotiations are as follows:

1. The signing the first agreement of the round with the Association of Canadian Financial Officers (ACFO) for the newly formed Comptrollership (CT) group in December 2022; and
2. The signing of four (4) agreements with the PSAC in June-July 2023, representing 51% of the CPA and nearly 40% of the CPA and Separate Agency population (128,000 employees).

As of October 2023, approximately 68% (159,220 employees) of the CPA and twelve (12) of twenty-eight (28) bargaining units now have a tentative or signed agreement (Table 1).

The pattern established, as noted below, is inclusive of a signing bonus in the form of a one-time allowance valued at $2500.

Year	2021	2022	2023	2024	2025
Groups with 3-year agreement in the 2018 Round (Economic Increases)	1.50%	3.50%	3.00%	2.00%	
Groups with 4-year agreement in the 2018 Round (Economic Increases)		3.50%	3.00%	2.00%	2.00%
Pattern Wage Adjustments **(for all agreements)**		1.25%	**(See note 1)**	0.25%	

Note 1: While the table above represents the established pattern for the 2021 round of collective bargaining, a 0.5% pay line adjustment in 2023 has been provided to some groups and/or subgroups.

The Employer views those agreements as reasonable and fair in the current economic environment.

Other key negotiated amendments include:

- the addition of the National Day for Truth and Reconciliation to the list of designated paid holidays and adjustments to the pay for part-time employees to account for this new holiday,
- a modified memorandum of understanding regarding the timelines for the implementation of collective agreements, and

- a memorandum of understanding on pay simplification to recognize the parties' commitment to ongoing collaboration with regards to the identification of human resources (HR) and pay administration solutions to support the pay system.

Table 1 below lists the bargaining units in the CPA, their union affiliation and population as of March 2021.

Table 1: Bargaining Units – Core Public Administration[2]

Bargaining Agent	Bargaining Unit	Represented and excluded population as of March 2021
PSAC Public Service Alliance of Canada	**PA – Program and Administrative Services**	96,698
	TC – Technical Services	10,892
	SV – Operational Services	10,464
	EB – Educational and Library Science	1,128
	FB – Border Services	9,805
	Subtotal:	**128,987**
PIPSC Professional Institute of the Public Service of Canada	RE – Research	2,711
	AV – Audit, Commerce, and Purchasing	6,754
	NR – Architecture, Engineering, and Land	4,193
	SP – Applied Science and Patent Examination	9,226
	IT – Information Technology	17,242
	HS – Health Services	3,781
	Subtotal:	**43,907**
CAPE Canadian Association of Professional Employees	**EC – Economics and Social Science Services**	20,048
	TR – Translation	860
	Subtotal:	**20,908**
UNIFOR	**RO – Radio Operations**	281
	AI – Air Traffic Control	10
	Subtotal:	**291**
CUPE Canadian Union of Public Employees	**PO – Police Operations Support Group Law Enforcement (Civilian Members)**	**962**
AJC Association of Justice Counsel	LP – Law Practitioner	**3,190**
PAFSO Professional Association of Foreign Service Officers	**FS – Foreign Service**	**1,890**
ACFO Association of Canadian Financial Officers	**Comptrollership (CT – Formerly FI)**	**5,675**
CMSG Canadian Merchant Service Guild	SO – Ships' Officers	**1,281**

[2] Bolded bargaining units have reached an agreement.

FGDTLC(E) Federal Government Dockyard Trades and Labour Council (East)	SR(E) – Ship Repair East Coast	**587**
FGDTLC(W) Federal Government Dockyard Trades and Labour Council (West)	SR(W) – Ship Repair West Coast	**660**
FGDCA Federal Government Dockyard Chargehands Association	SR(C) – Ship Repair Chargehands	**58**
CMCFA Canadian Military Colleges Faculty Association	UT – University Teaching	**202**
IBEW International Brotherhood of Electrical Workers	**EL – Electronics**	**1,096**
CFPA Canadian Federal Pilots Association	AO – Aircraft Operations	**399**
UCCO-SACC-CSN Union of Canadian Correctional Officers	CX – Correctional Officers	**6,325**
NPF National Police Federation	RCMP Members Appointed to a Rank and Reservists	**18,460**
	Total population	**234,878**

1.3 Status of Negotiations in the Separate Agencies

There are 27 separate agencies listed in Schedule V of the *Financial Administration Act* (FAA). Fifteen (15) are represented by at least one bargaining agent and they conduct their own negotiations for unionized employees. Separate agencies are distinct from the Core Public Administration (CPA); they have different job duties and specific wage levels according to their business purpose. The largest separate agencies include the Canada Revenue Agency, Parks Canada, and the Canadian Food Inspection Agency. The CPA and separate agencies share many of the same bargaining agents, including the PSAC and PIPSC.

As part of the federal public administration, separate agencies follow the same broad government objectives; they are committed to negotiating agreements in good faith that are fair and reasonable for employees, bargaining agents and Canadian taxpayers.

Twenty-five (25) of the thirty (30) bargaining units in publicly funded separate agencies have received their notice to bargain for the 2021-2022 round of collective bargaining. Eleven (11) separate agencies have started or are in the process of starting negotiations with their respective groups. As of October 2023, five of the eleven separate agencies have tentative or signed agreements, including the three largest (Canada Revenue Agency, Parks Canada and the Canadian Food Inspection Agency) as well as the Communications Security Establishment (CSE) and one bargaining unit at the National Research Council of Canada (NRC). Together, these agencies account for over 85% of the separate agency population. Table 2 below lists the separate agencies, and bargaining units, their union affiliation and population.

Table 2: Bargaining Units – Separate Agencies[3]

Separate Agencies	Bargaining Agents	Bargaining Units	Population
Canada Energy Regulator (CER)	PIPSC	All Unionized Employees (CER)	422
Canada Revenue Agency (CRA)	PIPSC	**Audit, Financial and Scientific (AFS)**	12,597
	PSAC	**Program Delivery and Administrative Services (PDAS)**	32,533
Canadian Food Inspection Agency (CFIA)	PSAC	**PSAC**	4,038
	PIPSC	Informatics (IN)	264
		Scientific and Analytical (S&A)	1,193
		Veterinary Medicine (VM)	584
Canadian Nuclear Safety Commission (CNSC)	PIPSC	Nuclear Regulatory (NUREG)	702
Canadian Security Intelligence Service (CSIS)	PSAC	Intelligence Support *	89
Communications Security Establishment Canada (CSE)	PSAC	**All Unionized Employees (CSE)**	2,822
National Capital Commission (NCC)	PSAC	All Unionized Employees (NCC)	444
National Film Board (NFB)	PIPSC	Administrative and Foreign Services (AFS) Scientific and Professional (S&P)	175
	SGCT	Administrative Support (AS), Operation (OP) and Technical (TC)*	184
National Research Council Canada (NRC)	RCEA	Administrative Services (AS)	309
		Administrative Support (AD)	500
		Computer Systems Administration (CS)	238
		Operational (OP)	62
		Purchasing and Supply (PG)	31
		Technical (TO)	995
	PIPSC	Information Services (IS)	64
		Library Science (LS)	43
		Research Officer / Research Council Office (RO/RCO)	1,792
		Translator (TR)	7
Office of the Auditor General of Canada (OAG)	PSAC	Audit Services Group (ASG) *	174
Office of the Superintendent of Financial Institutions Canada (OSFI)	PSAC	Administrative Support (AS) *	17
	PIPSC	Professional Employees Group (PEG)	689
Parks Canada Agency (PCA)	PSAC	**All Unionized Employees (Parks)**	4,327
Social Sciences and Humanities Research Council of Canada (SSHRC)	PSAC	Administrative and Foreign Services (AFS)	241
		Administrative Support (AS)	40
Statistical Survey Operations (SSO)	PSAC	All Unionized Employees (SSO) *	2,208

[3] Bolded bargaining units have reached an agreement.

Staff of the Non-Public Funds, Canadian Forces (SNPF-CF)	*Note: The SNPF-CF is not a publicly funded separate agency. The population data for this employer is unavailable.*	
	Total Population	**67,784**
*Bargaining units that have not provided notice to bargain for the 2021 round of collective bargaining.		

1.4 Negotiations with the Ships' Officers (SO) Group

In this round of bargaining, the Guild and TBS officials were engaged in three negotiation sessions between July 2021 and March 2022.

As noted in table 3 below, the parties agreed to and "signed-off" on the following four (4) items during negotiations and agreed on Duration prior to arbitration. Details are outlined in Exhibit 1.

Table 3: Proposals Agreed to by the Parties

ARTICLE	TITLE	REFERENCES	
		DESCRIPTION	STATUS
Various	**Administrative Changes**	**Replace all references to PSLRA & PSLREB with references to FPSLRA & FPSLREB ion the following articles:** 2.02 (a) and (b) - 4.01 - 10.05 - 17 - 17.01 (a), (a)(i) and (c)(i) - 18.05 - 18.21 - 21.02 (b) - 23.03 - 23.10 (a)(iii)(C) - 23.13 (a)(iii)(C) - 42.01 - 42.02	Agreed to and signed July 16, 2021
Various	**Administrative Changes**	**Replace all references to the Public Service Terms and Conditions of Employment Regulations with references to the Directive on Terms and Conditions of Employment.** This applies to the following provisions: - 2.01 (e) - 35.03 (b)(iv)	Agreed to and signed July 16, 2021
23	**Other types of leave with or without pay**	**23.20 Volunteer leave** **23.21 Personal leave** Administrative change: to remove "Effective April 1, 2010" from each of the clauses.	Agreed to and signed July 16, 2021
26	**Safety and Health**	**26.05** a. Upon written request, the results of a noise level survey will be made available to the Guild. Upon written request, copies of Inspection Certificates issued for a full term ~~by the Canadian Coast Guard Ship Safety Branch~~ will be made available to the Guild.	Agreed to and signed July 16, 2021
43	**Duration and Renewal**	**43.01** The provisions of this agreement will expire on March 31, **2026** ~~2018~~. **43.02** Unless otherwise expressly stipulated, the agreement shall become effective on **(Date of arbitral award to be included here).** ~~October 2, 2018.~~	Agreed to and signed on September 20, 2023

On May 3, 2022, the Guild declared impasse and requested the establishment of an arbitration board to resolve items in dispute between the parties. The Bargaining Agent has submitted a list of nine proposals to the Arbitration Board, which includes proposed changes to existing articles.

1.5 Bargaining Agent Proposals

As depicted in Table 4 below, the main Bargaining Agent's monetary proposals encompass the 2018 round, featuring annual economic increases of 3% each year over a four-year period. Their proposals also entail adjustments to the SO-INS pay increment, a restructuring of the pay lines for the SO-MAO, SO-FLP and SO-RAD subgroups, improvements to the Extra Responsibility Allowance, as well as improvements to the Cadet training and Sea training allowances, Bereavement leave, and various other measures. These measures are equivalent to an on-going cost of $29.9 million or 19.7% of the group's 2018 wage base.

Furthermore, the Bargaining Agent's proposals include annual economic increases of 7.5, 5%, 4.5% and 4% over the course of four years for the 2021 Round, which results in an overall increase of 22.7% relative to the group's 2021 wage base. Not included in the 2021 round costing are the unspecified market allowance being sought for 2023 as well as the potential cost associated with a reopener in 2025.

Table 4: Bargaining Agent Proposals

BARGAINING AGENT WAGE & MONETARY PROPOSALS	ONGOING COSTS	% OF WAGE BASE
2018 Round of Collective Bargaining		
2018-2021 Economic increase for 4 years: 3%, 3%, 3%, and 3%	$12,689,785	12.55 %
Appendix G - Extra Responsibility Allowance (18% of final increment)	$1,383,516	1.37%
Restructure SO-INS: Eliminate Steps 1 through 6 of the rates of pay and make equivalent to SO MAO 11/12	$733,268	0.73%
SO-MAO / SO-FLP / SO-RAD: Add steps 5, 6 and 7	$4,402,644	4.35%
Bereavement Leave – change to definition and expanded Paid Leave	$118,690	0.12%
Increase to Cadet training and Sea training allowance	$296,833	0.29%
Paid meal breaks (Article 30, Appendix K)	Need additional data to cost	%
LOU 13-4 – Paid Meal Breaks & Designated Paid Holiday	Need additional data to cost	%
Increase to leave credits earning rates	$281,453	0.28%
Cancellation of leave	Need additional data to cost	%
DPH – National Day for Truth and Reconciliation	See note 1	-
Total 2018 Ongoing Cost	**$19,906,189**	**19.69%**
2021 Round of Collective Bargaining		
2022-2026 Economic increase for 4 years: 7.5%, 5%, 4.5%,4% (plus COLA re-opener in the event that CPI ending January 31, 2025, is over 4%)	$29,431,743	22.67%
Market adjustment in 2023 (amount unspecified) - a 1% MA	$1,592,439	1.23 %

was costed as an example	See note 2	
Total 2021 Ongoing Cost (excludes unspecified 2023 Market Adjustment**)**	**$29,431,743**	**22.67%**

Notes:

1. The Government of Canada proclaimed that September 30 be the National Day for Truth and Reconciliation (NDTR), a new national holiday. Article 32 entitles members of the bargaining group to a designated paid holiday to observe this day, starting in 2021.

   The parties agreed to identify the NDTR in Article 32 while retaining the provision to add one additional day when proclaimed by an act of Parliament as a national holiday. Generally, the productivity cost of introducing a new designated paid holiday is roughly equivalent to 0.36% of wages, assuming a similar economic increase proposal. Much like the productivity cost of introducing the NDTR in 2021, a new designated paid holiday introduced in future years would carry the same productivity cost. This does not include impact on overtime costs.

2. Since the market adjustment request was not specified in the Guild proposal. This is an example of the cost of 1% market adjustment on April 1, 2023. This cost is not included in the Guild total proposal's cost.

1.6 Employer Proposals

The Employer proposed improvements for the SO group that included fair economic increases, modernized language, as well as other improvements. The Employer's detailed position on each outstanding item can be found in parts III and IV of the Employer's brief.

The Employer's monetary proposals, with the associated costs, are included in table 5 below.

Table 5: Employer Monetary Proposals

EMPLOYER WAGE PROPOSAL	ONGOING COST	% OF WAGE BASE
2018 Round of Collective Bargaining		
Economic increases of 2.8%, 2.2%, 1.35%, and 1.5% over four years for the 2018-2021 round	$8,166,523	8.08%
2021 Round of Collective Bargaining		
Economic increases of 3.5%, 3.0%, 2.0%, and 2.0% over four years for the 2022-2026 round	$13,601,869	10.91%
Market Adjustments of 1.25% on April 1, 2022, and 0.25% on April 1, 2024.	$2,078,134	1.67%
Payline Adjustment of 0.5% on April 1, 2023	$701,662	0.56%
Delete Fisheries Enforcement and Diving allowances	$0	0.00%
Designated Paid Holidays – Add National Day of Truth and Reconciliation (note 1)	See note 1	
Bereavement Leave – expand the definition of family	$0	0.00%
ERA Language Clarification	$0	0.00%
Late Implementation - $200 over 181 days	$1,004 (See note 2)	0.001%
Total 2021 Ongoing Cost	**$16,382,669**	**13.14%**

Notes:

1. The Government of Canada proclaimed that September 30 be the National Day for Truth and Reconciliation (NDTR), a new national holiday. Article 32 entitles members of the bargaining group to a designated paid holiday to observe this day, starting in 2021. The parties agreed to identify the NDTR in Article 32 while retaining the provision to add one additional day when proclaimed by an act of Parliament as a national holiday. Generally, the

productivity cost of introducing a new designated paid holiday is roughly equivalent to 0.36% of wages, assuming a similar economic increase proposal. Much like the productivity cost of introducing the NDTR in 2021, a new designated paid holiday introduced in future years would carry the same productivity cost. This does not include impact on overtime costs. This cost is funded separately and is not included in the total on-going cost.

2. This cost is amortized over four years.
3. The one-time signing bonus cost is estimated at $3.9 million. This cost is funded separately and is not included in the total 2021 on-going cost.

The Employer's proposals also included proposed language with regards to collective agreement duration and implementation that provides for reasonable implementation timelines and considers capacity and complexity. With this proposal, the Employer seeks to establish a new norm for implementation that recognizes the complexity of implementation and continues to distinguish between manual and automated transactions.

Over the eight (8) year period, the Employer is offering 20.35% worth of economic increases, market adjustments and pay line adjustments. This is aligned with the established patterns for the 2018 and 2021 rounds of collective bargaining.

