

**IN THE MATTER OF:** *The Civil Service Collective Bargaining Act,*

**AND IN THE MATTER OF:** Pursuant to Section 26 of the *Civil Service Collective Bargaining Act*

**BETWEEN:**

The Nova Scotia Government and General Employees Union

("Union")

And

Her Majesty in the Right of the Province of Nova Scotia

("Employer")

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**REPLY SUBMISSIONS OF THE NOVA SCOTIA GOVERNMENT AND GENERAL EMPLOYEES UNION**

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## Introduction

1. These are the submissions of the Nova Scotia Government and General Employees Union (“NSGEU”) in response to the submissions of the Province. The NSGEU will address the following issues:

1. The impact of inflation
2. Pattern settlements
3. Ability to pay
4. The incremental approach

## The Impact of Inflation

2. The most striking thing about the submissions of the Province is that neither the word “inflation” nor the phrase “cost of living” appear anywhere in the 28 pages of the document. The Employer simply ignores one of the most significant elements of the current economic climate in Nova Scotia.

3. Replication in interest arbitration does not operate in a vacuum anymore than free collective bargaining does. The overall economic context is an important consideration in the outcome of the arbitration: *NSGEU v. Public Service Commission*, April 5, 2006, unreported (Ashley), paragraph 12, Union Book of Authorities, Tab 3.

4. It is not reasonable to suggest that Union negotiators engaged in free collective bargaining would ignore what is actually happening in the economic lives of their members.

5. The rate of inflation continues to increase to levels not seen in 30 years. Since the parties made their initial submissions, Statistics Canada released its monthly inflation report for April of 2022. It shows the year over year inflation rate in March was 6.7%. This was the largest increase since January of 1991, when the GST was introduced. The increase for Nova Scotia was even higher, 6.8%: Statistics Canada Daily, April 20, 2022, Tab 1.

6. On April 13, the Bank of Canada increased its benchmark interest rate by a full half point, the largest increase in 20 years. In announcing the increase, the Bank reported that the rate of inflation remains above forecast levels, will average 6% for the first half of this year and would not return to the control range of 2% until at least 2024: Bank of Canada News Release, Tab 2.

7. The larger economic context is one of the factors that Arbitration Boards consider when applying the principle of replication: *NSGEU v. Public Service Commission*, supra.

8. Employees are seeing their purchasing power eroded at a rate that hasn't been experienced for a generation. This has created a bargaining imperative for the Union that should be recognized in the application of the principle of replication. It cannot simply be ignored.

9. In its submissions, the Employer argues that the economic increases in the 2021 Healthcare collective agreement should be applied to the Civil Service Bargaining Unit. If the economic increases in the Civil Service Master Agreement are limited to the increases in the Healthcare agreement, the real value of the income of the employees will decline substantially over the life of the agreement: Table 3, Report of Casey Warman, April 5, 2022.

10. This would be in addition to the loss of 3% in purchasing power for the same employees during the previous collective agreement: Table 1, Report of Casey Warman, April 5, 2022.

11. There is no doubt that inflation will continue to exceed target levels throughout the term of the collective agreement that will be settled by this Board. The Province itself predicts annual increases in the Consumer Price Index of 3.8% (4.1% realized), 4.2% and 2.3% in the first three years of the agreement: Economic Outlook, Nova Scotia Budget, Chart 7.6, page 60, Employer Exhibit Book, Tab A.

12. Dr. Casey Warman of Dalhousie University reviewed the impact anticipated increases in the cost of living will have on the real income of employees if they are limited to the pay increases recommended in the submissions of the Employer. His conclusions are attached at Tab 3.

