

Submission to the Government of Canada on the 2025 Comprehensive Expenditure Review

Building a Strong Canada Requires Strong Public Services

Prime Minister Carney and his government have made [bold](#) commitments to build a Canadian economy that is independent, resilient, and forward looking. He has promised to assert Canada's place as a leader on the [global stage](#), including strengthening peace and security, building stronger infrastructure, and creating higher-paying jobs.

"... it underscores the value of bringing together labour, business, civil society to advance the nation-building investments we need to transform our economy."¹

Investing in Canada's public services is the best way to build a strong Canadian economy that we can all be proud of and benefit from. Public services and the workers who deliver them are more than Canada's lifeline; they're also our economic powerhouse. These workers stabilize our economy in times of challenges; they work to support small businesses, execute global trade deals negotiated by politicians, and keep our supply chains moving. We can make a truly independent and resilient Canadian economy, but it starts with investing in frontline services and the workers providing them. Vital programs that bolster Canada's economy through innovation, business grants, and global trade are all managed by public service workers. Public sector jobs are a key to galvanizing the economy and creating more jobs, but the government will have to change its current course and begin to reinvest in the public service if that is going to happen. Without adequate support from the federal government and the dedicated work of public service workers, our economy would stagnate.

The Public Service Alliance of Canada (PSAC) represents over 245,000 federal public service workers and is calling on the Government of Canada to reject tired and ineffective austerity measures that erode frontline services and weaken Canada's economic resilience.

The federal government is currently engaging in these destabilizing austerity measures, leading to the reduction of employees in sectors key to navigating this particularly difficult time in our relationship with the United States (US). Federal public services workers will play a critical role in protecting and defending Canada's sovereignty. At a time when people in Canada will need public services the most, Prime Minister Carney and his government announced sweeping cuts to public services by requiring federal departments to cut their spending by 15 percent. These

¹ <https://globalnews.ca/news/11154593/canada-election-mark-carney-victory-speech/>

budget cuts will weaken Canada's ability to be financially independent from the US by decimating the programs and services that keep businesses and our economy afloat.

The Comprehensive Expenditure Review, if implemented through job and program cuts, risks repeating the most harmful lessons of the 1990s and 2010s. In those decades, sweeping reductions undermined public trust and left people in Canada with fewer supports in times of crisis. Blanket spending cuts and indiscriminate freezes may appear expedient, but they often degrade the quality and accessibility of public services while leaving taxpayers contributing the same or more for less. These measures can also sap morale within the public service and gradually erode citizens' confidence in government institutions. Moreover, relying on vague notions of "efficiency" or expecting departments to simply "do more with less" is not a viable path to eliminating a deficit. True reform demands difficult but necessary choices—reallocating resources based on the relative value of programs and redefining the role of government. Without this kind of strategic prioritization, short-term savings may come at the cost of long-term institutional resilience and democratic legitimacy.

Families and communities in Canada also rely on the supports that federal programs and workers provide. The Canadian population has grown, and aged, and it will continue to grow and age in the coming years. PSAC believes that the size of the public service ought to be determined by the requirements of the people it serves and not by ideological assumptions that are divorced from reality. More people in Canada means that more service delivery is necessary, and more service delivery requires more workers for the provision of immigration and borders services, employment insurance, veterans' benefits, pay administration, and tax collection services, just to name a few.

Two sides to the balance sheet

These cuts are being proposed at the same time as the federal government has reduced or abandoned significant revenue sources while committing to historically high levels of defense spending, a new Federal Projects Office, major investments in Indigenous communities, and housing, among other items. Specifically:

- Cutting the lowest income tax rate from 15 percent to 14 percent has removed over \$28 billion in revenues, a change that disproportionately benefits wealthier people in Canada.
- Rescinding the Digital Services Tax in hopes of a bilateral agreement with the US eliminated a projected \$3.5 billion in revenue.
- Cancelling the increase in the capital gains inclusion rate has cost Canada \$17 billion in projected revenue through 2030.