PART II – ECONOMIC CONSIDERATIONS

In its approach to collective bargaining and the renewal of collective agreements, the Employer's goal is to ensure fair compensation for employees and, at the same time, to deliver on its overall fiscal responsibility and commitments to the priorities of the government and Canadians.

Section 148 of the *Federal Public Sector Labour Relations Act* (FPSLRA) outlines four principles for consideration in the making of an arbitral award:

- Recruitment and retention

  (a) *the necessity of attracting competent persons to, and retaining them in, the public service in order to meet the needs of Canadians;*

- External comparability

  (b) *the necessity of offering compensation and other terms and conditions of employment in the public service that are comparable to those of employees in similar occupations in the private and public sectors, including any geographic, industrial or other variations that the public interest commission considers relevant*;

- Internal relativity

  (c) *the need to maintain appropriate relationships with respect to compensation and other terms and conditions of employment as between different classification levels within an occupation and as between occupations in the public service;*

  (d) *the need to establish compensation and other terms and conditions of employment that are fair and reasonable in relation to the qualifications required, the work performed, the responsibility assumed and the nature of the services rendered; and*

- The state of the economy and the government's fiscal situation

  (e) *the state of the Canadian economy and the Government of Canada's fiscal circumstances*

In addition, the Employer appeals to replication as a guiding principle to set compensation. This would include an assessment of agreements reached in the CPA, as well as an analysis of the broader Canadian public sector trends.

2.1 Recruitment and Retention

The Treasury Board Secretariat negotiates rates of pay that enable the Employer to recruit qualified employees and retain them in the public service. TBS reviews the compensation levels and monitors compensation data on a regular basis to identify signs of any recruitment and retention challenges. Those signs include consistent decreases in total population, growing numbers of employees leaving their positions for other employment opportunities, and persistently low response or low application rates to job advertisements.

TBS surveyed departments to identify potential problems in recruiting and retaining employees and the impact of such difficulties. There were no recruitment or retention issues raised by any of the largest employing departments.

The following section identifies if any of the above-mentioned concerns are present in the SO bargaining unit. The section includes four indicators: first, total population growth; second, total separations by reasons; third, total number of hirings over time; and fourth, total applications per job advertisement. The SO occupational group is included with the reference period being between 2015-2016 to 2020-2021.

Total Population

Table 6 shows the SO group population over the last six fiscal years.

The population for the SO group between 2015-2016 and 2020-2021 has increased by 18.3 %, increasing every year over the reference period.

In times of recruitment and retention problems, one would expect consistent decreases in population, which is not the case in the SO bargaining unit.

Table 6: Population

Population						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Population variation - SO group						
12-months average population	1,064	1,109	1,135	1,172	1,233	1,259
Year-to-year (y/y) increase	-	4.2%	2.3%	3.3%	5.2%	2.0%
Core Public Administration (CPA) y/y increase	-	1.30%	2.1%	4.4%	5.2%	4.2%

Source: Incumbent file

Notes:

1. Figures include employees working in departments and organizations of the core public administration (FAA Schedule I and IV).
2. Figures include all active employees and employees on leave without pay (by substantive classification) who were full- or part-time indeterminate and full- or part-time seasonal.

Population growth as presented above is the net result of separations (outflow) and hirings (inflow). In general, if there is a decreasing number of separations or an increasing number of hires, the group is not facing recruitment and retention challenges. To better understand the dynamics between the two flows, the following analysis presents how hirings and separations have evolved for the SO group.

Hirings

Table 7 shows the inflow of employees, hired from outside (external) and from inside (internal) the CPA, into the SO bargaining unit.

The table shows that hiring rates (both externally and internally) have been very healthy. Between 2015-2016 and 2019-2020, the SO group showed strong hiring rates increasing from 7.5% to 13.8%. While there was a decrease in the 2020-2021 fiscal year, this was due to a lower need for hires as separations have been on the decline (Table 8) lowering the need.

Table 7: Hirings

Hiring	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Hiring - SO group						
External Hiring	57	95	105	110	131	93
Internal Hiring	23	42	51	45	39	15
Total Hiring (external and internal)	80	137	156	155	170	108
Total Hiring Rate	7.5%	12.4%	13.7%	13.2%	13.8%	8.6%
CPA Total Hiring Rate	6.9%	9.2%	11.6%	14.1%	13.9%	11.5%

Source: PSC Appointments file

Notes:

1. Figures include employees working in departments and organizations of the core public administration (FAA Schedule I and IV).
2. Figures include all active employees and employees on leave without pay (by substantive classification) who were full- or part-time indeterminate and full- or part-time seasonal.
3. External hiring includes hires from outside the CPA. It also includes employees whose employment tenure changed from casual, term or student to indeterminate or seasonal.
4. Internal hiring includes hires to the group from other groups within the CPA.
5. Total hiring rates are calculated by dividing the number of external and internal hires in a given fiscal year by the average number of employees.

Separations

The following section includes two types of separations: first, external separations, which occur when employees exit the CPA; and second, internal separations, which occur when employees move between groups within the CPA.

Table 8 shows that separations decreased by 26.4% between 2017-2018 and 2020-2021, decreasing from 115 to 91.

Another important indicator in identifying retention problems is non-retirement voluntary separations. This represents employees who are voluntarily leaving the public service for outside employment. As table 8 shows, the SO group has not only showed stability in the number of employees leaving for outside employment, but the number decreased by a substantial amount in the 2020-21 fiscal year.

There is no evidence of retention issues in the SO group observed in the separation data during the reference period.

Table 8: Separations

Separations	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Separations - SO group						
External Separations	67	84	79	81	100	76
Voluntary - Non-Retirements	*15*	*24*	*21*	*19*	*20*	*9*
Voluntary - Retirements	*38*	*56*	*48*	*36*	*56*	*38*
Involuntary	*14*	*4*	*8*	*18*	*9*	*15*
Unspecified			*2*	*8*	*15*	*14*
Internal Separations	12	20	36	27	11	15
Total Separations (internal and external)	79	104	115	108	111	91
Total Separation Rate	7.4%	9.4%	10.1%	9.2%	9.0%	7.2%
CPA Total Separation Rate	7.9%	8.2%	8.3%	8.8%	9.0%	7.7%

Source: Mobility file as of June 2022 ; PSC Appointments file

Notes:

1. Figures include employees working in departments and organizations of the core public administration (FAA Schedule I and IV).
2. Figures include all active employees and employees on leave without pay (by substantive classification) who were full- or part-time indeterminate and full- or part-time seasonal.
3. External separations are separations to outside the CPA. Voluntary non-retirement separations include resignation from the CPA for: outside employment, return to school, personal reasons, abandonment of position; it also includes separation to a Separate Agency. Voluntary retirement separations includes all retirements due to illness, age, or elective. Involuntary separations include resignation under Workforce Adjustment, discharge for misconduct, release for incompetence or incapacity, cessation of employment - failure to appoint, dismissed by Governor-in-Council, layoff, rejected during probation, and death.
4. Internal separations are separations from the group to other groups within the CPA.
5. Total Separations rates are calculated by dividing the number of external and internal separations in a given fiscal year by the average number of employees.

Job Advertisements

Table 9 presents job advertisement figures for the SO group. The analysis focuses on total applications per job advertisement and total screened-in applications per job advertisement. These indicators shed light on how the labour market responds in times of hiring needs.

The total number of screened-in applications per job advertisement has been stable over the last 5 years, providing departments with a large pool of qualified applicants in times of hiring needs.

It is not surprising to see some figures below the CPA median since SO employees are highly specialized limiting the pool to draw from, compared to groups requiring less specialized skills who drive up the overall average. Notwithstanding the specialized nature of the SO group, the Employer is able to attract many more qualified candidates than it requires for each advertisement.

Table 9: Job advertisements

Job Advertisements	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total Advertisements						
SO	8	9	19	19	20	25
CPA median	10	7	7	11	12	11
Total Applications per Advertisement						
SO	103	34	52	50	39	43
CPA median	95	77	66	106	97	134
Total Applications Screened-In Per Job Advertisement						
SO	97	30	36	33	28	31
CPA median	76	57	55	79	73	99

Source: Public Service Commission PSRS Extracts

Notes:

1. Figures include applications to external job advertisements from departments and organizations of the core public administration (FAA Schedule I and IV).
2. Data are for closed advertisement. Cancelled advertisements are excluded.
3. Screened-In applications are those that meet the essential criteria of the advertisement.

Conclusion

The analysis on recruitment and retention metrics illustrates that salary levels for the SO group are sufficient to attract and retain qualified employees within the group despite having received no wage increases since April 1, 2017.

Overall, the recruitment and retention metrics clearly demonstrate a healthy group. The data provided shows very strong population growth and hiring rates, low separation rates, and a high level of qualified applicants in times of recruitment need. Existing terms and conditions of employment, including compensation rates, have drawn qualified candidates from the labour market to fill positions when they become available.

Consequently, the population steadily grew over the reporting period and no evidence of recruitment and retention challenges with the SO group are observed.

2.2 External Comparability

This section compares SO pay rates to those offered in the external market. The Government of Canada's stated objective is to provide compensation that is competitive with, but not leading, compensation provided for similar work in relevant external labour markets. TBS reviews labour market trends nationally and it commissions third-party human resources experts to conduct secondary research at the occupational group level. National trends guide compensation decisions.

This section will demonstrate that SO wages are highly competitive with the external labour market.

Section 2.2.1 compares the SO salaries, adjusted for hours worked, with private sector hourly earnings.

Section 2.2.2 provides analysis on the salaries of the SO positions to comparable positions in the external markets.

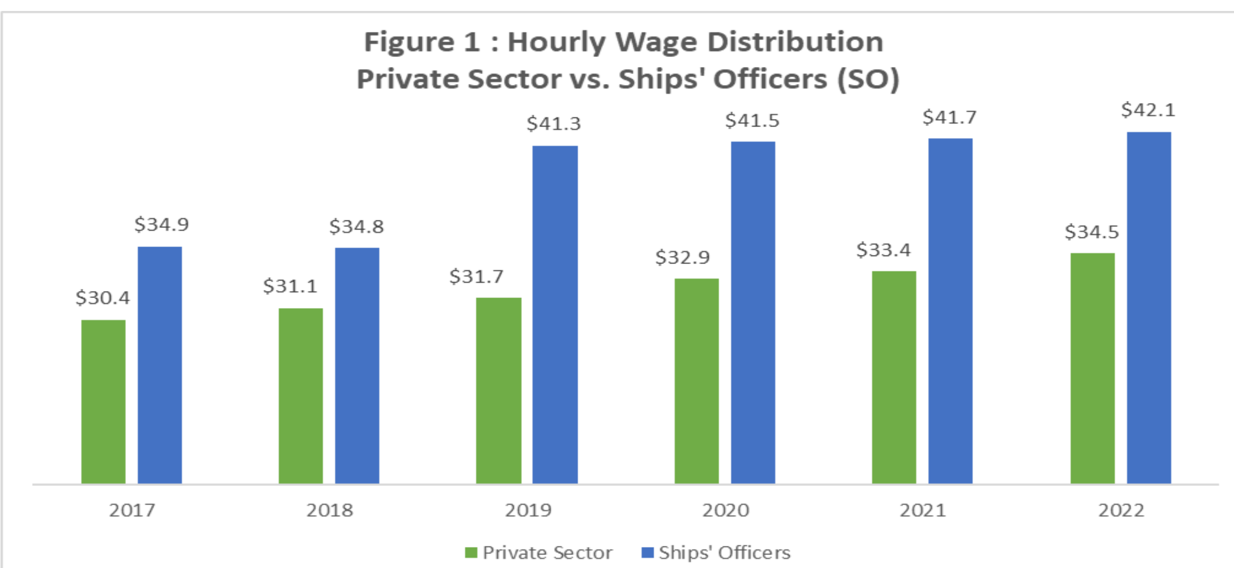
Lastly, section 2.2.3 contrasts the cumulative wage increases among the SO bargaining unit and the wage settlements in both public and private sectors.

2.2.1 Hourly wages for the SO group relative to the Private Sector

The following chart compares SO salaries, adjusted for hours worked, with private-sector hourly earnings published by Statistics Canada publishes in its Labour Force Survey. The private sector includes a broad spectrum of jobs, including some that are comparable to those performed by the SO group.

When determining wage increases for its employees, the government needs to consider federal public service wages relative to the wages that most Canadians earn. As shown in Figure 1, the average hourly wage for SO workers exceeded what the private sector provided by 18.05% in 2022. Moreover, the SO average hourly wage has increased by 17.1% between 2017 and 2022, while the private sector increased by only 11.88% over the same period. This has caused the average hourly wage gap between the private sector and the SO group to significantly rise over time, despite the SO group receiving their last wage increase in 2017. It should be noted that the last increase was only implemented following the 2018 Arbitral award decision. This explains why the SO hourly wage has not moved since 2019.

Figure 1: Hourly Wage - Private Sector vs. Ships' Officers



Source: Labour Force ***Survey (LFS) (Table 14-10-0134-0) statistics represent the gross taxable income of employees and include additional payments besides base pay. Ship's Officers include base wage only and do not include allowances, overtime, and other premiums.***

Notes :

1. The average hourly wage for a bargaining unit is the total salary paid to all employees in the bargain unit divided by the total number of weekly hours worked by those employees.
2. Employees include all active-status casual, term, and indeterminate employees that are represented or have pay rates linked directly to wage adjustments provided to bargained employees. SOMA-00 are excluded.
3. The SO group received their last wage increase in 2017. However, it was only implemented in 2018 following the Arbitral award decision. This explains why the SO hourly wage has not moved since 2019.

2.2.2 Summary of Previous External Wage Studies

Mercer External Wage Study Results

In 2021, TBS commissioned Mercer Canada LLC to complete a study to evaluate the competitiveness of its base salary levels for 12 positions in the Ships' Officers (SO) group relative to the external market. (Exhibit 2) Of the 43 organizations actively solicited, 15 organizations responded and reported compensation data for similar matched jobs. The 15 organizations that participated to the survey are: Atlantic Pilotage Authority, Great Lakes Authority, McAsphalt Marine Transportation Limited, British Columbia Ferry Services, Groupe Océan, Montreal Port Authority, Canadian Armed Forces, Desgagnés Marine Cargo/Pétro/Saint-Laurent et Relais Nordik, Pacific Pilotage Authority, CSL Group Inc., Lower Lakes Towing Ltd., Purvis Marine Limited, CTMA, Marine Atlantic Inc., and Société des Traversiers du Québec.

For the selected positions, primary research using a customized salary survey was used to conduct the market analysis. Matches for the 12 benchmark positions were determined based on job content and professional judgement, as survey capsule descriptions are typically brief relative to organizational descriptions. As a rule of thumb, positions are considered a "good match" if at least 80% of the role is represented in the survey position capsule description. Matches were found for 10 out the 12 positions surveyed.

TBS' incumbent data was compared to the 50th percentile of the market using the maximum salary range for its annualized base salary. The maximum level of a salary range is a good indicator of the expected salary of federal government employees. Generally, federal public sector base pay practices are calibrated such that employees will achieve the maximum base salary rate of pay (job rate) of their salary band based on a combination of tenure and performance. External to the public sector at any given level, the 50th percentile of a defined labour market typically represents the expected salary for "fully competent" job performance. Progression beyond the 50th percentile is generally reserved for a high relative performance and advanced competency growth. The choice of the 50th percentile as an acceptable benchmark is consistent with TBS' key guiding compensation principle that its compensation be competitive with, but not lead, relevant external labour markets that provide similar work.

Compensation within plus or minus 10% of TBS's target market positioning are generally considered to be within competitive norms and aligned with the market. By assuming a single competitive rate, one would impose too high a level of precision on an analysis that requires subjective decisions in defining and comparing work across organizations.

Included in Table 10 below are the results of the 2021 study results. Overall, the results show that the SO wages are either competitive with or leading the market for every single position except for one (Commanding Officer SO-MAO-10). However, it should also be noted that the results in the study compare TBS rates effective April 1, 2017, vs August 1, 2021, markets rates.

Applying the employer's 4 years economic increases proposal for the 2018 round (2.8%, 2.2%, 1.35% and 1.5%) not only improves their overall competitiveness but eliminates the only position found to be lagging the market.

Table 10: Wage Study Results

The tables below provide the competitive positioning for TBS' base salary compensation levels relative to the market median (P50) for all benchmark positions by stream.