13. The principle of replication requires the Board to consider these economic realities in fashioning its award.

### **Pattern Bargaining**

14. The Employer seriously overstates the impact of pattern bargaining in the public sector in Nova Scotia, both historically and in the current bargaining round. There is no history of strict adherence to pre-determined levels of wage increases in public sector bargaining in Nova Scotia. While it has not been uncommon for general parameters for economic increases to emerge in a bargaining round, negotiators and Arbitration Boards have always been willing to depart from those parameters to meet particular needs. This is illustrated by the following examples:

**1. “Pattern” – 2%**

- The Arbitration Board for the Civil Service awarded a general economic increase of 3% in the fourth year of the agreement plus a lump sum equivalent to 3% of wages for all employees: *NSGEU v. Province of Nova Scotia*, May 2, 2002, unreported (Veinot), Supplementary Book of Authorities Tab 1.
- The arbitration award for the EDC component of the Civil Service included an increase of 3% in the final year of the agreement, plus a lump sum equivalent to 3% of wages for all employees and an additional increase of 3% for full professors: *Province of Nova Scotia v. NSGEU*, 2004 CarswellNS (Ashley), Employer Submissions, Tab 1.

**2. “Pattern” – 2.9 %**

- The Arbitration Board for the Healthcare bargaining unit at the Capital District Health Authority awarded an additional 2.1 % increase in each year of the agreement for those classifications that were not the highest paid in Atlantic Canada: *CDHA and NSGEU*, August 18, 2004, unreported (Kaplan), Supplementary Book of Authorities, Tab 2.
- The Arbitration Board settling the terms of the collective agreement for Corrections employees awarded an additional pay increase of 3.4 % to match pay levels for Youth Workers: *NSGEU and Province of Nova Scotia* (Department of Justice), April 15, 2005, unreported (Outhouse), Supplementary Book of Authorities, Tab 3.
- The Arbitration Board for the Nursing Bargaining Unit at the Capital District Health Authority awarded an additional increase of 2.3 % in the first year of the agreement to match increases negotiated by the Nova Scotia Nurses Union: *CDHA and NSGEU*, September 27, 2005, unreported (Christie), Supplementary Book of Authorities, Tab 4.
- An Arbitration Board for the Civil Service awarded an increase of 2% in addition to the pattern increases to compensate for the failure of a reclassification process and “slippage” in wages due to inflation: *NSGEU v. Province of Nova Scotia*, April 5, 2006, unreported (Ashley), Union Book of Authorities, Tab 3.

- A freely bargained collective agreement for Registered Nurses for the term 2006 to 2009, between the NSGEU and the Capital District Health Authority, included an additional 2.1 % increase for all employees plus a new, step increase for Nurses with 25 years of service worth 3.5 % and a 2% bonus for employees who remained at work after reaching full, pension eligibility: as cited in *CDHA and NSGEU*, October 31, 2011, unreported (Burkett) at page 6, Supplementary Book of Authorities, Tab 5.

- An arbitration award for Corrections employees introduced shift premiums to the bargaining unit for the first time: *NSGEU and Province of Nova Scotia*, December 22, 2008, unreported (Ashley), Supplementary Book of Authorities, Tab 6.

### 3. "Pattern" – 1%

- An Arbitration Board for Registered Nurses at the CDHA added a third year to the proposed two year term with increases of 5.1 % in the third year through a 3.5 % salary grid adjustment and a general economic increase of 1.6 %: *CDHA and NSGEU*, October 31, 2011, unreported (Burkett), Supplementary Book of Authorities, Tab 5.

- A freely bargained collective agreement for Civil Servants added substantial improvements to job security language effectively prohibiting the layoff of employees willing to accept alternate positions.

### 4. Bill 148

14. The only real "pattern" to emerge in the last 20 years of public sector wage settlements in Nova Scotia was the pattern imposed by the Province through Bill 148, the wage restraint legislation that took effect in December of 2015. The legislation limited public sector wage increases to 3% over the four years covered by the Bill. In the two year period immediately after that, wage increases tended to be in the range of 2%. However, once again there were significant departures from the pattern.

- Paramedics were awarded an adjustment to their salary grid that increased pay levels by 3%: *EMC Emergency Medical Care Inc.*, February 18, 2020, unreported (DeMont), Supplementary Book of Authorities, Tab 7.

- A 3%, over pattern increase was awarded to Paramedic Communications Officers by another Arbitration Board. Crown Attorneys negotiated substantial, additional pay increases through a new classification structure.