In other words, fiscal pressures are largely a problem of the government's own making. Rather than slashing frontline services, the government has the ability to restore balance through fairer revenue measures:

- Implement a permanent excess profits tax to prevent corporations from profiteering during crises.
- Introduce a super-profits surtax (2 percent on taxable income exceeding \$500 million), projected to generate \$8.2 billion by 2030.
- Establish a progressive wealth tax, raising over \$120 billion through 2030.
- Revisit regressive personal income tax cuts that disproportionately benefit the wealthy.

PSAC believes people in Canada should not bear the costs of lost revenue through reduced access to the essential services they rely on daily. A fair fiscal framework can and must support a healthy, modern, and equitable public service. However, if Canada is to move forward in a progressive, hopeful manner, making positive changes to ensure the health of the public service is necessary.

Recommendation #1. Stop Cuts to Public Service Jobs and Programs

A well-resourced public service must be a cornerstone of the sovereignty-asserting ambition animating Bill C-5, the One Canadian Economy Act. However, [according to the Canadian Centre for Policy Alternatives \(CCPA\)](#), current fiscal plans cap program investments that serve these national interests. If we look back to the 2023-24 fiscal year (FY) until the projected FY 2028-29, “program expenses” are already flat at roughly \$130 billion every year. The line isn’t growing with the population or the economy.

More than 10,000 federal public service jobs were lost in year 2024 alone with no plans to maintain the services those workers provided. Moreover, thousands of additional cuts have already been announced. And the CCPA notes that the Comprehensive Expenditure Review could cause deeper public service cuts than those under Stephen Harper, rivalling the 18.9 percent cut in operation expenditures of Paul Martin as the most extreme in Canadian history.

PSAC is calling on the government to undertake a comprehensive, long-term, and government-wide staffing plan. Governments of the past have failed at making the public service stronger by only working on short-term timelines, swinging between job cuts, and workforce adjustments to last-minute mass hiring during crises. People in Canada deserve a government that believes in finding innovative and creative solutions to improve the federal public service, not one that repeats the same mistakes of the past and expects different results.

Short-sighted cuts ignore the obvious benefits associated with investment in the public service. According to [research by the Institut de recherche et d'informations socioéconomiques \(IRIS\)](#):

- Public sector jobs provide economic stability, particularly during times of uncertainty, acting as an "automatic stabilizer" to counter economic downturns.
- Every dollar invested in the public service brings in between \$1.09 and \$1.28 to Canada’s economy, boosting both workers and communities.
- The public sector contributes more to GDP and job creation than the average Canadian industry, particularly in less diversified regions.

- Reductions in public sector employment at the federal level would hinder economic progress and resilience.

In regions with limited economic diversity, the federal public service is often the most stable employer, providing well-paying jobs that sustain local businesses.

Instead of cutting jobs, the government should:

- Reverse the expensive and ineffective return-to-office mandate (see Recommendation #2).
- Stop contracting out and rein in costly consulting contracts that topped \$26.1 billion in 2025-26 main estimates.
- Reintegrate contracted out work for substantial cost savings and enhanced service quality.
- Establish an internal temporary staffing agency and management service, following successful international models.
- Consolidate senior management and EX-level positions to reduce the inflated number of executive positions and decrease performance bonuses.

PSAC calls for an immediate halt to job and program cuts and for the government to instead expand federal capacity in frontline areas where demand is increasing, including immigration, tax collection, pensions, EI processing, and call centres.

Reductions to frontline staffing will intensify existing challenges, including already high employee turnover rates and burnout, by placing greater pressure on remaining employees. Rather than achieving long-term savings, such cuts risk destabilizing service delivery and compounding operational inefficiencies.

Recommendation #2. Modernize Service Delivery: Embrace Telework

According to [a 2024 study on remote work](#), three quarters of respondents in Canada agree that remote work creates happier and more productive workplaces. The government needs to review its approach to remote work and protect remote work as a core part of a modern, effective public service. To this end, PSAC supports a more transparent and coherent remote work strategy. Workers whose lives will be impacted by teleworking policies, and the unions that represent those workers, should have a strong voice in the creation of policies determining the conditions of their work.