				Base Salary	
Job	TBS Position	Classification Level	TBS Max Salary ($000)[1]	Average Market P50 ($000)[2]	TBS Max vs Market P50[3]
ENGINEERS					
1	Third Engineer	SO-MAO-03	$77.2	$81.4	-5%
2	Second Engineer	SO-MAO-04	$81.6	$85.2	-4%
3	Senior Engineer (smaller ship)	SO-MAO-07	$94.0		
4	Senior Engineer (larger ship)	SO-MAO-08	$98.9	$87.7	13%
5	Chief Engineer (medium ship)	SO-MAO-09	$106.5	$116.4	-9%
6	Chief Engineer (larger ship)	SO-MAO-11	$127.8	$128.8	-1%
OFFICERS					
7	Third Officer	SO-MAO-03	$77.2	$78.5	-2%
8	Commanding Officer (smaller ship)	SO-MAO-04	$95.1	$97.6	-3%
9	Chief Officer (smaller ship)	SO-MAO-07	$94.0		
10	Chief Officer (larger ship)	SO-MAO-08	$98.9	$87.7	13%
11	Commanding Officer (medium ship)	SO-MAO-10	$116.0	$136.1	-15%
12	Commanding Officer (larger ship)	SO-MAO-12	$139.3	$148.8	-6%

Legend

(green)	Above Comparator Market (Greater than +10%)
(blue)	Within Comparator Market (+/-10%)
(pink)	Below Comparator Market (Less than -10%)

Notes:

(1) Reflects the maximum base salary range effective as of April 1, 2017 to March 31st, 2018

(2) Reflects the average of all benchmark jobs for the position. Market data presented for all survey sources is on an organization weighted basis. Market salaries are effective August 1, 2021.

(3) Represents the market variance between TBS' maximum salary range to the external P50 base salary compensation calculated using the following formula: (TBS Max Salary – Market P50) / Market P50.

(4) Due to insufficient data, market data for not provided for Job 3 and Job 9.

(5) Due to rounding, numbers may not calculate exactly in the results tables.

The results of the Mercer study further support the Employer's position that additional increases to pay for the SO group are currently unwarranted.

Table 11 - Summary with Employer Wage Offer up to 2021 by Stream

The 2021 Mercer study showed how TBS positions, with salaries as of April 1, 2017, compared to market comparators as of August 2021. To inform how TBS positions would fare with 2021 salaries, the study results table was adjusted by the Employer proposal for the 2018-2021 round. Applying the employer's 4 years economic increases proposal for the 2018 round (2.8%, 2.2%, 1.35% and 1.5%) not only improves their overall competitiveness but eliminates the only position found to be lagging the market.

Table 11 provides the competitive positioning for TBS' base salary compensation levels relative to the market median (P50) for all benchmark positions by stream once the Employer proposal for the 2018-2021 round is applied.

Table 11 – Mercer Study Results

				Base Salary	
Job	TBS Position	Classification Level	TBS Max Salary ($000)[1]	Average Market P50 ($000)[2]	TBS Max vs Market P50[3]
ENGINEERS					
1	Third Engineer	SO-MAO-03	$83.4	$81.4	3%
2	Second Engineer	SO-MAO-04	$88.2	$85.2	4%
3	Senior Engineer (smaller ship)	SO-MAO-07	$101.6		
4	Senior Engineer (larger ship)	SO-MAO-08	$106.9	$87.7	22%
5	Chief Engineer (medium ship)	SO-MAO-09	$115.1	$116.4	-1%
6	Chief Engineer (larger ship)	SO-MAO-11	$138.1	$128.8	7%
OFFICERS					
7	Third Officer	SO-MAO-03	$83.4	$78.5	6%
8	Commanding Officer (smaller ship)	SO-MAO-04	$102.8	$97.6	5%
9	Chief Officer (smaller ship)	SO-MAO-07	$101.6		
10	Chief Officer (larger ship)	SO-MAO-08	$106.9	$87.7	22%
11	Commanding Officer (medium ship)	SO-MAO-10	$125.4	$136.1	-8%
12	Commanding Officer (larger ship)	SO-MAO-12	$150.6	$148.8	1%

Legend

- Above Comparator Market (Greater than +10%)
- Within Comparator Market (+/-10%)
- Below Comparator Market (Less than -10%)

Notes:

1. Reflects the maximum base salary range effective as of April 1, 2017, to March 31st, 2018, inflated with the 2018 round pattern of 2.8%, 2.2%, 1.35% and 1.5%.
2. (2) Reflects the average of all benchmark jobs for the position. Market data presented for all survey sources is on an organization weighted basis. Market salaries are effective August 1, 2021.
3. (3) Represents the market variance between TBS' maximum salary range to the external P50 base salary compensation calculated using the following formula: (TBS Max Salary – Market P50) / Market P50.
4. (4) Due to insufficient data, market data for not provided for Job 3 and Job 9.
5. (5) Due to rounding, numbers may not calculate exactly in the results tables.

2.2.3 Comparison of External Wage Growth

This section compares how wages have grown between 2010 and 2017 among the SO group relative to wage settlements over the same period in the public and private sectors (as measured by ESDC[4]). As is shown in Table 12, the SO group benefited from substantially higher cumulative wage increases (28.9%) than what the public and private sectors obtained over the same period (12.1% and 16.2%, respectfully). The SO group cumulative wage increases over this time-frame also significantly outpaced inflation (14.0%).

Table 12: SO Wage Growth vs. Other Sectors between 2010 and 2017

External Cumulative Increase Comparison (2010 - 2017)				
	ESDC Public Sector	ESDC Private Sector	CPI	SO Group
Cumulative Increase	12.1%	16.2%	14.0%	28.9%

Notes: SO rates calculated by TBS from settlement rates (weighted average).

In addition, included below is a comparative table on how wages have grown between 2010 and 2021when taking into account the employer's proposed offer for the first 4 years (2018-2021). As shown in Table 13, the SO group would benefit from higher cumulative wage increases (39.3%) than what the public and private sectors obtained over the same period (19.2% and 25.5%, respectfully). The SO group cumulative wage increases over this timeframe also outpaced inflation (23.7%).

Table 13: SO Wage Growth with Employer proposed offer up to 2021 vs. Other Sectors

External Cumulative Increase Comparison (2010 - 2021)				
	ESDC Public Sector	ESDC Private Sector	CPI	SO Group
Cumulative Increase	19.2%	25.5%	23.7%	39.3%

Notes: SO rates calculated by TBS from settlement rates (weighted average) until 2017 and then with proposed economic increases for the 4 years 2018 round of 2.8%, 2.2%, 1.35% and 1.5%.

Overall, the SO group has remained competitive with the external market. The wage study showed that SO wages are either comparable or leading the market for every single position surveyed. The bargaining unit wage growth has significantly outpaced both inflation and public and private sector settlements.

2.3 Internal Relativity

Internal relativity is a measure of the relative value of each occupational group within the core public administration (CPA). The *Policy Framework on the Management of Compensation* (Exhibit 3) states that compensation should reflect the relative value to

[4] Wage settlements as reported by ESDC for employers that have more than 500 unionized employees. These data are weighted averages of the annual percentage "adjustments" in "base rates" during the period covered by the settlements. The "base rate" is the wage rate of the lowest paid classification containing a significant number of qualified workers in the bargaining unit. The "adjustments" include such payments as restructures and estimated cost-of-living allowance.

the employer of the work performed, so ranking of occupational groups relative to one another is a useful indicator of whether their relative value and relative compensation align. Further, the *Federal Public Sector Labour Relations Act* says that there is a need to maintain appropriate relationships with respect to compensation between classifications and levels.

Comparison of Internal Wage Growth, 2010 to 2017[5]

In the absence of any direct comparators for the SO positions in the CPA, the CPA average could be considered as an adequate benchmark for internal comparative purposes.

As in shown in Table 14 below, cumulative increases received by SO employees (28.9%) was higher than the CPA average (15.2%) over the reference period (2010-2017) by a substantial amount.

Table 14: SO cumulative wage growth and weighted CPA average, 2010-2017

External Cumulative Increase Comparison (2010 - 2017)		
	SO Group	**CPA**
Cumulative Increase	28.9%	15.2%

Therefore, their do not seem to be any issues with regards to internal relativity for the SO group.

In addition, included is a comparative table on cumulative increases between 2010 and 2021 when taking into account the employer's offer for the first 4 years (2018-2021). As shown in Table 15, the SO group cumulative wage increases (39.3%) would be higher than the CPA average (24.7%) over the reference period (2010-2021).

Table 15: SO cumulative wage growth and weighted CPA average, 2010-2021

External Cumulative Increase Comparison (2010 - 2021)		
	SO Group	**CPA**
Cumulative Increase	39.3 %	24.7%

Notes: SO rates calculated by TBS from settlement rates (weighted average) until 2017 and then with proposed economic increases for the 4 years 2018 round of 2.8%, 2.2%, 1.35% and 1.5%.

[5] The CPA average is weighted by the population of each bargaining group forming five employment categories: scientific and professional, administrative and foreign service, technical, administrative support, and operational. Percentages include economic increases, restructures, and terminable allowances.

2.4 Economic and Fiscal Circumstances

State of the Economy and the Government's Fiscal Position

Canada has experienced a period of intense economic disruption due to the COVID-19 pandemic which dramatically altered the economic and fiscal landscape. The recent economic and fiscal outlook has continued to deteriorate as the impact of much higher interest rates and debt service costs work to slow more persistent inflation than forecasted. There is a reasonable case to that collective bargaining settlements achieved with forecasts of higher growth and more robust public finances would not be replicated today.

As Bank of Montreal chief economist Douglas Porter first noted at the onset of the COVID-19 pandemic in March 2020, that the initial pandemic crisis was like all the previous crises rolled into one when he stated that *"(t)he sudden onset of this crisis is a key feature; it's almost as if every crisis the market has faced in the past 25 years have been collapsed into one single event in quadruple time."*[6]

Canada has managed an economic recovery with the aid of substantial fiscal and monetary stimulus to quickly reversing pandemic job losses despite multiple waves of COVID-19.

After an unanticipated, intense, and prolonged period of economic disruption, workers and businesses re-emerged and re-engaged in an altered economic landscape. This economic re-opening unfolded amidst pent-up demand, further fueled by pandemic savings, which clashed with persistent supply constraints, which resulted in a pronounced surge in CPI inflation which peaked in June 2022.

Furthermore, the continuing War in Ukraine and the resulting sanctions against Russia have weighed on global markets and consumer and business confidence, while leading to an additional and unanticipated surge in commodity prices. Higher commodity prices and persistent supply disruptions exacerbated existing inflationary pressures around the world.

Central banks throughout the world have responded to higher inflation by hiking interest rates from historical lows to reduce demand and lower inflation. The Bank of Canada, notably, announced cumulative interest rate increases of 475 basis points, with interest rates rising from a pandemic low of 0.25% to 5.0% as of September 2023.

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[6] BMO, Talking Points, A Bridge Over Troubled Markets, Douglas Porter, March 20, 2020, source: https://economics.bmo.com/en/publications/detail/760a5107-0c2e-4e7e-b670-2d178fab639c/?keyword=a%20bridge%20over%20troubled%20waters?keyword=a%20bridge

These rate hikes have started to slow economic activity and the economic outlook for 2023 and 2024 has weakened as the impact of higher interest rates work their way through the economy.

As a result, consumers plan to reduce or to postpone their spending and this was particularly the situation for consumers with variable-rate mortgages that are directly affected by higher interest rates.

According to the Bank of Canada's Canadian Survey of Consumer Expectations, consumers' concern about the economy is widespread. On average, consumers said the likelihood of a recession in the next 12 months is 60%[7]. A growing share of consumers plan to continue reducing their spending or to postpone purchases because of elevated inflation and interest rates. This was particularly the situation for consumers with variable-rate mortgages that are directly impacted by higher interest rates.

Consumers are also becoming more frugal in the face of higher prices, falling wealth, and higher interest rates. About one-third of consumers expect to eat out less often, travel less, and enjoy fewer paid entertainment or social activities over the next year than they did last year. This is largely because of the high prices of these services and other essential purchases. Consumer spending is a critical component of real GDP growth and declining consumer confidence is further evidence of an oncoming recession.

It is important that the Government remain focused on keeping federal government compensation affordable and that pay increases mirror those that many Canadian workers experienced. Furthermore, continued fiscal prudence will allow the Government to pursue its commitments and better respond to post-pandemic economic uncertainty.

The following sections outline the state of the Canadian economy, labour market conditions for the public service relative to the private sector, and the Government's fiscal circumstances. This includes an overview of gross domestic product (GDP) growth, consumer price inflation, employment growth, and how the public service compares against the typical Canadian worker, who is the ultimate payer of public services.

Real GDP Growth

Real GDP growth, which is the standard measure of economic growth in Canada, provides an indication of the overall demand for goods, services, and labour. Lower real GDP growth reduces demand for employment, which increases unemployment and curbs wage increases. A decline in GDP, such as during recessions, leads to lower economic output and lower levels of employment and little, if any, pressure for wage growth.

[7] Bank of Canada, Canadian Survey of Consumer Expectations, 2022 Q4, January 15, 2022. Source: https://www.bankofcanada.ca/2023/01/canadian-survey-of-consumer-expectations-fourth-quarter-of-2022/

On March 2, 2021, Statistics Canada reported that the decline in real GDP for 2020 was -5.4%, "*the steepest annual decline since quarterly data were first recorded in 1961.*"[8] Household spending declined even further than real GDP, shrinking 6.1% in 2020 compared to 2019. Real GDP growth in 2020 was later upwardly revised to -5.2% by Statistics Canada in the third quarter of 2021.

The shutdowns of non-essential businesses and the physical distancing measures established Canada-wide to slow the spread of COVID-19 brought economic activity in many industries to an unprecedented standstill. Canada's economy contracted almost twice as much as the U.S. economy during the COVID-19 pandemic, despite the U.S. seeing far more COVID cases per capita.

According to TD Economics,

> "*The COVID-19 pandemic caused the Canadian economy to suffer its steepest contraction since the Great Depression. The historical GDP decline in the second quarter (2020Q2), was not completely made up in subsequent quarters, as the pace of the recovery slowed through the second half of the year. The level of output in the fourth quarter was 3.2% below where it was at the end of 2019.*"[9]

Lower real GDP means that there is less demand for labour, increased unemployment, and little pressure to raise wages.

Prior to 2020's record-breaking real GDP decline, economic growth had already slowed from 2.8% in 2018 which then further slowed to 1.9% in 2019 (Table 16).

Table 16: Real gross domestic production, year-over-year growth

year	2018	2019	2020	2021	2022	2023(F)	2024(F)	2025(F)	2026(F)
Real GDP Growth	2.8%	1.9%	-5.1%	5.0%	3.4%	1.5%	0.8%	2.2%	2.2%

Source: Statistics Canada table 6, 36-10-0104-01, Consensus Forecasts, August 2023, April 2023 for 2026 forecast.

GDP returned to growth in 2021, increasing 5.0%, but this growth was supported by continued fiscal and monetary stimulus as well as pandemic savings.

Real GDP matched its pre-pandemic levels earlier than expected in the fourth quarter of 2021, marking the fastest recovery of the last three recessions. This economic resurgence, combined with the easing of public health restrictions and a strong housing market, helped boost economic activity.

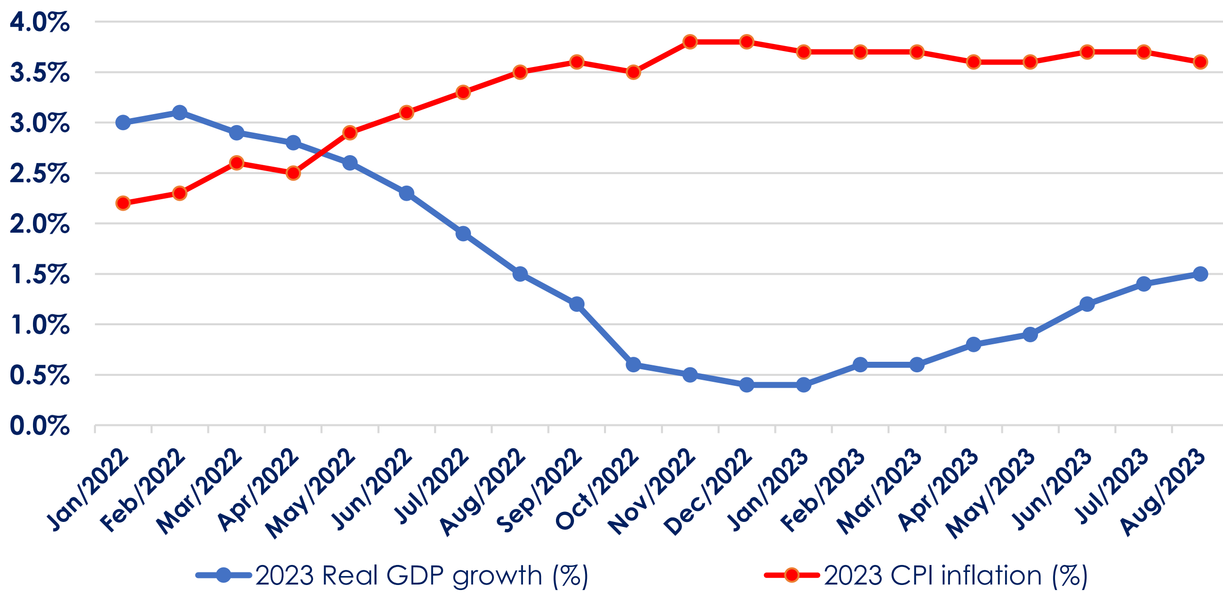
[8] Statistics Canada, Gross domestic product, third quarter 2021, https://www150.statcan.gc.ca/n1/daily-quotidien/211130/dq211130a-eng.htm.