15. The Arbitration Board for the Civil Service, chaired by Arbitrator Cromwell, also found a way to deliver benefits beyond the four years of restraint imposed by the legislation. The Board awarded an immediate pay out for employees of a long service benefit they had accumulated to that point. This required a regulatory change which was enacted by the Governor in Council: *Province of Nova Scotia v. NSGEU*, December 7, 2017, unreported (Cromwell), Union Book of Authorities, Tab 1.

## 5. The Current Round of Bargaining

16. The Employer lists 11 collective agreements which it claims establish a pattern for the current round of public sector bargaining consisting of a term of three years with wage increases of 1.5 % a year plus a 1% increase on the last day of the agreement. A closer examination shows this so-called pattern has been exceeded as often as it has been followed.

17. The two collective agreements that supposedly set the pattern are the agreements between the Nova Scotia Council of Health Care Unions and the Nova Scotia Health Authority and between the Council and the IWK. In addition to the general wage increases, each of those agreements increased the wages of Care Team Assistants, an important but historically underpaid classification of healthcare workers, by 5%. Unifor negotiated the same 5% increase for Continuing Care Assistants at Northwood.

18. The agreement between the Council of Healthcare Unions and the NSHA also included increases of between 10% and 13% for Hospital Paramedics to match the wages of Field Paramedics.

19. The three collective agreements between the NSGEU and the Nova Scotia Liquor Corporation also included significant wage increases outside of the "pattern". Retail and Clerical employees received "base rate adjustments" effective on the first day of the new contract. The increases were between 1% and 2%, with lower paid classifications receiving the higher amounts. The general wage increases were applied to the adjusted base rates.

20. Employees in the Store Manager bargaining unit at the NSLC received base rate adjustments of between 1% and 2.8% before the general wage increases were applied. Managers

of larger stores became eligible for an annual sales stipend of \$2500 based on the performance of their store.

21. The Faculty collective agreement for the Nova Scotia Community College included a wage grid adjustment for the Faculty 4 classification which added a new, top step for employees in that classification.

22. Two of the remaining collective agreements listed by the Employer were hardly pattern setting agreements. The collective agreement between Unifor and the Highland Visions Society covers 14 employees in a small group home in Cape Breton. The agreement for Medical Residents is a Maritime wide agreement covering Medical Residents in three Provinces. It bases salaries on a national comparator grid. The “pattern” fit within that grid structure.

## **6. Conclusion**

23. There is no tradition of pattern bargaining in the public sector in Nova Scotia that would compel the Board to order the wage increases argued for by the Employer. The evidence shows that public sector negotiators and Interest Arbitration Boards work within rough guidelines for economic increases that develop during bargaining rounds. However, they depart from those guidelines when that is necessary to conclude an agreement or when it appears appropriate to do so.

24. In the current round, the “pattern” relied upon by the Employer of increases totalling 5.5 % over three years has been exceeded more than it has been followed. Freely bargained collective agreements have added substantial wage increases for specific classifications, base rate adjustments and changes to salary grids to the “pattern” increases.

25. The principle of replication does not militate against an award that attempts to offset the impact inflation is having on the real income of employees in the bargaining unit. In fact, the history of bargained agreements and arbitration awards in the public sector in Nova Scotia supports departing from the current guidelines for wage increases to deal with this threat to the economic wellbeing of employees.

## **Term of the Agreement**

26. Contrary to the assertions of the Employer in its submission, there is no pattern supporting a three year term for collective agreements for the Civil Service bargaining unit.

27. The facts are set out in paragraphs 50 through 52 of the pre-hearing submissions of the NSGEU. There have been seven Master Agreements for the Civil Service since the separate agreements were consolidated. They have been for terms of two, three, four and six years. These varying term lengths have been negotiated and set by Arbitration Boards.

28. In this case, a four year term would be in the interest of both parties. It would allow more time for the parties to work under the new agreement before they resume collective bargaining and it would allow more time to mitigate the effects of inflation on employees in the bargaining unit.