The unilateral three-day in-office mandate is inefficient and wasteful. By embracing remote work, the federal government would be able to significantly reduce its real estate footprint. Many departments lack adequate office space, forcing workers into overcrowded conditions while taxpayers continue to cover the costs of empty leases. The 2022 federal budget promised a strategic review that was forecasted to save \$6 billion over five years through the offloading of surplus real estate.

Telework is a tested and proven solution:

- **Remote work increases productivity.** [80 percent of managers and employees report productivity benefits to working from home](#), including 12 percent gains in casework compared to office-based staff.
- **Remote work saves money.** Remote work allows people to be more effective in environments that better meet their needs. This means significant budget savings and increased productivity for the federal government. These savings can be reinvested into improving public services, building affordable housing, and supporting communities.
- **Remote work means less traffic and pollution.** [Research from Carleton University](#) also shows that remote work during the pandemic helped reduce emissions in Ottawa by 25 percent and 65 percent in Quebec. A [recent survey of PSAC members](#) reveals that a staggering 90 percent of federal public workers in the National Capital Region (NCR) – where more than 100,000 federal employees live and work – are experiencing longer commutes, with 65 percent reporting a "significant increase". This isn't just an NCR problem, either. In Toronto, 28 percent of federal employees are adding 45 minutes or more to their daily commute, while in Vancouver, 30 percent are facing the same additional lengthy travel times.
- **Remote work boosts well-being, equity, and recruitment.** The implementation of remote work opportunities reduces burnouts for all workers while also removing barriers to employment for equity-seeking groups whose contributions strengthen the workforce and the economy, including workers who are Indigenous, Black, racialized, and workers with disabilities.

PSAC calls on the federal government to rescind its current three-day in-office telework mandate and engage in meaningful discussions to bargain telework in collective agreements with the objective of assessing remote work requests on an individual basis, as negotiated in the Letter of Agreement reached during the last round of negotiations.

Furthermore, recent monitoring efforts linked to the return to the office represent an inefficient use of managerial time and resources, which would be better directed toward service delivery and efficient managing practices. To this end, PSAC calls for limiting monitoring practices which often yield no productivity gains and can incur significant technical and data management costs.

Recommendation #3. Reduce Reliance on Contracting Out and Consultants

The practice of contracting out public sector jobs to consultants or contractors has been quietly on the rise in the federal public sector [with federal spending on external consultants and contractors having ballooned to over \\$26 billion](#). Private contractors are paid far more than the salary costs of public sector employees to do work such as cleaning, food preparation, general labour, skilled trade work, data entry, administrative services, facility maintenance, call centre work, processing ATIPs, and case management. This costs the government more while providing

poorer services. And while the contracting companies may be making more money, individual workers in these contracts are usually making low wages, have few benefits, and little job security.

Contracting oversight practices are severely lacking and despite introducing new policies at the federal and departmental levels, the practices are not changing.

As an example, decades of mounting reliance on external service providers at the Department of National Defence (DND) have entrenched these problems and dwindled the ability of the Canadian Armed Forces to sustain itself and now force military to rely on contractors in order to complete their core business. Trades shops which exist to maintain military bases have become so underfunded and understaffed that, across the country, they have only been able to operate in 'breakdown mode' for years. With the recent and significant injection of funding and political promises to achieve Canada's sovereignty, one would expect the department to shift wholeheartedly towards a self-sustaining model by establishing the internal capacity required. However, to our knowledge, DND plans to accomplish the majority of the recently greenlit infrastructure projects by offering contracts to the private sector, without due consideration to how these projects could or should be accomplished and sustained in-house.

Central here is a costly and problematic move towards contracting out the maintenance of facilities. Facilities Maintenance (FM) contracts involve using external subcontractors for the day-to-day upkeep and repair of buildings on base and the equipment and systems required to run them. FM contracts are being increasingly relied upon, with little proof of success, instead of staffing in the trades. Reducing these would be key to minimizing runaway costs.