[9] TD economics, Canadian Real GDP (Q4 2020), March 2, 2021. Source: https://economics.td.com/ca-real-gdp.

Real GDP growth slowed to 3.4% in 2022 and is forecast drop sharply to 1.5% in 2023 and continued weakness in 2024 with even lower growth of 0.8%.

However, the forecast for economic growth in 2023 has been repeatedly downgraded, as can be seen in Figure 2. Initially, for 2023, the forecast called for continued healthy real economic growth of around 3.0%. By December 2022, after months of continuous downgrades, the forecast had been slashed to 0.4%. Since that December 2022 low, the consensus forecast for 2023 has crept back up to 1.5% as of August 2023, but growth remains half of the initial forecast.

Figure 2: Evolution of 2023 Real GDP and CPI inflation forecasts



Source: Consensus Economics, August 2023.

This modest uptick in 2023 forecast growth has been more than overset by slowing growth for 2024, with forecast growth declining from 1.6% in January 2023 to 0.8% by August 2023[10].

In March 2023, the second, Silicon Valley Bank, and third largest, Signature Bank, bank failures in United States history occurred, with total assets of $327 billion have also contributed to recent increases in economic uncertainty.

According to the Bank of Canada's July 2023 Monetary Policy Report, '*As the cumulative interest rate increases work their way through the economy, they will weigh on household spending and business investment. Weak foreign demand is also expected to*

[10] Consensus Economic Forecasts, January 2023 and August 2023.

slow export growth.'[11] More evidence of economic weakness and slowing growth was the surprise Canadian GDP surprised on the downside by edging slightly lower (-0.2% at an annualized rate) in the second quarter 2023[12]. This contrasted sharply with economists' expectations from a month earlier when expectations were for 1.0% annualized growth, not a decline.

Royal Bank economics August 2023 forecast for GDP growth projections two quarters of declining GDP, with quarterly annualized growth of -0.5% in 2023 Q3 and -0.5% in Q4.[13]

There is mounting evidence that the lagged impact of earlier interest rate hikes is beginning to work more significantly to cool GDP growth and labour markets.

Many economists had predicted a recession or near-recession in early 2023. While a recession has been avoided so far in 2023, economic growth for 2023, 2024 and beyond have been lowered more than impact of a forecast short recession. Despite a historic surge in population growth and continued employment growth, economic growth has stalled. The implications at the per capita level, more population and more job growth without economic growth is that labour productivity is declining.

Risks to the Economic Outlook

As alluded to above, the economic outlook has recently deteriorated, with higher projected economic growth in 2023 more than offset by lower forecast growth in 2024.

The risks are much more pronounced to the downside than to the upside. Persistent inflation, the increasing likelihood that interest rates will be higher for longer and declining worker productivity imply much more persistent challenges to the economy.

In their July MPR report, the Bank of Canada presented risks it identified as most important for the projected inflation path.

Downside risks for inflation (↓): Past increases in prices of intermediate and final goods could reverse:

[11] Bank of Canada, July Monetary Policy Report, Source: https://www.bankofcanada.ca/wp-content/uploads/2023/07/mpr-2023-07-12.pdf

[12] Statistics Canada, Gross domestic product, income and expenditure, second quarter 2023. Source: https://www150.statcan.gc.ca/n1/daily-quotidien/230901/dq230901a-eng.htm

[13] RBC Economics, Economic Forecast Detail-Canada. Source: https://thoughtleadership.rbc.com/wp-content/uploads/economy_can.pdf

The BoC noted that the primary downside risk to their forecast is that '*There is a risk, however, that the inflation of many goods prices may fall more sharply than assumed in the projection. Several input costs, including for energy and transportation, have fallen, and supply chain disruptions have been dissipating. Over time, prices may reflect these cost reversals more prominently than they have to date.'*[14]

Downside risks for inflation (↓): Global activity could be weaker:

The BoC also identified a secondary downside risk to their forecast, *'A severe global slowdown is another key downside risk to inflation. Advanced economies continue to tighten monetary policy, and global activity could slow by more than expected. Weaker global demand could lead to softer prices for commodities and tradable goods.'*[15]

According to the BoC, these shocks would be transmitted to the Canadian economy through tighter credit conditions, weaker foreign demand for exports, lower terms of trade, and declining consumer and business confidence.

This would put pressure on the labour market and lead to rising unemployment. Higher unemployment would impact could also interact with high household debt and housing vulnerabilities, amplifying the economic downturn in Canada.

The Office of the Superintendent of Financial Institutions of Canada in their Annual Risk Outlook identified housing market downturn risk as the number one risk facing Canada's financial system for 2023-24.[16]

The Consumer Price Index

The Consumer Price Index (CPI) tracks the price of a typical basket of consumer goods. Measuring price increases against wage growth demonstrates relative purchasing power over time.

The annual average increase in the Consumer Price Index (CPI) was 2.3% in 2018 and this was the largest increase since 2011. The primary driver of 2018 inflation was energy costs which increased 6.7% in 2018, and excluding gasoline, the annual average CPI rose 1.9%.[17]

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[14] Bank of Canada, July Monetary Policy Report, Source: https://www.bankofcanada.ca/wp-content/uploads/2023/07/mpr-2023-07-12.pdf

[15] Bank of Canada, July Monetary Policy report. Source: https://www.bankofcanada.ca/wp-content/uploads/2023/07/mpr-2023-07-12.pdf

[16] OSFI, April 18, 2023, OSFI's Annual Risk Outlook – Fiscal Year 2023-2024. Source: https://www.osfi-bsif.gc.ca/Documents/WET5/ARO/eng/2023/aro.html

[17] Statistics Canada, Consumer Price Index, Annual review, 2018. Source: https://www150.statcan.gc.ca/n1/daily-quotidien/190118/dq190118c-eng.htm

Annual 2020 CPI inflation increased 0.7% year-over-year, falling 1.2 percentage points from the 2019 annual inflation of 1.9%.

According to Statistics Canada's 2020 CPI annual review data release, '*Slowing inflation was mostly attributable to a decline in consumer spending related to protective measures to restrict movement and encourage physical distancing during the pandemic.'*[18]

In 2021, CPI inflation increased 3.4%; however, excluding energy, the annual average CPI was much lower at 2.4% in 2021.

For 2022, annual inflation increased to 6.8%, with higher energy prices again contributing the most to the increase in inflation.[19]

Throughout 2021 and into 2022, the COVID-19 pandemic remained an important factor impacting prices. Inflationary pressures largely stemmed from a combination of continued global supply chain constraints and pent-up consumer demand as the economy reopened.

A report by the Parliamentary Budget Officer examining inflation found that over the entire pandemic period inflation was concentrated in certain items, and that, 'This finding is consistent with the view that supply or sector-specific issues are a key driver of high inflation. This suggests that once pandemic related supply issues are resolved, inflation should have fallen back to the 2.0% Bank of Canada target.

Unfortunately, pandemic related supply issues did not ease but were instead exacerbated by the War in Ukraine. Recovering consumer demand combined with supply constraints led to overall excess demand in the Canadian economy in early and mid-2022. This strong consumer demand has made it much easier or more likely for businesses to pass cost increases on to consumers, resulting in higher inflation.

Starting from a low of 0.7% growth year over year in December 2020, inflation began a continuous upward climb, and briefly plateaued from October through to December 2021, reaching 4.8%. Then, the War in Ukraine which broke out in late February 2022 came as an unexpected shock and inflation began to rise again, breaching 5.0% in January 2022, through 6.0% in March, over 7.0% in May.

This culminated in June 2022, when CPI inflation peaked at a 40-year high of 8.1%. Statistics Canada noted that, *'The increase was the largest yearly change since January 1983. The acceleration in June was mainly due to higher prices for gasoline, however,*

[18] Statistics Canada, Consumer Price Index: Annual review, 2020 source: https://www150.statcan.gc.ca/n1/daily-quotidien/210120/dq210120b-eng.htm.

[19] Statistics Canada, Consumer Price Index: Annual review, 2022 Source: https://www150.statcan.gc.ca/n1/daily-quotidien/230117/dq230117b-eng.htm

price increases remained broad-based with seven of eight major components rising by 3% or more.'[20]

After June 2022, inflation began to subside, falling 1.8 percentage points to 6.3% to year-end in December 2022.[21]

Slowing inflation has continued into 2023 and was 3.3%[22] in July 2023 with further declines in the forecast until the 2.0% Bank of Canada inflation target is reached.

Table 17: Consumer Price Index, year-over-year growth

year	2018	2019	2020	2021	2022	2023(F)	2024(F)	2025(F)	2026(F)
CPI growth	2.3%	1.9%	0.7%	3.4%	6.8%	3.6%	2.3%	2.1%	2.0%

Source: Statistics Canada CPI annual review, Consensus Forecasts August 2023, and April 2023 for the 2026 forecast.

The Bank of Canada is committed to restoring price stability, with low, stable, and predictable inflation. The Bank's stated goal is to get inflation back to its two percent target.

To accomplish that, the Bank has repeatedly raised interest rates for a total of 475 basis points from a pandemic low of 0.25% to 5.0% through September 2022 to prevent inflation from becoming entrenched above the 2.0% target level.

The Bank is rightly concerned that the longer inflation remains high, the more difficult and painful it will be to get inflation back down.

In a speech to the Conference Board of Canada, the governor of the Bank of Canada gave the following advice to businesses[23]:

'And my one bit of advice is, the high inflation we see today is not here to stay. So, when you're entering into longer-term contracts, don't expect that inflation is going to stay where it is now. You should expect that it's going to come down.

So, where those are price contracts or wage prices, you should be expecting that inflation is going to come down. It is going to take some time for higher interest rates to

[20] Statistics Canada, June 2022 Consumer Price Index. Source: https://www150.statcan.gc.ca/n1/daily-quotidien/220720/dq220720a-eng.htm

[21] Statistics Canada, December 2022 Consumer Price Index. Source: https://www150.statcan.gc.ca/n1/daily-quotidien/230117/dq230117a-eng.htm

[22] Statistics Canada, Consumer Price Index, July 2023. Source: https://www150.statcan.gc.ca/n1/daily-quotidien/230815/dq230815a-eng.htm

[23] Transcript of panel discussion with Tiff Macklem, Governor at (Canadian Federation of Independent Business (CFIB)) Thursday, 14 July 2022, Source: https://20336445.fs1.hubspotusercontent-na1.net/hubfs/20336445/cfib-webinars/Transcript-20220714-CFIB-Webinar.pdf

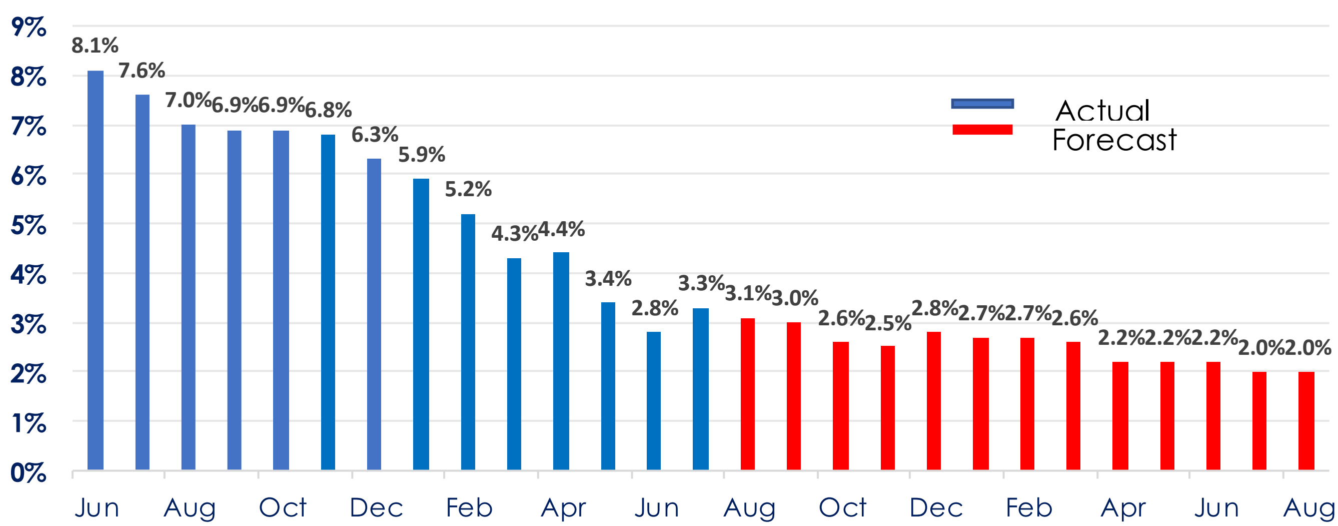
work through the economy, but over the next two years we are confident inflation is going to come down back to our two percent target.'

Inflation is projected to ease as the economy responds to much higher interest rates and as the impact of previously elevated commodity prices and supply chain disruptions ease.

According to the July 2023 Bank of Canada Monetary Policy Report, '*Inflation is now projected to remain around 3% over the next year. As excess demand dissipates and labour market conditions ease, inflation gradually returns to the 2% target in the middle of 2025.'*[24]

Consensus Economics also projects slowing inflation (Figure 3). As seen in the figure, inflation is forecast to reach the 2.0% target rate in July 2024, even earlier than the Bank of Canada's forecast.

Figure 3: Inflation expected to slow, year-over-year growth.



Sources: Statistics Canada for actual, Consensus Economics, Consensus Forecasts, August 2023 for forecast.

Canadian Labour Market

Canada experienced historic declines in labour market activity due to pandemic closures.

In March 2020, a sequence of unprecedented government interventions related to COVID-19 were put in place. These interventions resulted in a dramatic decline in economic activity and a sudden shock to the Canadian labour market, as evidenced by a historical tumble of the Canadian workforce in that month. Indeed, employment fell by

[24] Bank of Canada, July 2023 Monetary Policy Report. Source: https://www.bankofcanada.ca/wp-content/uploads/2023/07/mpr-2023-07-12.pdf

more than one million in March 2020. Employment losses totaled three million from February to April 2020, almost two million of which were in full-time work.

After this sudden shock, Canada's labour market emerged strongly from repeated pandemic waves and as noted in Budget 2022, Canada has seen the fastest jobs recovery in the G7.[25]

Despite strong employment growth in 2021 and 2022, fixed-weight average hourly earnings, a measure of wage growth that controls for changes in employment in industries to better match underlying wage trends from Statistics Canada, has consistently lagged inflation. Fixed-weight average hourly earnings growth in 2021 was 2.8% and the forecast for 2022 is 3.9%. This figure for 2024 has recently been downgraded from an expected increase of 2.8% in July 2023 to 2.6% in the August 2023 consensus forecast.

Table 18: Inflation expected to slow, year-over-year growth

Indicator	2018	2019	2020	2021	2022	2023(F)	2024(F)
Average hourly earnings (y/y) (fixed weights)	2.3%	2.6%	3.6%	2.8%	4.0%	3.1%	2.6%
Unemployment rate (%)	5.7%	5.7%	9.7%	7.5%	5.3%	5.4%	6.1%

Sources: Fixed-weight average hourly earnings is from Consensus Economics, August 2023. Unemployment rate is from Statistics Canada, forecast is from Consensus Economics.

The weakening economic outlook has also led to an increase in the forecast unemployment rate, which, of August 2023, is forecast to increase to an average of 5.4% in 2023 and increase again in 2024 to 6.1%.

Working Conditions in the Public Sector Versus the Private and Other Sectors

The reference to the "state of the Canadian economy" in section 148 (e) of the FPSLRA also encompasses the economic prospects of Canadians relative to those of federal government employees. It is important to acknowledge and to take into consideration that public sector workers enjoy advantages over the average private sector worker, namely with regards to pension and benefit plan coverage and plan quality, job security, paid time-off and average age at retirement.