### **Ability to Pay**

29. The Employer does not argue that its ability to pay wage increases that would otherwise be appropriate is constrained by its fiscal situation. The budget documents attached to its submissions show why it doesn't make this argument.

30. Revenue from a range of sources, including personal income tax, corporate income tax, HST and the Motive Fuel Tax has grown faster than expected and will increase substantially over the next two years: Employer Exhibit Book, Tab A, Table 2.2, page 4; pages 31-33. This is largely a result of inflation.

31. The Province anticipates a return to pre-pandemic levels for both Nominal and Real GDP growth: Employer Exhibit Book, Tab A, Chart 3.2, page 9.

32. The current budget is not an austerity budget. The Province is investing substantially in capital projects and is spending more on priority areas such as healthcare: Employer Exhibit Book, Tab A, Table 2.2, page 4.

33. There is no evidence before this Board that the Province would be unable to provide wage increases for its employees that are otherwise justifiable.

### **Conservative Incremental Approach**

34. In its submissions, the Province relies on arbitration decisions that emphasize the conservative, incremental nature of interest arbitration. These cases suggest that anything more generous than a conservative award will encourage parties to resort to interest arbitration and undermine free collective bargaining.



35. That concern may have some validity when Employers and Unions voluntarily choose to use arbitration to conclude collective agreements. However, it has limited application in the current context.

36. The *Civil Service Collective Bargaining Act* does not allow free collective bargaining to the point of strike or lockout. Neither party has the right to apply economic pressure to support a bargaining position. If one side does not accept a proposal from the other, the only choice is to drop the proposal or seek relief from an Arbitration Board. In that context, the Board acts as a substitute for the right to strike that has been permanently removed by statute: *Saskatchewan Federation of Labour*, 2015 SCC 4 at paragraph 94, Union Book of Authorities, Tab 2.

37. An approach that imposes a “conservative, incremental” mandate on bargaining proposals that are otherwise justifiable is not a fair means of resolving bargaining disputes when employees are prohibited from exercising the right to strike.

### **Conclusion**

38. The most prominent feature of the economic environment in which this arbitration is taking place is the rapid and substantial increase in the cost of living. The wage proposal of the Employer does not address this in any way. If implemented, the Employer's proposal will cut the real wages of employees in the bargaining unit by thousands of dollars over the life of the collective agreement.

39. This is not a result that would be accepted by the Union in free collective bargaining. It would defy the principle of replication to impose such an outcome in interest arbitration.

40. The Board should reject the wage proposal of the Employer and order wage increases that reflect the current economic context and protect the real incomes of employees.

All of which is respectfully submitted this 2<sup>nd</sup> day of May, 2022.



David Roberts

Solicitor for the Nova Scotia Government and General Employees Union

**TAB 1**



## The Daily



In the news	Indicators	Releases by subject
Special interest	Release schedule	Information

# Consumer Price Index, March 2022

<a href="#">Text</a>	<a href="#">Tables</a>	<a href="#">Related information</a>	<a href="#">Release schedule</a>	<a href="#">Previous release</a>	<a href="#">PDF (280 KB)</a>
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### Released: 2022-04-20

In March, Canadian consumer prices increased 6.7% year over year, one percentage point higher than the gain in February (+5.7%). This was the largest increase since January 1991 (+6.9%).

Inflationary pressure remained widespread in March, as prices rose across all eight major components. Prices increased against the backdrop of sustained price pressure in Canadian housing markets, substantial supply constraints and geopolitical conflict, which has affected energy, commodity, and agriculture markets. Further, employment continued to strengthen in March, as the unemployment rate fell to a record low. In March, average hourly wages for employees rose 3.4% on a year-over-year basis.



Excluding gasoline, the Consumer Price Index (CPI) rose 5.5% year over year in March, the fastest pace since the introduction of the all-items excluding gasoline special aggregate in 1999, following a 4.7% gain in February.

On a monthly basis, the CPI rose 1.4% in March, following a 1.0% gain in February. This was the largest increase since January 1991, when the goods and services tax was introduced. On a seasonally adjusted monthly basis, the CPI rose 0.9% in March, matching the largest increase on record.