The problems are clear:

- Consultants cost far more than indeterminate employees while delivering lower quality and less accountable services.
- Contracting out hollows out in-house expertise, preventing departments from building long-term capacity.
- According to the [nineteenth report of the Standing Committee on Human Resources, Skills and Social Development and the Status of Person with Disabilities \(HUMA\)](#), temp agency work creates a multi-tiered workforce of underpaid, precariously employed workers who often receive fewer protections.

PSAC urges the government to:

- Reduce costs by hiring the internal employees required to maintain the significant footprint of infrastructure it owns.
- Repatriate major contracts such as Medavie Blue Cross, SISIP/Manulife, and Iron Mountain.
- End the use of retired executives and military officers as costly consultants.

- DND should reduce its reliance on Defence Construction Canada, which is needlessly overused for work that could, and should, be completed by employees of the department, regularly introduces significant quality control issues and cost overruns due to its reliance on subcontracting and lack of accountability.
- Establish an internal staffing and project management service to replace temp agencies and consulting firms.

It is beyond disappointing that the federal government continues to spend billions a year on advice and services from costly contractors instead of utilizing the expertise and experience of Canada's professional public sector workers, who have committed their careers to serving the Canadian public.

Recommendation #4. Protect, Strengthen, and Modernize Frontline Services

Across Canada, people are worried about their futures. The impact of tariffs, the rising cost of living, and a national housing crisis have workers and families anxious about what tomorrow brings. During these difficult times, people are looking for stability when life's challenges knock them down.

Now more than ever is the time to invest in a strong, reliable federal public service, not cut the jobs of workers who provide those vital social programs and benefits. This is an opportunity for a new government to invest in our country's future and support the workers who keep Canada running.

Frontline workers – Service Canada officers, call centre staff, pension program workers, and border officers – are not costs to be cut; they are service protectors. Despite the uncertainty of tariffs and a trade war, Canadian federal public service workers continue to play a critical leading role as they:

- Deliver emergency relief programs and enhanced income supports for workers.
- Provide critical marine search and rescue service.
- Deliver benefits to veterans.
- Support interprovincial trade and diversification of export markets.
- Ensure the safety and integrity of Canada's food supply, public health, and trade, safeguarding against pests, diseases, and invasive species, ensuring global safety standards, and expanding market access for agriculture and forestry.
- Deliver knowledgeable and kind immigration support, maintaining the efficiency and integrity of an asylum and immigration system vital to economic growth.
- Ensure the delivery of critical health benefits to First Nations, Métis and Inuit.
- Guard Canada's borders and coasts.
- Collect taxes for the Canada Revenue Agency, bringing in revenue many times greater than their salaries.

- Provide vital programs and services to Canadian Armed Forces members and their families.

PSAC urges the government to:

- Expand frontline staffing rather than reduce it, ensuring service quality and revenue integrity are protected.

Recommendation #5. Defend Fair Pensions for All

The 2012 Conservative budget created a two-tier pension system, raising retirement ages for new hires, and dividing workers into classes with unequal benefits.

Most public safety workers in Canada already benefit from early retirement options, including most firefighters, air traffic controllers, RCMP constables, and operational employees at Correctional Service Canada.

The government has committed to making legislative amendments to provide “25-and-out” early retirement benefits in the last round of bargaining with FB members but has not yet implemented these changes.

It’s time for the federal government to move forward with these long overdue changes to ensure public safety workers receive fair retirement benefits.

Adding to this inequity, the Liberal government’s appropriation of a \$1.9 billion pension surplus betrayed workers and undermined confidence in Canada’s pension framework.

PSAC demands that the government:

- Eliminate the two-tier system and restore fairness for all workers.
- Protect pension funds as deferred wages and prevent unilateral government appropriation.