Pre-pandemic, public servants provided invaluable services to Canadians, with the Canadian public service ranked as the number one country in civil service effectiveness by the Institute for Government.[26]

[25] Department of Finance, Budget 2022, A Strong Recovery Path, Overview: Economic Context. Source: https://budget.gc.ca/2022/report-rapport/overview-apercu-en.html#2022-0

During COVID, they worked even harder, and this service is greatly appreciated. According to the annual report on the public service:

'More than ever, Canadians relied on their Federal Public Service. In the face of uncertainty, the Public Service remained a steady and dependable force, while demonstrating creativity and flexibility to respond to the evolving needs of Canadians during the pandemic.'[27]

That said, the public service also enjoys good pay relative to the comparable private sector. Using 2015 wage data from the 2016 Census, the most comprehensive data set available, full-time, full-year wages and salaries for federal government workers were 17% higher than those in the private sector ($77,543 versus $66,065).[28]

A recent April 2023 study found that Canada's government-sector workers (from federal, provincial, and local governments) enjoyed an 8.5% wage premium in 2021, on average, over their private-sector counterparts after controlling for important characteristics like gender, age, marital status, education, tenure, size of firm, job permanence, immigrant status, industry, occupation, province, and city.[29]

Public sector workers are nearly four times more likely to be covered by a registered pension plan than their private sector counterparts (87.8% versus 22.8%).[30] Moreover, the majority of pension plans in the public sector are of the defined benefit (DB) type, where pension benefits are guaranteed by the employer. Indeed, public sector workers are more than eight times more likely to be covered (80.1% versus 9.3%) by a DB pension plan than their counterparts in the private sector where DB pensions are quickly disappearing. In fact, many of these surviving private sector DB plans are already closed to new employees, indicating that DB pension plan coverage in the private sector will continue to decline into the future.

Furthermore, the federal public service pension plan offers full protection against inflation; a guarantee that is not available in all pension plans, and not even in all public service plans. For example, it was announced that New Brunswick's largest government

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[26] Institute for Government, 2017. Source: New index ranks best performing civil services in the world | The Institute for Government

[27] Clerk of Privy Council and Secretary to the Cabinet, 29th Annual Report to the Prime Minister on the Public Service of Canada. Source: https://www.canada.ca/content/dam/pco-bcp/documents/clk/29-eng.pdf

[28] Statistics Canada, custom tabulation of 2015 wages and salaries from the 2016 Census.

[29] Comparing Government and Private Sector Compensation in Canada, 2023 Edition, Calculations by the Fraser Institute using Statistics Canada Labour Force Survey data on Job losses by Reasons and Class of workers. Source: https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-canada-2023.pdf

[30] Pension plans in Canada, as of January 1, 2022, Statistics Canada, Source: https://www150.statcan.gc.ca/n1/daily-quotidien/230623/dq230623b-eng.htm

employee pension fund cannot afford to pay retired employees a full cost-of-living increase on retirement benefits for 2023.[31]

The benefit of a more secure retirement is further compounded by an earlier average age of retirement in the public sector. Public sector workers' average retirement age is 2.4 years younger than that of private sector workers.[32]

Prior to the COVID-19 pandemic, public sector workers had greater job security than their private sector counterparts. When examining job losses as a percentage of total employment – a proxy for job security – public sector workers were nearly five times less likely to experience job loss than those in the private sector (1.0% versus 4.8%)[33]. This analysis excludes job losses as result of an end of temporary, casual, and seasonal jobs, which, if included, would widen the gulf between the sectors.

The pandemic has brought into starker relief the greater degree of job security enjoyed by public servants, whose income and future pension benefits remained unaffected. Conversely, many Canadians experienced job and income losses and as a result have become increasingly financially vulnerable.

The advantages for federal public service employees in pension and benefit coverage availability is further extended to a quality advantage.

A comprehensive study prepared for the Treasury Board of Canada Secretariat (TBS) by Mercer[34], which directly compared employer costs of pensions and benefits, determined that the public service's plans were 24% more expensive than those in the general Canadian marketplace.

Applied to a base salary of $73,000, close to the public service average, a 24% pension and benefit premium represents $2,800 or 3.9% of base pay higher than those outside the public service. The study noted that the source of this federal public service premium: *"….is reflective of high value provisions that are not typically available to employers of all sizes, such as Defined Benefit pensions, retiree benefits, cost-of- living adjustments on long-term disability, and a higher-than-average portion of the cost being paid by the employer for the Public Service active employee benefits."*

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[31] CBC news, N.B. government employee pensions unable to fund full cost of living amounts in 2023- Shared-risk plans struggle to keep up with record inflation. Source: https://www.cbc.ca/news/canada/new-brunswick/nb-government-employee-pension-cost-living-1.6575404.

[32] Comparing Government and Private Sector Compensation in Canada, 2023, Fraser Institute. Calculations by the Fraser Institute using Statistics Canada from custom tabulation Labour Force Survey data on average and median retirements. https: https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-canada-2023.pdf

[33] Comparing Government and Private Sector Compensation in Canada, 2023, Fraser Institute. Calculations by the Fraser Institute using Statistics Canada from custom tabulation Labour Force Survey data on Job losses by Reasons and Class of workers.

[34] Results Report: Pension and Benefit Benchmarking by Industry Sector. Mercer (2019).

It is the Employer's position that these protections and benefits, inclusive of the greater job security enjoyed by public servants, are competitive and merit consideration when assessing the value of its offer and the baseline value of being employed by the federal public service.

Recommending generous wage increases would only further expand and entrench the inequity between the federal public service and other Canadians. Raises serious equity concerns between the benefits and job security enjoyed by federal public servants and the Canadians whose tax dollars fund them and who do not have access to the same entitlements. Taxpayers experiencing the twin shocks of higher inflation and higher interest costs combined with likely future tax increases or spending cuts because public debt charges displace program spending will not be supportive of expanding the gulf between taxpayer and public servant.

Fiscal Developments

The Government of Canada had adopted the position that reasonable deficit spending that targets Canada's middle-class can boost economic growth, provided that appropriate trade-offs are made to avoid accumulating excessive debt loads. Higher debt levels lead to higher borrowing costs, and as a result, fewer resources for spending priorities.

Debt service costs have risen even higher than predicted earlier in Budget 2022 which will displace program spending in the absence of higher taxes or spending cuts.

Prior to the COVID-19 pandemic crisis, the deficit was $14 billion for fiscal year 2018-19, followed by a pre-pandemic December 2019 forecast deficit of $26.6 billion for 2019-20[35], and an average forecast deficit of around $20 billion per year over the fiscal years 2020-21 to 2024-25.However, with the unprecedented economic shock of COVID-19, the Government committed to help Canadian households and businesses weather the storm.

This pandemic effort came at a high fiscal cost, which was acknowledged in the foreword to Budget 2022,

> *'The money that rescued Canadians and the Canadian economy—deployed chiefly and rightly by the federal government to the tune of eight of every ten dollars invested—has depleted our treasury.*
>
> *Our COVID response came at a significant cost, and our ability to spend is not infinite. We will review and reduce government spending, because that is the responsible thing to do.*

[35] Department of Finance, Economic and Fiscal Update 2019, table A1.2. December 2019. Source: https://www.budget.gc.ca/efu-meb/2019/docs/statement-enonce/anx01-en.html#s9

And on this next point, let me be very clear: We are absolutely determined that our debt-to-GDP ratio must continue to decline. Our pandemic deficits are and must continue to be reduced. The extraordinary debts we incurred to keep Canadians safe and solvent must be paid down.

This is our fiscal anchor—a line we shall not cross, and that will ensure that our finances remain sustainable so long as it remains unbreached.'[36]

Consequently, the federal deficit and debt increased exponentially in 2020-21 because of the additional spending on the COVID-19 economic response plan and the sharply lower revenues due to lockdowns. The deficit for 2020-21 increased from a projected $25.1 billion pre-COVID-19 to $327.7 billion [37]— a more than thirteen-fold increase.

Higher deficits continued in 2021-22, with a deficit of $90.2 billion, and nearly an additional $175 billion in projected deficits from 2022-23 to 2027-28 in the baseline scenario (Table 19).

Table 19: Fiscal outlook

Revenues and Expenses	**Actual**	**Projection**					
($ billions)	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Budgetary revenues	413.3	437.3	456.8	478.5	498.4	521.8	542.8
Program expenses, excluding net actuarial losses	468.8	435.9	446.6	463.3	475.9	489.2	505.4
Public debt charges	24.5	34.5	43.9	46.0	46.6	48.3	50.3
Total expenses, excluding net actuarial losses	493.3	470.4	490.5	509.3	522.5	537.6	555.7
Net actuarial losses	-10.2	-9.8	-6.4	-4.2	-2.8	0	-1.1
Budgetary balance	**-90.2**	**-43.0**	**-40.1**	**-35.0**	**-26.8**	**-15.8**	**-14.0**
Federal debt	**1,134.5**	**1,180.7**	**1,220.8**	**1,255.8**	**1,282.7**	**1,298.4**	**1,312.5**

Source: Department of Finance, Budget 2023.

In the Budget's 'Downside Scenario', the deficit in Table 19 would increase by about $7.2 billion annually on average until 2027-28. Weaker nominal GDP would lower revenues on average by just over $5.6 billion annually, and faster CPI inflation and higher interest rates lead to higher program costs from inflation-indexed programs and higher public debt charges.

As a result of the higher deficits and weaker nominal GDP growth, the federal debt-to-GDP ratio would be expected to rise to 44.4 per cent by 2024-25, before declining to 41.5 per cent by 2027-28.

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[36] Department of Finance, Budget, 2022, Foreword. Source: https://www.budget.canada.ca/2022/report-rapport/intro-en.html#wb-cont.

[37] Department of Finance, Fiscal Reference Tables, December 2021, https://www.canada.ca/en/department-finance/services/publications/fiscal-reference-tables/2021.html.

Projected deficits under the downside scenario are larger over the same period, and are an additional $95 billion higher, totaling $200.9 billion.

As the outlook for real economic growth declines, and with increasing warning signs of a near-term recession, deficits will be higher along with greater scrutiny of government spending.

Higher deficits and rising interest rates have combined to increase the Government's public debt charges, i.e., the interest costs on the federal debt. Public debt charges are projected to more than double from the $20.4 billion in 2020-21 to $50.3 billion in 2027-28.[38]

The ability to borrow and spend these significant amounts at relatively affordable interest rates is reflective of earlier fiscal discipline and confidence in the Government's ability to prudently manage post-pandemic spending and deficits.

Personnel costs typically account for a sizeable share of direct program expenses. In 2019-20, they represented 36.3% of direct program expenses. While their share fell to 19.8%[39] in 2020-21, it is because of the unusual contribution of emergency pandemic spending. Nevertheless, personnel costs, excluding net actuarial losses, stood at $59.6 billion dollars in 2020-21.

Personnel expenses for 2021-22 increased a further $3.7 billion to $63.3 billion[40] and remains one of the largest components of direct program expenses.

Because personnel costs constitute a major component of government spending, careful attention and management of these costs is an important consideration, including to negotiate wage increases on behalf of taxpayers.

A portion of the increase in personnel costs was attributable to higher 'legacy' costs for the Government's generous pensions and benefits promises due to low and falling interest rate environment prior to 2022.

These pension and benefit legacy costs became so large that they are now represented as a separate line-item in the fiscal forecast. Titled 'Net Actuarial Losses', these costs were forecast in the Budget 2023 to cost an additional $24.3 billion dollars over six fiscal years from 2022-23 to 2027-28.

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[38] Department of Finance, Budget 2023. Table A1.5 Summary of transactions.

[39] Public Accounts of Canada 2021, Table 3.9 Expenses by Object. Source: https://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/2021/vol1/s3/charges-expenses-eng.html#sh6 and Fiscal Reference tables, Table 7: Expenses

[40] Public Accounts of Canada 2022, Table 3.9 Expenses by Object. Source: https://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/2022/vol1/s3/charges-expenses-eng.html#sh6

The Government manages total compensation costs prudently on behalf of Canadians. Large increases in the costs of pensions and benefits would necessitate that wage growth slow to help mitigate the overall total compensation increase. While pensions and benefits are not bargained directly, bargaining agents should recognize that existing pensions and benefits are getting much more expensive, to the tune of tens of billions of dollars more expensive. In the private sector this would likely result in benefit cuts and higher co-pays for employees or lower wage increases to maintain manageable total compensation cost growth.

Budget 2023 also introduced proposed new measures to ensure that government spending is sustainable, efficient, and focused on priorities that matter most to Canadians.

'The efficient use of Canadians' tax dollars is essential to delivering on the priorities that matter most to Canadians. Budget 2023 delivers a refocusing of government spending to continue to serve Canadians most effectively.[41]

These measures include reduced spending on consulting, professional services, and travel by about 15 per cent of planned 2023-24 discretionary spending. The phase-in of a roughly 3 per cent reduction of eligible spending by departments and agencies by 2026-27, which would reduce government spending by $7.0 billion over four years, starting in 2024-25.

Furthermore, the government will also work with federal Crown corporations to ensure they achieve comparable spending reductions, which would account for an estimated $1.3 billion over four years starting in 2024-25.

These proposed measures represent savings of $15.4 billion over the next five years.

In that context and given that compensation accounts for such a sizeable share of the government's expenses, responsible fiscal management strongly implies that wage increases should reflect the much higher costs of providing future benefits, and the huge sums that the government has invested in helping Canadians through the pandemic, and a refocusing of government spending to continue to serve Canadians most effectively.

2.5 Provincial and Territorial Government Compensation

In addition to being well above the strongly established pattern reached in the CPA for the 2018-2021 period, the Bargaining Agent's economic proposals for the SO group are also above the broader public sector trends across Canada.

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[41] Department of Finance, Budget 2023, section 6.1, Effective government.

Wage increases in provincial and territorial governments have been modest during the 2018-2021 period of negotiations due to the higher fiscal burden on governments from elevated debt levels and an uncertain economic outlook.

For example, the Government of Ontario tabled legislation which imposed a 1% maximum on annual compensation increases provided through collective agreements for a 3-year period starting in 2019.[42] These two agreements cover 40,878 employees. The Government of Newfoundland and Labrador implemented four years of salary freezes from 2016-17 to 2019-20 and the Government of Nova Scotia legislated 0.75% annual wage increases from 2015-16 until 2018-19.

In addition, in August of 2022, the Nunavut Employees Union PSAC North bargaining group and the Government of Nunavut signed a 6-years collective agreement with the following economic increases:

- October 1, 2018 – 0%
- October 1, 2019 – 1%
- October 1, 2020 – 1.5%
- October 1, 2021 – 1.5%
- October 1, 2022 – 1.5%
- October 1, 2023 – 3.5%

Covering similar periods, the Government of Canada has negotiated economic wage increases averaging 1.75% annually plus targeted wage measures of approximately 1%. Over the term of the agreement, 26 of 27 bargaining units settled representing over 99.4% of the bargained employees in the core federal public administration.

Examining wage increases negotiated in other Canadian governments supports that the Employer's wage offer for the SO group for the 2018-2021 period is sufficient.

During the current period of negotiations that started in 2022, wage increases in provincial and territorial governments have also been modest due to the higher fiscal burden on governments from elevated debt levels and an uncertain economic outlook.

The government of Quebec has signed two major agreements as follows:

- An agreement with the Syndicat de la fonction publique et parapublique du Québec representing 27,000 employees in business, finance and administration occupations from July 2022 to March 2023 will provide 2% increases.
- An agreement between the Agence du revenu du Quebec with the Syndicat de la fonction publique et parapublique du Québec representing 6,000 employees in

[42] This legislation has been overturned by the Ontario court.

business, finance and administration occupations from August 2022 to March 2026 will provide yearly increases of 2%.

Ontario Public Service Employees Union (Unified Bargaining Unit) and the Association of Management, Administrative and Professional Employees of Ontario have settlements in place of 1% for each year of the 2022-2024 period.

A recent arbitral award for close to 65,000 Ontario nurses provided base wage increases of 3.0% in 2023 and 3.5% in 2024. The CPA pattern was cited in reference to the replication of free collective bargaining. The award also included other adjustments, with the total award for the two-year period being valued at approximately 11%. Significant recruitment and retention issues were in evidence and cited with respect to the total award.

The Nova Scotia Government and General Employees Union (NSGEU), representing 7,946 administrative services, technical services, operational services, and professional services provided increases of 1.5% in both 2021-2022 and 2022-2023, and increases of 3.0% and 0.5% in 2023-2024.