## Higher prices for gasoline and fuel oil and other fuels

In March, gasoline prices rose 11.8% month over month, following a 6.9% increase in February. Global oil prices rose sharply in March because of supply uncertainty following Russia's invasion of Ukraine.

Higher crude oil prices pushed prices at the pump higher. Year over year, consumers paid 39.8% more for gasoline in March.

Month over month, prices for fuel oil and other fuels rose 19.9%, the second largest increase on record after February 2000. On a year-over-year basis, prices for fuel oil and other fuels rose 61.0% in March.

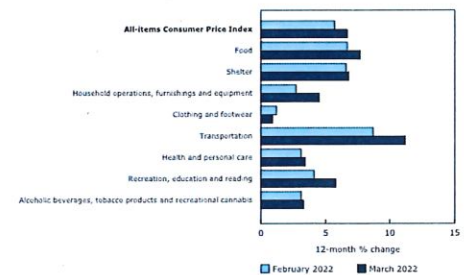
**Chart 1**

12-month change in the Consumer Price Index (CPI) and CPI excluding gasoline



**Chart 2**

Prices rise in all major components



# Prices for durable goods rise at a faster rate, led by passenger vehicles and furniture

In March, prices for durable goods increased 7.3% compared with the same month a year earlier, following a 4.8% gain in February. This was the largest increase since February 1982.

Prices for passenger vehicles rose 7.0% year over year, after increasing 4.7% in February. This movement is partly attributable to the higher availability of new 2022-model-year vehicles. An ongoing global shortage of semiconductors, a key input in vehicle assembly, continued to factor into higher prices.

Consumers paid higher prices to furnish their living spaces in March, as furniture prices rose 13.7% on a year-over-year basis. Supply chain issues and higher input and shipping prices contributed to the increase.

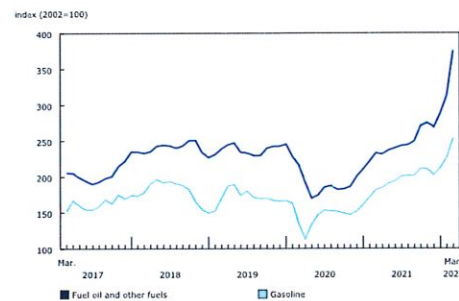
## Prices for groceries continue to increase

Shoppers paid 8.7% more for food purchased from stores on a year-over-year basis in March, up from a 7.4% increase in February. This is the largest yearly increase since March 2009. Increases in input prices and transportation costs continued to put upward pressure on grocery prices.

Prices for dairy products and eggs rose 8.5% year over year in March, following a 6.9% increase in February. This is the largest yearly increase since February 1983. Price growth for butter (+16.0%), cheese (+10.4%) and

Chart 3

Prices for gasoline and fuel oil and other fuels increase



fresh milk (+7.7%) contributed to the gain. The Canadian Dairy Commission implemented changes in February 2022, which put upward pressure on dairy products and butter prices.

Prices for pasta products were up 17.8% on a year-over-year basis in March, the largest increase since January 2009. Similarly, breakfast cereal and other cereal products (excluding baby food) increased 12.3% year over year, the fastest pace of price growth since June 1990. The increases occurred as prices for wheat futures reached a 14-year high in the context of the conflict between Russia and Ukraine, two major wheat exporters. Prices for fertilizer, a key input in wheat production, were elevated prior to the conflict in Eastern Europe, due, in part, to higher energy prices.

## Canadians pay more for dining out, hotel rooms, and flights

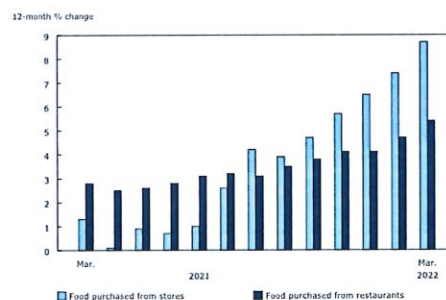
In March, prices for services rose 4.3% on a year-over-year basis, up from a 3.8% increase in February, as public health measures across Canada continued to ease. Higher prices for high-contact services contributed to the increase.

