

**Professional Institute  
of the Public Service of Canada  
(PIPSC)**



**PIPSC • IPFPC**

***Pre-Budget Consultation Submission in  
Advance of the 2024 Budget***

**August 2023**

**Recommendation 1:** Refocus Government Spending: Achieve savings by limiting outsourcing, developing in-house capacity, promoting healthy workplaces and encouraging fair and flexible work-from-home arrangements

**Recommendation 2:** Greater Transparency and Enhanced Consultation for AI Integration within the Federal Government

**Recommendation 3:** Focus on Phoenix

**Recommendation 4:** \$1 Million of Ongoing Support for Navigar

**Recommendation 5:** Fix Federal Healthcare with Fully-Funded and Permanent Public-Sector Solutions

**Recommendation 6:** Invest \$1.4 billion in Research and Development within Federal Departments and Agencies

**Recommendation 7:** Fair Tax Policy in Response to Adversity

## Introduction

The Professional Institute of the Public Service of Canada (PIPSC) represents approximately 70,000 public sector professionals across the country, most of them employed by the federal government. Our members make vital contributions to Canada and Canadians every day.

### **1) Refocus Government Spending: Achieve savings by limiting outsourcing, developing in-house capacity, promoting healthy workplaces and encouraging fair and flexible work-from-home arrangements**

Budget 2023 identified \$7 billion in savings from public service operational budgets, with much of that expected to come from reduced spending on consultants. Addressing wasteful outsourcing and sparing public services was a positive measure. However, there are more opportunities to save money in 2024 by reducing the government's dependency on outsourcing. Budget 2023 highlighted "Management Consultants" as a prime target for savings but procurement data shows IT consultants cost Canadians almost three times as much as their management counterparts.<sup>1</sup>

As the Phoenix pay debacle approaches its ten-year mark, it serves as a powerful cautionary tale against over-dependence on IT contractors. This is particularly relevant as the government proceeds with Old Age Security (OAS) IT Modernization and other critical projects. It would be catastrophic to expose these vital systems to the same chaos that surrounds Phoenix. Germany sets a shining example of a government that achieved efficiencies by diminishing outsourcing and, at the same time, bolstering in-house capacity through employee empowerment and upskilling.<sup>2</sup>

There are additional cost-saving opportunities where saving money aligns with enhancing the health and well-being of employees. For instance, the government abruptly abandoned five years of negotiations on an employee wellness support program, an initiative that could have saved billions while providing better protection for those dealing with illnesses. The government must also reconsider its return-to-office strategy. By offering fair and flexible work-from-home arrangements, employees can benefit from improved productivity while government achieves cost savings from a reduced real estate footprint.

### **2) Greater Transparency and Enhanced Consultation for AI Integration within the Federal Government**

PIPSC is concerned with the Artificial Intelligence and Data section of Bill C-27, which is a major point of departure for the regulation of artificial intelligence (AI). We believe the Budget should contain adequate funding to address the following concerns:

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<sup>1</sup> PIPSC contract database, aggregated from Proactive Disclosure 2021 & 2022 (July 2023)

<sup>2</sup> Mariana Mazzucato, Rosie Collington, "The Big Con..." (2023)

1. Right now the Act is limited to the federally regulated private sector, the Act should be expanded to apply to all federal departments and agencies and crown corporations, including national security institutions;
2. The purpose of the Act needs to be clarified and expanded to prohibit certain conduct that may cause undue harm to individuals, groups or collective bodies;
3. As AI is growing in use and importance, we need a specific federal government agency under the Minister and the Commissioner to deal with AI issues, conduct research, monitor and regulate AI;
4. The current proposal for an AI advisory committee must be expanded beyond just academic researchers and business representatives. These groups are essential but the committee must also include unions and a diverse selection of community and civil society organizations;
5. Treasury Board's Directive on Automated Decision Making excludes certain parts of the federal government. AI regulation should apply to all federal government institutions and agencies now excluded in the Directive;
6. All government decisions made using AI should be subject to human review and the Act should mandate this. Right now the directive identifies four types of decisions and two of them do not require human oversight. Whether it's the federal government or private employers, policy decisions developed by AI must be made transparently and the general principles used in the process must be explained;
7. Employers that integrate AI into workplaces must do so responsibly. They must consult regularly with employees and the use of AI must be part of the collective bargaining process. If AI is expected to create layoffs and displace workers there must also be corresponding job guarantees, upskilling, re-training or education opportunities for affected workers;
8. Individuals should have the right to control personal data generated by AI in business, education, health and government. Personal data is owned by the person associated with it.

### **3) Focus on Phoenix**

The volume of new Phoenix complaints is growing once again. The size of the backlog has more than doubled in the past year, ballooning to 217,000 outstanding cases. New pay issues continue to arise, many of them complex. According to the 2022-2023 Public Service Employee Survey (PSES), 23% of employees had a Phoenix issue in the last twelve months. The Employer does not expect to be able to clear its backlog until 2025 or 2026 - which will mark 10 years of public service employees dealing with this fiasco.

This is unacceptable. Timely and accurate pay is crucial. When employees are faced with repeated errors and delays, it lowers morale and job satisfaction and leads to decreased productivity and increased stress levels. When that basic trust is broken, it erodes the foundation of the employer-employee relationship, causing frustration and discontent. We propose the following recommendations:

1. Make the necessary investment to ensure the backlog is cleared. Hire, train and retain enough compensation advisors to get the job done;
2. Renew the Memorandum of Agreement for Phoenix-related damages so it applies beyond March 31, 2020. At present, claims that extend past this date are being

automatically denied. Not only does this approach violate the spirit of the agreement, it adds to the backlog by preventing people from resolving their cases;

3. Pause overpayment recovery until all employees are paid what they are owed from Phoenix errors;
4. Launch a national inquiry into the Phoenix Pay disaster.