The Yukon Government reached a settlement with the Yukon Association of Education Professionals (YAEP), covering 4,149 education professionals providing increases of 1.75% in 2022-2023, 1.8% in 2023-2024 and 1.8% in 2024-2025.

The Alberta government has signed 3 agreements as follows:

- An agreement between Alberta Health Services and the United Nurses of Alberta representing 29,354 employees (registered nurses and registered psychiatric nurses) from January 2022 to March 2024 provides increases of 0%, 1.0% and 1.2%.
- An agreement between Alberta Health Services and the Alberta Union of Provincial Employees representing 18,216 employees (Licensed practical nurses and technical occupations) from May 12, 2022, to March 2024, which provides increases of 0%, 1.0% and 1.3%.
- An agreement between Alberta Health Services, Covenant Health and the Health Sciences Association of Alberta representing 21,807 employees in professional occupations in health (except nursing) from July 25, 2022, to March 31, 2024, which provides increases of 0%, 1.0% and 1.3%.

Finally, the BC General Employees' Union's public service bargaining committee has reached an agreement with the provincial government's B.C.'s Public Service Agency. The agreement covers 33,000 employees. It provides wage increases of 25 cents per hour plus an increase of all pay rates of 3.24% in 2022-2023, rates of pay to be increased by the annualized average of BC CPI over 12 months starting on March 1, 2022, from a minimum of 5.5% to a maximum of 6.75% in 2023-24, and rates of pay to be increased by the annualized average of BC CPI over 12 months starting on March 1, 2023, from a minimum of 2% to a maximum of 3% in 2024-25.

It is important to note that the settlement in BC is an outlier when compared to wage settlements in other jurisdictions as well as broader settlements in unionized environments across the private and public sector. As depicted earlier in the Executive Summary, settlement data published by Employments and Social Development Canada's Labour Program, average annual wage increases achieved in 2022 have hovered at or below 2% for the year.

Additionally, historical context is important when comparing wage increases in the federal government vs. those in BC. As table 20 below indicates, BC has exercised wage freezes in 2001, 2012, and 2015, whereas the federal government has not resorted to a wage freeze since at least the turn of the millennium. Moreover, the increases achieved below do not include the use and application of the group specific elements that the federal government has used extensively in recent rounds of bargaining.

Table 20: Cumulative Pattern Wage Growth Federal Core Public Administration VS British Columbia

Year	Pattern Economic Increases in the Federal Core Public Administration	Equivalent BC "Mandate" Wage Increases
2007	2.30%	2.00%
2008	1.50%	2.00%
2009	1.50%	2.00%
2010	1.50%	2.00%
2011	1.75%	0.00%
2012	1.50%	0.00%
2013	2.00%	1.50%
2014	1.25%	2.00%
2015	1.25%	0.00%
2016	1.25%	1.00%
2017	1.25%	1.50%
2018	2.80%	1.50%
2019	2.20%	1.50%
2020	1.50%	2.25%
2020	1.35%	2.25%
2021	1.50%	2.25%
Cumulative Pattern Wage growth	**29.91%**	**26.53%**

2.6 Total Compensation

This section demonstrates that, in addition to competitive wages, employees in the SO group enjoy a substantial pensions and benefit package. All terms and conditions of employment, including supplementary benefits, need to be taken into account in evaluating external comparability, even if they are not subject to negotiation.

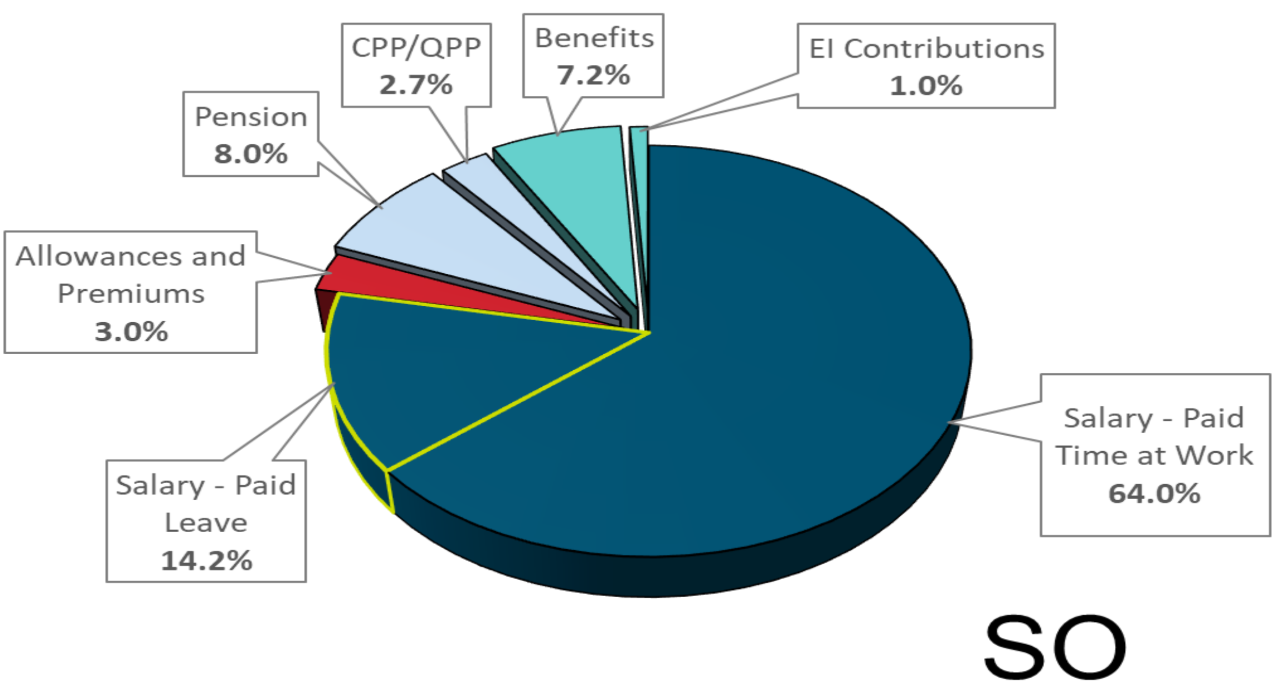
In addition to wages, total compensation is composed of paid and unpaid non-wage benefits, such as employer contributions to pensions, other employee benefit programs (i.e., health and dental) and additional allowances.

As seen in Figure 4 a detailed breakdown of total compensation of a typical SO employee indicates that:

- Base pay for time at work represented 64.0% of total compensation for employees of the SO bargaining unit;
- Pension and benefits, including life and disability insurance, health, and dental plans, represented 15.2% of total compensation; and
- Allowances and premiums accounted for 3.0% of total compensation.

Overall, the figure shows that base wage is only one component of the group's total compensation package. SO employees also benefit from substantial paid leave and an advantageous pension and benefit package.

Figure 4 –Total Compensation Components (2020-2021) – Ships Officers (SO) group



PART III – EMPLOYER’S SUBMISSION FOR RATES OF PAY AND RESPONSE TO THE GUILD’S PROPOSALS

As noted below, both the Employer and the Bargaining Agent are proposing an eight-year duration to the collective agreement to expire March 31, 2026.

Table 21 compares the wage proposals from the Employer and the Bargaining Agent.

Table 21: Employer and Bargaining Agent Wage Proposals

	EMPLOYER PROPOSAL	BARGAINING AGENT PROPOSAL
2018 Round		
Economic increases	On April 1, 2018, increase rates of pay by 2.8% On April 1, 2019, increase rates of pay by 2.2%. On April 1, 2020, increase rates of pay by 1.35% On April 1, 2021, increase rates of pay by 1.5%	On April 1, 2018, increase rates of pay by 3% On April 1, 2019, increase rates of pay by 3% On April 1, 2020, increase rates of pay by 3% On April 1, 2021, increase rates of pay by 3%
Wage adjustment or restructures		SO-INS: Eliminate Steps 1 through 6 of the rates of pay. INS 01 equivalent to SO MAO 11 INS 02 equivalent to SO MAO 12 SO-MAO / SO-FLP / SO-RAD: Add Step 5, 6 and Step 7 to the rates of pay.
TOTAL 2018 Round	**$ 8,166,523 or 8.08% of the 2018 wage base**	**$ 19,209,213 or 19% of the 2018 wage base**
2021 Round		
Economic increases	On April 1, 2022, increase rates of pay by 3.5% On April 1, 2023, increase rates of pay by 3% On April 1, 2024, increase rates of pay by 2% On April 1, 2025, increase rates of pay by 2%	On April 1, 2022, increase rates of pay by 7.5% On April 1, 2023, increase rates of pay by 5% On April 1, 2024, increase rates of pay by 4.5% On April 1, 2025, increase rates of pay by 4%
Wage adjustment or restructures	On April 1, 2022, wage adjustment of 1.25% On April 1, 2023, pay line adjustment of 0.5% On April 1, 2024, wage adjustment of 0.25%	On April 1, 2023, market adjustment On April 1, 2025, plus Cost-of-Living Adjustment reopener in the event that CPI ending January 31, 2025, is over 4%

TOTAL 2021 Round	**$ 16,381,665 or 13.14%**	**$ 29,431,743 or 22.67%** **The 2023 unspecified market adjustment (MA) is not included. For example, a 1% MA is equivalent to 1.6 million or 1.23% of the 2021 wage base.**

Bargaining Agent Proposal

Economic Increases

The Bargaining Agent proposes annual economic increases of 3.0% for the first four (4) years of the agreement along with annual economic increases of 7.5%, 5%, 4.5% and 4% for the last four (4) years of the agreement, which is greater than the Employers' economic increases and that of the settlement trend in the CPA over the same period.

Pay Increments

The Bargaining Agent further proposes additional pay increments (steps 5, 6 and 7) for the SO-MOA, SO-FLP, and SO-RAD sub-groups and the elimination of steps 1 to 6 (of a total of 8 steps) for the SO-INS sub-group (Instructor), along with increases to the existing steps 7 and 8 to match the last two increments of the SO- MOA 11 and SO-MOA 12 subgroups. This is not reflective of the established pattern of agreements in the CPA.

The Employer is of the view that these proposals are unsubstantiated, based on the available data and associated metrics in relation to internal and external comparability.

A 2021 wage study, conducted by Mercer, shows that all but one SO position are in line with the market and that once the Employer's wage offer is added, even this one position is aligned with the market as of 2021.

Moreover, the Bargaining Agent's proposals violate the replication principle of interest arbitration. The Guild is seeking significant increases to wages that largely exceed the pattern established within the CPA.

Market Adjustment

The Bargaining Agent is requesting an unspecified market adjustment on April 1, 2023, however, it has not provided the Employer with the necessary clarity and specificity.

COLA Clause

The Bargaining Agent is also proposing a Cost-of-Living Adjustment (COLA) reopener if the Consumer Price Index (CPI) ending January 31, 2025, is over 4%. The Employer does not agree for many reasons, including the following:

The unpredictability of the variation in the CPI would put the GoC at great financial risk should the CPI continue to grow. In any year, substantial additional payments could be made in addition to the GEI already determined in the collective agreement.

Allowing a COLA clause in the collective agreement would not be respectful of section 148 e) of the FPSLRA (state of the Canadian economy and Government of Canada's fiscal circumstances).

Through all of the negotiation rounds, a COLA clause has never been considered in the Federal Public Service. Doing so would create a significant precedent for the CPA, SA and other organizations.

A COLA clause in a CPA collective agreement would also have unprecedented repercussions on the pay system and the overall Government of Canada (GoC) budget. This goes against the pay simplification principle overarching the negotiations which is to reduce manual transactions and increase automation.

Employer Proposal

The Employer's economic offer over eight (8) years, which total 20.35% (22.28% compounded) is deemed more fair and equitable than the Guild's proposal. The Employer's proposal is in keeping with the analysis included in the previous sections, and it is consistent with the overall proposal made to the Bargaining Agent in negotiations and with the trend established during the current round of negotiations.

PART IV – EMPLOYER'S SUBMISSION ON OTHER OUTSTANDING ISSUES AND RESPONSE TO THE GUILD'S PROPOSALS

In addition to rates of pay, the Employer and the Guild identified a number of other issues that need to be resolved to conclude an agreement. This section will assess each of the following:

	Provision or Appendix
1	Article 2 – Interpretation and Definitions
2	Article 3 – Application
3	Article 10 – Check-Off
4	Article 14 – Information for Officers
5	Article 19 – Leave General
6	Article 20 – Vacation Leave with Pay
7	Article 21 – Designated Holidays
8	Article 22 – Sick Leave with Pay
9	Article 23 – Bereavement leave with pay
10	Article 30 – Hours of Work and Overtime
11	Article 35 – Pay Administration
12	Appendix E – Canadian Coast Guard Officer Cadets
13	Appendix F – Special Allowances
14	Appendix G – Extra Responsibility Allowance
15	Appendix K – 40-Hour Workweek System
16	Letter of Understanding (13-4)
17	Appendix NEW – Implementation MOU

Article 2 – Interpretation and Definitions

Employer Proposal
2.01 ~~s. throughout this agreement, words importing the masculine gender include the feminine gender.~~

Remarks:

The Employer is proposing to delete this clause and to replace it with a modified clause 3.03 under Article 3 – Application. The rational for the Employer's proposal is that clause 2.01 is misplaced as it does not pertain to interpretation and definitions but rather to the application of the collective agreement. The proposed modification will enhance clarity and ease of reference.

Furthermore, the proposed modification in in line with the structural norms of the majority of other collective agreements in the CPA.

The Employer requests that the Board agree to the Employer's proposal in the arbitral award.

Article 3 – Application

Employer Proposal
3.03 ~~Unless otherwise expressly stipulated, the provisions of this agreement apply equally to male and female officers.~~ In this agreement, expressions referring to employee or the masculine or feminine gender are meant for all officers, regardless of gender.

Remarks:

The Employer's proposal involves a modernized rendition of the original language in clause 2.01, coupled with the incorporation of gender-inclusive language. This specifically entails the addition of language that acknowledges the non-binary nature of gender. The proposed new language in clause 3.03 is intended to replace the existing two clauses addressing this matter.

Furthermore, the Employer would like to point out that pursuant to a Memorandum of Understanding reached with the Professional Institute of the Public Service (PIPSC) during the 2018 round of bargaining and the recommendations of a joint committee on gender neutral and inclusive language, the parties have agreed to implement a comparable modification in the Application clause. This modification aims to recognize the non-binary nature of gender within all five collective agreements between TBS and PIPSC.

The Employer is requesting that the Board incorporate this language into the arbitral award.

Article 10 – Check-Off

Employer Proposal
10.02 The Guild shall notify the Employer in writing at least **ninety (90) calendar days** ~~one (1) full calendar months~~ in advance of any change in the amount of monthly deductions to be checked off for each officer defined in clause 10.01. **10.04** An officer who satisfies the ~~Employer~~ **Guild** to the extent and declares in an affidavit that the officer is a member of a religious organization whose doctrine prevents the officer as a matter of conscience from making financial contributions to an employee organization and that the officer will make contributions to a charitable organization registered pursuant to the *Income Tax Act*, equal to dues, shall not be subject to this Article, provided that the affidavit submitted by the officer is countersigned by an official representative of the religious organization involved**. The Guild will inform the Employer accordingly.** ~~**10.07** The Employer shall provide a voluntary revocable check-off of premiums payable on a life insurance plan provided by the Guild for its members on the basis of production of appropriate documentation, provided the premiums are remitted within a reasonable period of time after deductions are made.~~

Remarks:

Clause 10.02

Public Service and Procurement Canada (PSPC) has emphasized the necessity for a 90-day notice period for altering union dues. This timeframe aligns with their system development cycle, which comprises various steps such as approval processes and thorough testing before the implementation can take place.

Clauses 10.04 and 10.07

The Employer fully recognizes that the matter of union dues falls under the purview of the Bargaining Agent. The Employer submits that it is important to clarify that the decision to "be satisfied" that an employee opts not to pay union dues should not rest with the Employer; this decision-making authority belongs to the Bargaining Agent. In fact, other core public administration (CPA) agreements, such as those with PIPSC and PSAC, provide for the Bargaining Agent to be responsible for this decision.

The Employer's role primarily involves being informed of the decision so that an equivalent amount to the union dues can be deducted and subsequently remitted to the designated charitable organization. This proposal is aimed at harmonizing the Employer's approach with the changes that have already been implemented in other CPA collective agreements.

Consequently, the Employer respectfully requests that the Board include these changes into the arbitral award.