Extending equitable retirement options to frontline public safety workers is affordable and sustainable. Actuarial studies confirmed this.

Recommendation #6. Achieve Defence Spending Goals While Saving Money by Moving Non-Public Funds to the Core Administration

[In June](#), Prime Minister Carney set an ambitious goal for Canada to meet its NATO commitment to spend 2 percent of Canada’s GDP on defence spending by April 2026. To do this, it is estimated that the Department of National Defence will need to spend close to \$8.7 billion – a feat many critics deem nearly impossible. To reach this goal and fulfill the government’s commitments in such a short time, an effective starting point would be to move non-public funds (NPF) staff into the core administration of the federal public service.

NPF staff provide valuable services and supports to members of the Canadian Armed Forces (CAF), veterans and their families. NPF staff offer front line personnel support programs and services on base, including physical fitness training, mental health supports, food services and other morale and welfare services. [According to the Office of the National Defence and Canadian Armed Forces Ombudsman](#), more than 35 percent of NPF staff have a direct connection to the military, such as through a military family member. However, NPF staff are not considered employees of the Department of National Defence nor are they considered Treasury Board employees despite their direct connections to CAF members and the important role they play in strengthening the CAF. NPF employees are excluded from the core administration of the Government of Canada under Schedule V of the Financial Administration Act and are considered to be employed by a separate employer.

The advantages of moving NPF staff into the core are clear:

- By moving NPF staff into the core, the budget line item for NPF staff expenditures can be moved from the separate agency identified in Schedule V (Staff of the Non-Public Funds, Canadian Forces) of the Financial Administration Act over to the Department of National Defence budget. In turn, the Government of Canada can move closer to reaching its defence spending targets without actually spending any additional money.
- It will save the government time and money by reducing collective bargaining costs. Currently, NPF staff are covered by over 20 different collective agreements. Moving NPF staff into the core administration would simplify negotiations processes while also making them more cost-efficient.
- If all NPF staff were considered core administration employees, transferring them between bases in the case of deployments would result in significant savings by mitigating the need for costly retraining and other human resource expenses.

PSAC is advocating for the government to move NPF staff into the core administration. These workers provide important services, benefits, and programs integral to the strength of Canada's sovereignty. Moreover, this move is a quick win toward reaching our defence spending goals without increasing spending.

Recommendation #7. Prioritize Equity, Safety and Well-Being

Systemic racism, discrimination based on gender or sexual orientation, hate symbols and hate speech have no place in any workplace. It has become increasingly clear, however, that the federal public service is rife with these problems. Daily, public sector workers experience discrimination based in racism, hate, ignorance and bias. Since the publication of the [Pay Equity Commissioner's 2024-2025 Annual Report](#), for example, key challenges have been identified, including a perception of employer bias throughout the system. No worker can thrive in such a situation. No employer can allow this to continue.

Equity-deserving workers are disproportionately affected by precarious employment, harassment, and systemic barriers. Black and Indigenous public service workers are often concentrated in precarious, lower-paid positions. It is incumbent upon the federal government to immediately put in place the proper resources and systems to prevent discrimination, to mitigate the impacts when it does happen, and to seek justice for injured employees.

One way to do this is to commit to funding the implementation of the Pay Equity Act in the core public administration. In 2025-26, decreases to approved funding for the implementation of proactive pay equity in the federal public service were outlined in [the departmental plan](#). Of estimated departmental funding that may also face significant cuts, [WAGE could lose up to 80 percent of its existing budget through the CER](#).

The federal government should commit to investing in rectifying decades of systemic racism in the federal public service that were highlighted by the Black Class Action and Indigenous Class Action lawsuits by:

- Providing restitution to address the financial loss and racial trauma suffered.
- Appointing a Black Equity Commissioner to address systemic anti-Black racism across all levels of government.
- Implementing the Employment Equity Act amendments it promised in December 2023, to add Black Canadians as an employment equity group.
- Implementing a Black-led Mental Health Program for Black public service workers as promised in the 2023 federal budget.
- Fulfilling the requested remedies outlined in each lawsuit to address the systemic barriers facing Black and Indigenous workers.