## **4) \$1 Million of Ongoing Support for Navigar**

PIPSC is proposing Budget 2024 provide modest ongoing support for Navigar to enhance the training and skill development landscape for federal employees. Navigar is an online learning platform developed by PIPSC in partnership with the Future Skills Centre. It identifies the essential skills of every worker and provides forward-looking guidance and training resources to prepare them for whatever lies ahead. As the pace of technology speeds up, Navigar will help workers remain agile and ready to embrace the future.

Upskilling and reskilling employees is the best way to protect people and prevent talent shortages before they happen. This approach will retain workers, maintain institutional knowledge and provide a more cost-effective alternative to contracting out. The equity, diversity and inclusion lens will ensure development opportunities are shared justly and equitably and the employer benefits from a workplace where everyone is engaged.

This proposed investment of \$1 million a year would be added to PIPSC's own contributions. Navigar will open new and exciting opportunities by providing access to immersive learning experiences that offer more than 40 thousand courses and training modules. Together, we will provide excellent value for taxpayers and PIPSC members alike by efficiently and effectively delivering training, upskilling and career development opportunities to public service employees.

## **5) Fix Federal Healthcare with Fully-Funded and Permanent Public-Sector Solutions**

In February 2023 the Prime Minister completed a new healthcare funding deal between the federal government and their provincial and territorial counterparts. All told, almost \$200 billion in new money was allocated over 10 years. The deal represents a meaningful step towards addressing the various health care crises happening across the country. Unfortunately, the government has yet to take similar steps to address the healthcare crisis we're facing within the federal jurisdiction.

Whether it's veteran's hospitals, correctional facilities or primary care in remote northern Indigenous communities, federal healthcare workers are facing the same extreme challenges as the provinces – staff shortages, scarce resources, unmanageable workloads and burnout. But they are not getting the same attention. Federally-regulated populations are overlooked and funding for public healthcare at the federal level has not kept up.

What we've seen in recent years is increased dependency on band-aid solutions. The amount spent on privatized nursing care agencies ballooned to nearly \$300 million dollars in 2022, more

than double what was spent on permanent public service nurses the previous year.<sup>34</sup> Temporary agencies do not provide the consistency and quality of care these populations deserve and this practice also opens the door to further privatization of our health-care system down the road. What we need is investment in fully-funded and permanent public-sector solutions.

## **6) Invest \$1.4 billion in Research and Development within Federal Departments and Agencies**

Spending on research and development carried out within the federal government's departments and agencies is expected to be \$1.4 billion lower in 2023-24 than it was in 2010-11.<sup>5</sup> Spending on total "intramural" scientific activities (science carried out in-house within departments) is also expected to be \$651 million lower in 2023-24 than it was in 2010-11.<sup>6</sup>

R & D activities are down in departments including Environment and Climate Change (-\$104M), Innovation, Science and Economic Development Canada (-\$146 M), Natural Resources Canada (-\$181 M) and The Canadian Space Agency (-\$133 M) .

Science, innovation and research and development play crucial roles within the federal public service. Grounded in the mandates of various federal departments and agencies such as public health, water, air, and food safety, this research has the power to innovate and improve the lives of Canadians. Research driven by the public service's objectives can be just as impactful, if not more, than research motivated by commercial interests. Budget 2024 represents an opportunity to reverse this negative trend.

## **7) Fair Tax Policy in Response to Adversity**

A fair tax system is essential for a just and equitable society. As inflation reached 40-year highs in 2022, corporations reaped record-high profits while households struggled to maintain their standard of living. Rubbing salt in the wound, the Competition Bureau is calling out Canadian grocery chains for price gouging and the UN estimates that governments lose \$1 trillion per year to tax havens worldwide.<sup>78</sup> The current structure of the tax system enables avoidance and undermines integrity. To address these issues, we propose the following recommendations:

1. Minimum Tax on Book Profits: Enforce a 15% minimum tax rate on corporate book profits to discourage questionable planning practices and tax avoidance through tax havens. The U.S. has already implemented this, generating an estimated \$11 billion in revenue in 2021;
2. Strengthen the Canada Revenue Agency (CRA): Provide the CRA with the necessary legal firepower and funding to ensure tax compliance by wealthy individuals and corporations;

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<sup>3</sup> PIPSC contract database, aggregated from Buyandsell.gc.ca 2021 & 2022 (July 2023)

<sup>4</sup> Payroll for all PIPSC Nurses within the federal jurisdiction is \$143 million (Treasury Board data disclosure March 2021),

<sup>5</sup> Statscan Table 27-10-0026-01 with author's calculations, adjusted based on changes in CPI 2010-2023

<sup>6</sup> *ibid*

<sup>7</sup> Competition Bureau, "Canada Needs more Grocery Competition" (2023)

<sup>8</sup> UNU-WIDER, "Global profit shifting 1975–2019" (2022)

3. Fully Public Country-by-Country Reporting: Mandate large multinationals to publish their financial statements and taxes paid by jurisdiction, enhancing transparency and accountability;
4. Enhance Taxation Statistics: Improve the quality and timeliness of taxation data for better policy-making and easier evaluation;
5. Automatic Tax Filing. Many Canadians pay out of pocket for basic tax filing services that could be done automatically by the Canada Revenue Agency. Not only is this an unnecessary expense, it also prevents people from accessing basic programs;
6. Windfall Tax: In response to companies recording record profits during a global crisis, this tax would discourage profiteering and price gouging while also recovering revenue.