Article 14 – Information for Officers

Employer Proposal
14.01 ~~The Employer agrees to supply each officer with a copy of the collective agreement and will endeavour to do so within one (1) month after receipt from the printer.~~ **Officers of the bargaining unit will be given electronic access to the collective agreement. Where electronic access to the agreement is unavailable or impractical, an officer will be supplied with a printed copy of the agreement upon request.**

Remarks:

The Employer is proposing new language that enables electronic access to the collective agreement as a viable alternative to receiving a printed copy. This proposal aligns with the Government's Greening Strategy and its commitment to environmentally responsive practices while also being a cost-effective measure.

The proposed language also recognizes that there may be situations where electronic access is either unavailable or impractical. In such cases, employees would still have the option to request and be provided with a printed copy of the collective agreement upon request.

It is noteworthy that the Public Interest Commission (PIC) issued recommendations on the Border Services (FB) Group on March 12, 2018, specifically on this issue. As noted below, the PIC recommendation supported the language included in the Employer's proposal, which is very similar to what it proposed in this Brief:

> *We have decided to recommend that the Employer's proposal be incorporated in the collective agreement. The proposal reads as follows:*
>
> *10.02 The Employer agrees to supply each employee with a copy of this Agreement. For the purpose of satisfying the Employer's obligation under this clause, employees may be given electronic access to this Agreement. Where electronic access is unavailable, the employee shall be supplied, on request, with a printed copy of this Agreement.*

The Employer is open to providing a limited number of printed copies of the collective agreement on vessels. However, the Employer submits that it is crucial to recognize that officers aboard these vessels do have electronic access through onboard computers, which they frequently use to consult acts and regulations, such as the Canada Shipping Act. In line with this technological capability, it is reasonable for officers to have access to the collective agreement electronically as well.

The Employer therefore requests that the Board include this language into the arbitral award.

Article 19 – Leave General

Employer Proposal
19.06 An officer shall not earn **or be granted** leave credits under this collective agreement in any month **nor in any fiscal year** for which leave has already been credited **or granted** to the officer under the terms of any other collective agreement ~~to which the Employer is a party~~ or other rules or regulations ~~of the Employer~~ **applicable to organizations within the federal public administration, as specified in Schedule I, Schedule IV or Schedule V of the Financial Administration Act.**

Remarks:

The proposed language change stems from the precedents set by the Delios v. Canada Revenue Agency 2013 PSLRB 133 (Exhibit 4) and Fehr v. Canada Revenue Agency, 2017 FPSLREB 17 (Exhibit 5) decisions.

The rationale behind this proposed change is to prevent situations where an employee, upon changing positions covered by a different collective agreement and/or bargaining unit within the same fiscal year, is granted a new allotment of entitlements (such as personal leave, volunteer leave, and leave for family-related responsibilities) despite having already utilized their entitlements under their former collective agreement.

The Employer believes this clarification is important not only to ensure fairness among employees but also to ensure responsible stewardship of public funds. It is worth noting that this language is also incorporated into various other CPA agreements, including those with PSAC, CAPE and CUPE.

For these reasons, the Employer requests that the Board include this language into the arbitral award.

Article 20 – Vacation Leave with Pay

Bargaining Agent Proposal
20.02 Accumulation of vacation leave credits Effective April 1, 2010, an officer who has earned at least eighty (80) hours' pay during any calendar month of a vacation year shall earn vacation leave credits at the following rates provided he/she has not earned credits in another bargaining unit with respect to the same month: a. fourteen **decimal six seven** (14.**67**) hours per month until the month in which the anniversary of his/her ~~sixteenth (16th)~~ **fifteenth (15th)** year of continuous employment occurs; or b. ~~fourteen decimal six seven (14.67)~~ **fifteen decimal three three (15.33)** hours per month commencing with the month in which his/her ~~sixteenth (16th)~~ **fifteenth (15th)** anniversary of continuous employment occurs; or ~~c. fifteen decimal three three (15.33) hours per month commencing with the month in which his/her seventeenth (17th) anniversary of continuous employment occurs;~~ ~~or~~ d. sixteen decimal six seven (16.67) hours per month commencing with the month in which the officer's eighteenth (18th) anniversary of continuous employment occurs; or e. eighteen (18) hours per month commencing with the month in which the officer's ~~twenty-seventh (27th)~~ **twenty-fifth (25th)** anniversary of continuous employment occurs; or f. twenty (20) hours per month commencing with the month in which the officer's twenty-eighth (28th) anniversary of continuous employment occurs.
20.11 Cancellation or r~~R~~ecall from vacation leave with pay a. The employer shall make every reasonable effort to assign available officers in such a manner that an officer who is on vacation leave is not recalled to duty. **If an officer is recalled during vacation leave, vacation leave expended during this period will be reimbursed into the officers Annual Leave bank at the rate of time and a half.** b. When during any period of vacation leave or combination of vacation and compensatory leave, an officer is recalled to duty **or if vacation or compensatory leave is cancelled after being approved**, he/she shall be reimbursed for ~~reasonable~~ expenses~~, as normally defined by the employer,~~ that he/she incurs: i. in proceeding to his/her place of duty, ~~and~~ ii. in returning to the place from which he/she was recalled if he/she immediately resumes vacation upon completing the assignment for which he/she was recalled, after submitting such accounts as are normally

	required by the employer**, and**
iii.	**in cancelling travel and accommodation arrangements.**

Remarks:

Clause 20.02 – Accumulation of vacation leave credits

The Bargaining Agent is proposing to amend the rate of accumulation of vacation leave credits, which would result in a further increase in vacation leave entitlements beyond what has been granted to most other groups within the CPA. This proposed amendment, however, would create a discrepancy between the SO group and other comparable collective agreements, specifically those represented by the Ship Repair groups – SR(E) and SR(W).

The Employer respectfully requests that the Board not include the Bargaining Agent's proposal into the arbitral award.

Clause 20.11 (a) – Vacation reinstatement at time and a half

The Bargaining Agent is proposing a new entitlement that would allow for vacation reinstatement at a rate of time and a half when an officer is recalled from their vacation leave with pay. This proposal deviates from the prevailing standards within the CPA.

In light of this inconsistency with the broader CPA, the Employer respectfully requests that the Board not include the Bargaining Agent's proposal into the arbitral award.

Clause 20.11 (b) – Cancellation

The Bargaining Agent is proposing to add cancellation of vacation leave with pay or of compensatory leave in this provision.

The Employer submits that existing clause 19.09 of the collective agreement adequately addresses the cancellation of vacation or compensatory leave with pay after it has been approved. It also provides for the reimbursement of the non-returnable portion of vacation contracts and reservations made by the officer. Therefore, it is the Employer's view that there is no need to add this language into clause 20.11 (b).

Additionally, the Bargaining Agent is proposing the removal of "reasonable" expenses "as normally approved by the Employer" in subparagraph 20.11 (b). The Employer does not agree with this proposal as it would unduly restrict the Employer's managerial discretion and stand in contrast to similar provisions in other CPA collective agreements and could lead to the potential for misuse in reimbursement claims.

Consequently, the Employer requests that the Board not include the Bargaining Agent's proposal into the arbitral award.

Article 21 – Designated holidays

Bargaining Agent Proposal
21.01 Subject to clause 21.02, the following days shall be designated holidays with pay for officers: a. New Year's Day, b. Good Friday, c. Easter Monday, d. the day fixed by proclamation of the Governor in Council for celebration of the Sovereign's birthday, e. Canada Day, **f. Truth and Reconciliation Day,** g. Labour Day, h. the day fixed by proclamation of the Governor in Council as a general day of Thanksgiving, i. Remembrance Day, j. Christmas Day, k. Boxing Day, l. one (1) additional day in each year that, in the opinion of the employer, is recognized to be a provincial or civic holiday in the area in which the officer is employed or in any area where, in the opinion of the employer, no such additional day is recognized as a provincial or civic holiday, the first (1st) Monday in August, and m. one (1) additional day when proclaimed by an Act of Parliament as a national holiday.
Employer Response
21.01 Subject to clause 21.02, the following days shall be designated holidays with pay for officers: a. New Year's Day, b. Good Friday, c. Easter Monday, d. the day fixed by proclamation of the Governor in Council for celebration of the Sovereign's birthday, e. Canada Day, f. Labour Day, **g. National Day for Truth and Reconciliation,** h. the day fixed by proclamation of the Governor in Council as a general day of Thanksgiving, i. Remembrance Day, j. Christmas Day, k. Boxing Day, l. one (1) additional day in each year that, in the opinion of the employer, is recognized to be a provincial or civic holiday in the area in which the officer is employed or in any area where, in the opinion of the employer, no such additional day is recognized as a provincial or civic holiday, the first (1st) Monday in August,

and

m. one (1) additional day when proclaimed by an Act of Parliament as a national holiday.

Remarks:

The Employer agrees to include the National Day for Truth and Reconciliation as a designated paid holiday (DPH) under clause 21.01, as outlined in its response above. Given the existing DPH language in CPA collective agreements, when the new National Day for Truth and Reconciliation became a federal statutory holiday, full-time federal public service employees were automatically entitled to this additional DPH. This adjustment increased the total number of DPHs from 11 to 12.

Article 22 – Sick leave with pay

Employer Proposal
22.09 The employer agrees that an officer **shall not be terminated for cause for reasons of incapacity** ~~recommended for release from employment under section 31 of the Public Service Employment Act for incapacity by reason of ill health~~ **pursuant to paragraph 12(1)(e) of the *Financial Administration Act*** ~~shall not be released~~ at a date earlier than the date at which the officer will have utilized all the officer's accumulated sick leave credits**, except where the incapacity is the result of an injury or illness for which injury on duty leave has been granted pursuant to Article 23.05.**

Remarks:

The Employer proposes to update clause 22.09 to bring it in line with legislative changes, ensuring that it remains compliant with current legal standards. The updated provision does not have any adverse effects on employee entitlements; rather, it seeks to adapt to the evolving legal landscape.

The intent behind the current provision is to allow employees terminated due to incapacity to exhaust their accumulated sick leave credits. The Employer fully supports preserving this entitlement, underlining its commitment to the welfare of employees.

The necessity of updating the reference to legislation becomes evident when considering the transformation of section 31 of the *Public Service Employment Act* (PSEA). Section 31 of the PSEA now primarily pertains to staffing appointments and qualification standards, in stark contrast to the context when this provision was initially introduced in the collective agreement in 1994. A copy of section 31 of the PSEA is provided in Exhibit 6.

In light of these changes, the more appropriate reference is paragraph 12(1)(e) of the *Financial Administration Act* (FAA). This specific paragraph grants deputy heads the authority to terminate employment for reasons other than breaches of discipline or misconduct, such as incapacity. A copy of section 12(1) of the FAA is included in Exhibit 7.

Furthermore, an essential addition to the provision is an exception clause for situations of incapacity due to an injury or illness for which Injury on Duty Leave (IODL) has been granted. This addition is required due to the governance of IODL under the *Government Employee Compensation Act* (GECA). Importantly, this exception is in line with the prevailing standards found in most CPA agreements. A copy of the GECA is included in Exhibit 8. Specifically, the IODL provisions of the collective agreement, as outlined in clause 23.05, grant employees who are disabled due to an occupational illness have a right to injury-on-duty leave with full normal pay for such reasonable period, as the employer so determines, where a provincial workers' compensation board confirms the disability pursuant to the Government Employees Compensation Act.

In light of all the above, the Employer requests that the Board include this language into the arbitral award.

Article 23 – Bereavement leave with pay

Bargaining Agent Proposal
23.02 Bereavement leave with pay For the purpose of this clause, immediate family is defined as father, mother (or alternatively stepfather, stepmother or foster parent), brother, sister, **stepbrother, stepsister,** spouse (including common-law spouse resident with the officer), child (including child of common-law spouse), stepchild**, foster child** or ward of the officer, **grandchild,** father-in-law, mother-in-law, **daughter-in-law, son in-law, the officer's grandparents** and relative permanently residing in the officer's household or with whom the officer permanently resides. (…) c. An officer is entitled to bereavement leave with pay, up to a maximum of one (1) day, if it is practical for the officer to leave and rejoin the vessel, in the event of the death of the officer's ~~grandparent, son-in-law, daughter-in-law~~, brother-in-law and sister-in-law **and grandparents of spouse**. **In addition, the officer may be granted up to three (3) days of leave for the purpose of travel related to the death.**

Remarks:

Clause 23.02 – Expansion of definition of family

The Bargaining Agent is seeking to expand the definition of family to include stepbrother, stepsister, foster child, daughter-in-law, son-in-law, and the officer's grandparents for the purposes of bereavement leave with pay. The Employer agrees with this proposal, which is consistent with the remainder of the CPA.

Paragraph 23.02 (c) – Leave for leaving and rejoining vessel

The Bargaining Agent is also seeking to broaden the application of the leave provision that provides for one (1) day of bereavement leave for the death of broader family members to include grandparents of spouse. The Employer agrees with this proposal which is consistent with the remainder of the CPA.

The Bargaining Agent is also proposing that paid leave of up to three (3) days be granted for the purpose of travel related to the death of a member of the officer's broader family. This would broaden the scope far beyond what is found in all other collective agreements in the CPA. Further, paragraph 23.02(d) of the collective agreement already allows for the possibility of additional days depending on the circumstances.

For these reasons, the Employer requests that the Board not include this proposal in the arbitral award.

Article 30 – Hours of Work and Overtime

Bargaining Agent Proposal
30.03 a. Meal periods shall ~~not~~ constitute a part of any work period. b. ~~However, the provisions of clause 30.03(a) above does not apply to officers who are required to eat during their work period.~~

Remarks:

The Bargaining Agent is seeking to introduce a paid meal period, while the Employer's position is that all meal periods should remain unpaid. The Employer's current stance is that if an employee is required to work during their meal period, they should be compensated accordingly. The Employer's position seeks to maintain the existing language without changes because it acknowledges the two possible scenarios: paid and unpaid meal periods.

In contrast, the Bargaining Agent's proposal seeks to eliminate one of these two options, making all meal periods paid, irrespective of whether an employee is working during that time. This is inconsistent with the majority of the CPA and the fundamental principle of "no work, no pay".

Consequently, the Employer requests that this proposal be renewed without change.

Article 35 – Pay Administration

Bargaining Agent Proposal
35.03 a. The rates of pay set forth in Appendix "A", "B", "C"**,** ~~or~~"D"**, "E", "F" or "G"** shall become effective on the date specified. b. Where the rates of pay set forth in Appendix "A", "B", "C"**,** ~~or~~"D"**, "E", "F" or "G"** have an effective date prior to the date of signing of this agreement, the following shall apply: (…)

Remarks:

The Employer does not agree to the inclusion of reference to Appendices E, F, and G in the agreement, as these appendices do not pertain to rates of pay. Instead, they specify particular allowance terms and amounts.

Consequently, the Employer respectfully requests that the Board not include the Bargaining Agent's proposal into the arbitral award.

Appendix E – Canadian Coast Guard Officer Cadets

Bargaining Agent Proposal
5. A cadet shall receive a training allowance as set out below:
Monthly allowance (in dollars): $800
~~**Monthly allowance (in dollars)**~~

~~**Duration**~~	~~**April 1, 2013**~~
~~**1st period (August 1 to June 30)**~~	~~375~~
~~**2nd period (July 1 to June 30)**~~	~~443~~
~~**3rd period (July 1 to June 30)**~~	~~511~~
~~**4th period (July 1 to June 30)**~~	~~581~~

~~**(arbitral award: effective April 1, 2013)**~~

6. Where a cadet proceeds on sea training he/she shall receive, in addition to the allowance specified in paragraph 5 above, a monthly sea training allowance as set out below:

Monthly sea training allowance (in dollars)

Duration	**April 1, 2013**
1st sea training period	~~1127~~ **$1551.81**
2nd sea training period	~~1602~~ **$2205.85**

Remarks:

The Canadian Coast Guard (CCG) College focuses its curriculum on the four-year Officer Cadet Training Program, which, upon completion, leads to certification and the attainment of a recognized university degree.

At the conclusion of this program, the Cadet earns a Bachelor of Technology Nautical Sciences from the University of Cape Breton in association with the College. They also receive a diploma in Natural Sciences, either in navigation or engineering from the College. In addition, they are awarded a Transport Canada certification, specifically a Watch Keeping Certificate (C) for those in the navigation component or a fourth-class Motor Marine certificate for those in the engineering component.

These certifications enable Officers to oversee watch duties at sea, either as an officer or as an engineer, and pave the way for advanced qualifications towards their Master Mariner Certificate or their First-Class Engineering Certificate. The four-year program combines four academic years with periods of time spent at sea.