PSAC remains committed to achieving justice for Indigenous and Black public service workers. Funding in Budget 2025 for the School of Public Service, part of the Black Justice Strategy, is a positive step, but does not fully address systemic issues raised by the Black Class Action Secretariat nor does it address the issues with pay inequity. As the class action was not certified, we have filed a human rights complaint on behalf of all Black PSAC members employed in the federal public service.

Recommendation #8. Modernize the Federal Public Service Labour Relations Act

The Federal Public Service Labour Relations Act (FPSLRA) unjustifiably hinders free and fair collective bargaining for federal public sector workers. It does so by creating unacceptable delays in bargaining and in the grievance process that are out of step with other labour legislation across jurisdictions. As is often said, justice delayed is justice denied – and federal public sector workers are regularly denied justice under this Act. The Public Interest Commission (PIC) process is costly, time-consuming, and rarely productive. PSAC has repeatedly criticized the PIC for its delays and chilling effect on negotiation. It stalls the negotiation process for months and the PIC non-binding recommendations most often fail to truly assist the parties to resolve negotiation disputes. This government should conduct a comprehensive review of the FPSLRA, with an eye to making amendments that eliminate the discrepancies in legislation and provide federal public service workers with measures and protections that are afforded to other workers.

PSAC recommends:

- Simplifying dispute resolution processes to allow faster, fairer outcomes.
- Ensuring workers are not forced into prolonged bargaining delays that undermine free and fair collective bargaining.

Recommendation #9. Address Emerging Pressures: AI, Automation, and Precarious Work

Without proper safeguards and vigilant human oversight, the introduction of AI could create major access barriers to vital public services. Systems that use AI often result in harm to or discrimination against marginalized communities – communities that are more likely to seek access to government programs and social services. And just like in the private sector, replacing jobs with automation or AI has an impact on local economies, especially in communities with a heavy reliance on public sector jobs.

AI and automation systems can be over-hyped and often create more problems than they were expected to solve. The Phoenix pay system is a powerful example of what can go wrong when we rely entirely on a digital system to streamline processes that deal with hundreds of thousands of people.

Nearly a decade after its rollout, the Phoenix pay system remains broken: over 372,000 pay cases remain unresolved, with tens of thousands of workers still underpaid or overpaid each month.

The consequences are devastating as workers face delayed retirements, debt, and years of stress caused by not being paid accurately or on time. After already spending over \$3 billion on

attempted fixes, adding more paid administrative staff has turned out to be the main remedy – and more staff are still required.

PSAC urges the government to:

- Engage in meaningful discussions to bargain AI provisions in collective agreements and ensure AI augments, not replaces, workers.
- Conduct meaningful Gender-Based Analysis Plus (GBA+) equity assessments before deploying AI or automation.
- Invest in staffing to ensure equitable, accessible service delivery.
- Involve bargaining agent experts and compensation staff in the development and implementation of any new pay system.

Conclusion

To position Canada as an economic leader on the global stage, the public services need long-term future planning, not an endless loop of opportunistic cuts, dismantled services, and costly efforts to restore them once they've been deteriorated. When public service cuts are rushed, Canada is left vulnerable and critical services like employment insurance, passport renewals, programs for Indigenous communities, and supports for veterans become harder to access.

To strengthen these vital public services and bolster Canada's position on the global stage, the government must rely on research and fact-based decision-making. Otherwise, we end up with rushed decisions, like cutting jobs and wiping out vital programs.

The federal government stands at a crossroads. It can pursue austerity – cutting jobs, privatizing services, and forcing workers back into costly office mandates – or it can achieve the vision for a stronger Canada through robust public services.

PSAC urges the government to choose investment, equity, and fairness. By protecting jobs, reducing reliance on consultants, embracing telework, defending pensions, and pursuing fairer revenue policies, Canada can strengthen its public service to meet the challenges of today and tomorrow.