Canadians paid more to dine out, as prices for food purchased from restaurants (+5.4%) rose at a faster pace year over year in March than in February (+4.7%).

Prices for traveller accommodation rose 24.4% in March compared with the same month a year earlier amid higher demand for travel, especially during the March break.

Chart 4

Prices for food purchased from stores and restaurants rise



Month over month, traveller accommodation prices increased 3.7%, the fastest March increase on record, as Canadians attended in-person sporting events, concerts, and conventions in major cities.

Air transportation prices rose 8.3% month over month in March. Strong demand for domestic travel and trips to the United States during the March break contributed to higher prices this month.

### **Explore the Consumer Price Index tools that can help you make informed financial decisions**

Check out the [Personal Inflation Calculator](#)! This interactive calculator allows you to enter dollar amounts in the common expense categories to produce a personalized inflation rate, which you can compare to the official measure of inflation for the average Canadian household—the Consumer Price Index ([CPI](#)).

Visit the [Consumer Price Index](#) portal to find all [CPI](#) data, publications, interactive tools, and announcements highlighting new products and upcoming changes to the [CPI](#) in one convenient location.

Consult the [Consumer Price Index Data Visualization Tool](#) to access current and historical [CPI](#) data in a customizable visual format.

## **Regional highlights**

On a year-over-year basis, the [CPI](#) increased at a faster pace in March than in February in every province. Prices rose across a broad range of consumer goods and services in the provinces.

Price growth was most pronounced in Prince Edward Island (+8.9%), followed by New Brunswick (+7.4%), Manitoba (+7.4%) and Ontario (+7.0%). The gains in the two Atlantic provinces were led by fuel oil and other fuels,

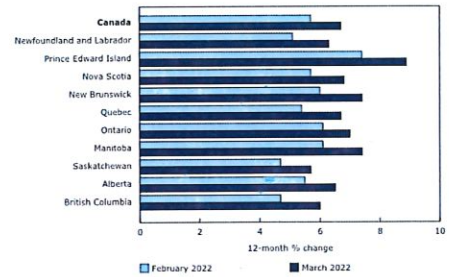
used more commonly in the region for home heating, as well as gasoline. The gains in Manitoba and Ontario were led by gasoline.

# Passenger vehicle registration fees eliminated in Ontario

In March, the passenger vehicle registration fees index fell 100.0% year over year in Ontario, as the provincial government eliminated these fees.

**Chart 5**

The Consumer Price Index rises at a faster pace in all provinces



**Table 1**

Consumer Price Index, major components and special aggregates, Canada – Not seasonally adjusted



**Table 2**

Consumer Price Index for the provinces and for Whitehorse, Yellowknife and Iqaluit – Not seasonally adjusted



**Table 3**

Consumer Price Index, major components and special aggregates – Seasonally adjusted



**Table 4**

Consumer Price Index statistics, preferred measures of core inflation – Bank of Canada definitions, year-over-year percent change, Canada'



**Table 5**

Main contributors to the 12-month and 1-month change in the Consumer Price Index



## Note to readers

### COVID-19 and the Consumer Price Index

In March 2022, no special treatments for goods and services due to the COVID-19 pandemic were required.

### Mortgage Interest Cost Index

With the release of the March 2022 Consumer Price Index (CPI), a new data source for resale house prices, in addition to the New Housing Price Index, will be used in the calculation of the mortgage interest cost index (MICI). This change will improve the timeliness of resale housing prices in the MICI, as well as the other owned accommodation expenses index, which includes commissions on the sale of real estate.

### Expansion of monthly average retail prices

Beginning May 4, 2022, national average retail prices will be available in the Monthly Average Retail Prices for Selected Products table (18-10-0245-01). The table will include an expanded list of products and an enhanced methodology, resulting in some revisions. All series will contain data from January 2017 onward.