This educational path leads to the acquisition of a Bachelor's degree and a guarantee of employment, all funded by the Employer.

To support Cadets during their time at the College, the Employer offers a monthly allowance, setting them apart from other students. Furthermore, Cadets have their room and board, as well as meals, provided while in the Cadet Training Program. Upon the successful completion of this program, they are provided with a job as an officer, and the time spent in the Cadet Training Program is counted as pensionable time.

Moreover, Cadets receive the Sea Training Allowance during practical on-the-job-training aboard vessels. The Employer maintains that this allowance reflects the limited function Cadets provide at this stage of their learning program. It is also important to note that Cadets do not receive a salary during this period, as they are not performing the duties of an officer.

For these reasons, the Employer requests the renewal of the allowances in both sections 5 and 6 without change. It is the Employer's position that the Board does not include these increases into the arbitral award.

Appendix F – Special Allowances

Employer Proposal
~~Fisheries enforcement allowance~~ ~~An officer who completes the required training in fisheries enforcement shall receive a monthly allowance of three hundred and six dollars ($306) for each month the officer maintains such qualifications and is assigned to a seagoing position where the officer may be required by the employer to participate in enforcement duties. (arbitral award: effective April 1, 2013)~~ **~~Diving duty allowance~~** ~~A qualified officer who is required to perform diving duties and maintain diving equipment on vessels shall be entitled to receive an allowance of eight hundred and fifty-eight dollars ($858) per year. This allowance shall be paid on the same basis as that for the officer's regular pay. (arbitral award: effective April 1, 2013)~~

Remarks:

The Employer proposes to remove references to two allowances from Appendix F, as they are no longer required.

Ship's Officers no longer have obligations related to diving duties or duties associated with Fisheries Enforcement.

The Employer therefore proposes to delete both allowances from the collective agreement.

Appendix G – Extra Responsibility Allowance

Bargaining Agent Proposal

1. An officer assigned as master/commanding officer or chief engineer on "C" class vessels and above, or as master/commanding officer or chief engineer on Department of National Defence Glen Class tugs **and Naval Large Tugs (NLTs)** and "S" class torpedo and ship ranging vessels, or as a DND dockyard pilot **or as an ~~Instructor at the Canadian Coast Guard College~~** ~~shall be paid an extra responsibility allowance based on the sub-group and level prescribed~~ **~~or INS classification equivalent~~** in his/her certificate of appointment, as follows:

Extra responsibility allowance (in dollars)

Sub-group and level	April 1, 2013	
SO-MAO-12	~~17,587~~	**18% of Final Increment Annual rate of pay**
SO-MAO-11	~~16,135~~	**18% of Final Increment Annual rate of pay**
SO-MAO-10	~~14,654~~	**18% of Final Increment Annual rate of pay**
SO-MAO-9	~~13,442~~	**18% of Final Increment Annual rate of pay**
SO-MAO-8	~~12,490~~	**18% of Final Increment Annual rate of pay**
SO-MAO-7	~~11,870~~	**18% of Final Increment Annual rate of pay**
SO-MAO-6	~~11,433~~	**18% of Final Increment Annual rate of pay**
SO-MAO-5	~~10,963~~	**18% of Final Increment Annual rate of pay**

Employer Proposal

3. This extra responsibility allowance will continue to be paid to an officer assigned:
   a. ashore for training purposes,
   or
   b. **ashore for career development purposes (whether through an assignment at level or on an acting basis in a SO position).** ~~to a shore-based position on an acting basis or otherwise for any period up to a maximum of three hundred and sixty-five (365) calendar days.~~

The officer will continue to receive the allowance **up to a maximum of three hundred and sixty-five (365) consecutive calendar days from the start of the conditions outlined in 3a) and 3b), and** only if the monthly basic pay for the position to which he/she is temporarily assigned would be less than the basic monthly pay plus the extra responsibility allowance in his/her substantive position.

Remarks:

Section 1

The Bargaining Agent is proposing to increase and expand the Extra Responsibility Allowance (ERA) to 18% of the final increment of the annual rates of pay.

It is worth noting that the ERA is paid to officers described above to recognize the additional responsibilities inherent in the performance of the regular duties of their positions. This also considers that, despite the Hours of Work and Overtime provisions outlined in the Agreement, the normal hours for these officers extend beyond what is described in the Article.

Given that the level of responsibility has remained unchanged, the Employer respectfully suggests that there is no justification for increasing the level of the benefit available to officers for the allowances noted above, under the prevailing circumstances.

The proposed increase as presented by the Bargaining Agent equates to a compounded benefit of approximately 19.7% over the life of the 2018 contract. This percentage significantly surpasses the allowances granted to other bargaining agents in this round of bargaining. With this proposal, the officers would far outpace the rest of the employees in the CPA in terms of gains in total compensation.

Moreover, the Bargaining Agent has not made clear and compelling case for why this allowance should be expanded.

The Employer therefore requests that the Board include the current ERA without change in the arbitral award.

Remarks:

The Employer's proposal seeks to address and eliminate the potential confusion that has arisen from section 3. Some officers have interpreted this section in a way that suggests they are entitled to continue receiving the Extra Responsibility Allowance (ERA) when they are acting in any position, not necessarily limited to a SO position. The Employer submits that this interpretation deviates from the practice and has let to misunderstandings.

The proposed language is designed to provide clarity and reaffirm the existing practice that the ERA will continue to be paid in situations where the assignment serves career development purposes. This applies whether the officer is temporarily assigned to other SO duties ashore or acting in a SO position ashore.

Furthermore, the Employer's proposal includes a clarification that the allowance will be paid for 365 consecutive calendar days and will start once the conditions outlined in sections 3a) or 3b) are met.

Importantly, these proposals do not alter the fundamental application of the ERA; rather, they seek to enhance its clarity and mitigate potential misunderstandings or unnecessary questions about its application.

Given these reasons, the Employer requests that the Board include this language into the arbitral award.

Appendix K – 40-Hour Workweek

Bargaining Agent Proposal
Appendix K **Article 30: hours of work and overtime** **Hours of work** (…) c. Officers whose hours of work are designated in accordance with clause (a) and who are not assigned to watches shall perform their daily hours of work within a twelve (12) hour period as determined from time to time by the master/commanding officer. These hours shall be designated so as to be consecutive~~, except for meal periods~~. d. For officers who regularly work five (5) consecutive days per week on "non-watchkeeping" vessels the hours of work shall be consecutive~~, except for meal periods~~, and The normal daily hours of work shall be between 0600 hours and 1800 hours. and Officers shall be given forty-eight (48) hours' notice of any change in scheduled starting time.

Remarks:

In order to uphold consistency with the broader CPA and to ensure that the unpaid meal period provision remains applicable across all departments, the Employer does not support moving to paid meal periods.

Consequently, the Employer respectfully requests that the Board not include the Bargaining Agent's proposal into the arbitral award.

Letter of Understanding (13-4)

Bargaining Agent Proposal
Renew and amend as follows: RE: **Variable Hours of Work** This will confirm the understanding reached by the parties in negotiations regarding the implementation of a variable hours work schedule for officers working under Appendix "K" and "L". It is agreed that the implementation of any such variation in the hours of work shall not result in any additional expenditure or cost by reasons only of such variation, nor shall it be deemed to prohibit the right of the employer to schedule any hours of work permitted by the terms of this agreement. Any special arrangement may be at the request of either party and must be mutually agreed between the employer and the Guild and shall apply to all employees at the work unit. **1. General terms** Officers, with the approval of the employer, may complete their weekly hours of employment in a period other than five (5) full days provided that over a period to be determined by the employer, officers work an average of forty (40) hours per week. In every such period, officers shall be granted days of rest on days not scheduled as normal work days for them. The starting and finishing times, meal breaks and rest periods shall be determined according to operational requirements as determined by the employer. Scheduled hours shall be consecutive~~, exclusive of meal periods,~~ and all hours in excess of the scheduled hours shall be overtime hours. The maximum life of a schedule shall be six (6) months. Normally, the cancellation of any agreed compressed work schedule shall require fourteen (14) days' notice. **2. Designated paid holidays** A designated paid holiday shall account for the normal daily hours specified in Article 21. **A designated paid holiday shall be equivalent to the officer's normally scheduled hours of work.** When an officer works on a Designated Paid holiday, the officer shall be compensated, in addition to the normal daily hours' pay, time and one-half (1 1/2) up to his or her regular scheduled hours worked and double (2) time for all hours worked in excess of his or her regular scheduled hours.

Remarks:

Section 1- Unpaid meal period

To maintain consistency with the remainder of the CPA and continue to apply the unpaid meal period provision within all departments, the Employer does not agree to move to paid meal periods.

The Employer therefore requests that the Board not include the Bargaining Agent's proposal in the arbitral award.

Section 2 - Designated Paid Holiday

The Employer submits that this section already explicitly states that the designated paid holiday (DPH) shall account for the normal daily hours of work specified in Article 21. The Bargaining Agent's proposal is a replication of this statement without the reference to existing collective agreement parameters, which the Employer deems necessary to ensure correct interpretation.

All employees work an average of 40 hours per week and the Employer's position is that a DPH has a time value of eight hours of leave. This understanding is supported by clause 21.05 of the collective agreement.

> **21.05 Compensation for work on a holiday**
>
> Where an officer works on a holiday, the officer shall be entitled, in addition to the eight (8) hours pay the officer would have been granted had the officer not worked on the holiday, to compensation at the rate of:
>
> a. time and one-half (1 1/2) for all hours worked up to eight (8) hours; and
> b. double (2) time for hours worked in excess of the eight (8) hours of work;
>
> or
> […]

A DPH cannot have a higher value for an employee who is working modified hours of work as modified hours of work should not result in extra benefits for an employee or in extra costs for the Employer.

This understanding is reinforced in the introduction of this LOU as follows:

> It is agreed that the implementation of any such variation in the hours of work shall not result in any additional expenditure or cost by reasons only of such variation, nor shall it be deemed to prohibit the right of the

employer to schedule any hours of work permitted by the terms of this agreement.

The Employer therefore requests that the Board not include the Bargaining Agent's proposal in the arbitral award.

Appendix NEW – Implementation MOU

Employer Proposal
MEMORANDUM OF UNDERSTANDING MEMORANDUM OF UNDERSTANDING BETWEEN THE TREASURY BOARD OF CANADA AND THE CANADIAN MERCHANT SERVICE GUILD (GUILD) IN RESPECT TO IMPLEMENTATION OF THE COLLECTIVE AGREEMENT **Notwithstanding the provisions of clause 35.03 on the calculation of retroactive payments and clause 43.02 on the collective agreement implementation period, this memorandum is to give effect to the understanding reached between the Employer and the Canadian Merchant Service Guild regarding a modified approach to the calculation and administration of retroactive payments for the current round of negotiations.** **1. The effective dates for economic increases will be specified in the collective agreement. Other provisions of the collective agreement will be effective as follows:** **a) All components of the agreement unrelated to pay administration will come into force on signature of this agreement unless otherwise expressly stipulated.** **b) Changes to existing and new compensation elements such as premiums, allowances, insurance premiums and coverage and changes to overtime rates will become effective within one hundred and eighty (180) days after signature of agreement, on the date at which prospective elements of compensation increases will be implemented under 2.a).** **c) Payment of premiums, allowances, insurance premiums and coverage and overtime rates in the collective agreement will continue to be paid as per the previous provisions until changes come into force as stipulated in 1.b).** **2. The collective agreement will be implemented over the following time frames:** **a) The prospective elements of compensation increases (such as prospective salary rate changes and other compensation elements such as premiums, allowances, changes to overtime rates) will be implemented within one hundred and eighty (180) days after signature of this agreement where there is no need for manual intervention.** **b) Retroactive amounts payable to employees will be implemented within one hundred and eighty (180) days after signature of this agreement where there is no need for manual intervention.** **c) Prospective compensation increases and retroactive amounts that**

Employer Proposal
require manual processing will be implemented within four hundred and sixty (460) days after signature of this agreement. **3. Employee recourse** **a) Employees in the bargaining unit for whom this collective agreement is not fully implemented within one hundred and eighty (180) days after signature of this collective agreement will be entitled to a lump sum of two hundred dollars ($200) non-pensionable amount when the outstanding amount owed after one hundred and eighty-one (181) days is greater than five hundred dollars ($500). This amount will be included in their final retroactive payment.** **b) Employees will be provided a detailed breakdown of the retroactive payments received and may request that the compensation services of their department or the Public Service Pay Centre verify the calculation of their retroactive payments, where they believe these amounts are incorrect. The Employer will consult with the union regarding the format of the detailed breakdown.** **In such a circumstance, for employees in organizations serviced by the Public Service Pay Centre, they must first complete a Phoenix feedback form indicating what period they believe is missing from their pay. For employees in organizations not serviced by the Public Service Pay Centre, employees shall contact the compensation services of their department.**

Remarks:

The Employer is proposing to add this MOU on collective agreement implementation, which sets parameters for the calculation and administration of retroactive payments following the ratification of a new collective agreement. This is an MOU that was negotiated with most bargaining agents, in support of simplifying pay administration, and in recognition of the challenges with the pay system.

The Employer proposes that terms and conditions of employment be implemented prospectively after the signature of the agreement. Public Service and Procurement Canada (PSPC) has identified retroactive elements of collective agreements as the single greatest burden associated with their implementation. Lengthy implementation periods would be required to allow the Employer to accurately implement economic increases retroactive to the beginning of the collective agreement. Nonetheless, this would further delay the stabilization of the pay system given the level of manual intervention required.

PART V – SO GROUP

SO Group Definition

The SO group comprises positions that are primarily involved in the on-board command and control of the operation of civilian vessels requiring a certificate of competency; the operation of floating plants; the operation and maintenance of radio equipment installed on vessels engaged in marine operations; and the instruction of Nautical Sciences and Marine Engineering at the CCG College.

Inclusions

Notwithstanding the generality of the foregoing, for greater certainty, it includes positions that have, as their primary purpose, responsibility for one or more of the following activities:

1. the on-board command and control of deck, engine room, electronic or electrical, radio or supply operations on board civilian vessels, floating plants or submersibles on a continuous or relief basis;

2. the training and preparation for continuing employment as an officer;

3. the piloting of military vessels in and about a harbour;

4. the instruction of cadets or other officers undergoing training in the knowledge and skills related to the officer activities referred to above; and

5. the performance of related activities on a rotational basis between ship and shore.

Exclusions

Positions excluded from the SO group are those whose primary purpose is included in the definition of any other group or those in which one or more of the following activities is of primary importance:

1. the operation and servicing of vessels, floating plants and associated equipment in a capacity that does not require a certificate of competency unless the activities performed are as specified in the above inclusions and the position is designated as Dredge Master, Electronic officer, Submersible officer, Assistant Watchkeeping officer or Engineer or Mate on a towed dredge; and

2. the operation and servicing of vessels, floating plants and associated equipment that requires a certificate of competency other than a certificate of competency to take charge of a watch or be in a position designated as Electrical officer or officer of the Supply or Logistics Departments.

Sub-Group Definitions

Marine Operations

Positions included in this sub-group are those that meet the group definition and are located on vessels engaged in operations other than those described in other sub-groups.

Floating Plant

Positions included in this sub-group are those that meet the group definition and perform their duties on:

- vessels equipped to carry out one or more of the following tasks: dredge surveys, marine excavations, dredging, snagging, underwater drilling, removal of underwater obstructions, or the alteration, repair or removal of marine structures such as wharves, piers or breakwaters;
- vessels equipped as floating cranes or derricks;
- vessels whose primary function is to provide electrical power to other vessels;
- vessels whose primary function is to flush and clean tanks and bilges;
- vessels equipped to assist in the degaussing of other vessels;
- vessels such as tugs, where the primary function is to provide service to floating plant.

Radio

Positions included in this sub-group are those that meet the group definition and have the primary responsibility for the operation and maintenance of radio equipment installed on vessels engaged in marine operations.

Instructor

Positions included in this sub-group are those that meet the group definition and are located in the departments of Nautical Sciences and Marine Engineering at the Canadian Coast Guard College.

Various Work Systems

Most of the vessels managed by DND and CCG operate on a 24/7 basis, with the majority of Ships' Officers and Ships' Crew working on one of four crewing systems, three of which are variations of hourly averaging systems (the fourth is conventional – essentially the equivalent of office hours). The various systems are:

1. 40 Hours Work Week System or Conventional System
2. Lay-day Operational Crewing System
3. On-Call System – Average Forty-six point six (46.6) Hours
4. Averaging system Forty-two (42) Hours

Exhibit 9 provides a summary description of the above 4 systems.