### Used vehicle prices

The Canadian CPI accounts for the sale of used vehicles by including a weight for used vehicles in the index for the purchase of passenger vehicles. However, price changes for new cars are used as a proxy for used cars to ensure price change for this product is still covered to the

best extent possible. Work is under way to include the price of used cars and trucks in the purchase of passenger vehicles index. An analytical paper will be published in the *Prices Analytical Series* on May 18.

## **Consumer Price Index basket update in June 2022**

The CPI is based on a fixed basket of goods and services designed according to international standards and methods. On June 15, 2022, updated basket weights for the goods and services used in the calculation of the CPI will be made available in table 18-10-0007-01. The new basket weight reference period will be 2021, based on the most recent national household final consumption expenditure data.

Alternative data for 2021 will be used to account for pandemic-related shifts at more detailed levels of geography and within the various CPI components. The methods and data sources used will be similar to the last basket update in July 2021.

One week later, on June 22, the May 2022 CPI will be released, based on the updated basket weights.

For general information on basket updates, consult *The Canadian Consumer Price Index Reference Paper*, chapter 8, "Weights and basket updates."

For the latest analysis of evolving consumer expenditure patterns during the pandemic recovery, see the Adjusted price index, which has provided a complementary measure of consumer price inflation based on a more timely set of national weights from alternative sources of expenditure data, such as those from the Bank of Canada.

Going forward, and to ensure an even greater degree of relevance, Statistics Canada will move towards annual basket updates based on the most recent household expenditure data.

## Real-time data tables

Real-time data table [18-10-0259-01](#) will be updated on May 2. For more information, consult the document "[Real-time data tables](#)."

## Next release

The Adjusted price index for January 2022 to March 2022 will be released on May 9.

The Consumer Price Index for April will be released on May 18.

## Products

The "[Consumer Price Index Data Visualization Tool](#)" is available on the Statistics Canada website.

More information on the concepts and use of the Consumer Price Index (CPI) is available in *The Canadian Consumer Price Index Reference Paper* ([62-553-X](#)).

For information on the history of the [CPI](#) in Canada, consult the publication *Exploring the First Century of Canada's Consumer Price Index* ([62-604-X](#)).

Two videos, "[An Overview of Canada's Consumer Price Index \(CPI\)](#)" and "[The Consumer Price Index and Your Experience of Price Change](#)," are available on Statistics Canada's YouTube channel.

## Contact information

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free **1-800-263-1136**; **514-283-8300**; [infostats@statcan.gc.ca](mailto:infostats@statcan.gc.ca)) or Media Relations ([statcan.mediahotline-](#)

[ligneinfomedias.statcan@statcan.gc.ca](mailto:ligneinfomedias.statcan@statcan.gc.ca)).

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# Chart 5

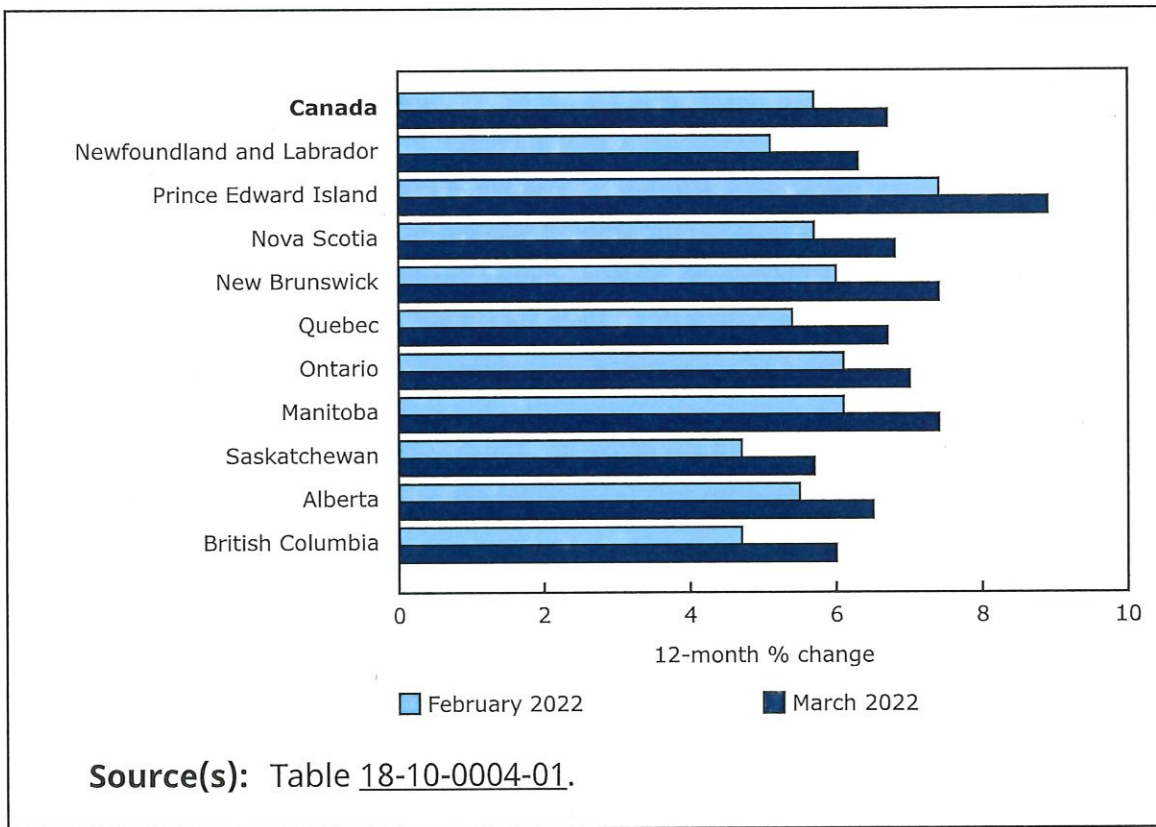
## The Consumer Price Index rises at a faster pace in all provinces

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### The Consumer Price Index rises at a faster pace in all provinces, 12-month % change

	February 2022	March 2022
Canada	5.7	6.7
Newfoundland and Labrador	5.1	6.3

	<b>February 2022</b>	<b>March 2022</b>
Prince Edward Island	7.4	8.9
Nova Scotia	5.7	6.8
New Brunswick	6.0	7.4
Quebec	5.4	6.7
Ontario	6.1	7.0
Manitoba	6.1	7.4
Saskatchewan	4.7	5.7
Alberta	5.5	6.5
British Columbia	4.7	6.0

**Date modified:**

2022-04-20



## Table 2

# Consumer Price Index for the provinces and for Whitehorse, Yellowknife and Iqaluit – Not seasonally adjusted

[← Back to main article](#)

[CSV \(1 KB\)](#)

Select columns

	Relative importance 1 ' 2	March 2021	February 2022	March 2022	February to March 2022	March 2021 to March 2022
	%	(2002=100)	(2002=100)	(2002=100)	% change	% change
<b>Canada</b>	<b>100.00</b>	<b>139.6</b>	<b>146.8</b>	<b>148.9</b>	<b>1.4</b>	<b>6.7</b>
Newfoundland and Labrador	1.32	142.9	149.3	151.9	1.7	6.3
Prince Edward Island	0.36	142.1	151.2	154.7	2.3	8.9
Nova Scotia	2.35	141.8	148.8	151.4	1.7	6.8
New Brunswick	1.90	139.2	147.0	149.5	1.7	7.4
Quebec	20.90	135.4	142.6	144.5	1.3	6.7
Ontario	40.59	141.0	148.8	150.8	1.3	7.0
Manitoba	3.21	139.6	147.4	149.9	1.7	7.4
Saskatchewan	2.92	143.3	149.1	151.4	1.5	5.7
Alberta	11.55	146.9	154.5	156.5	1.3	6.5

	Relative importance 1 ' 2	March 2021	February 2022	March 2022	February to March 2022	March 2021 to March 2022
British Columbia	14.73	134.9	140.4	143.0	1.9	6.0
Whitehorse	0.07	136.6	142.5	144.9	1.7	6.1
Yellowknife	0.08	139.9	147.2	149.6	1.6	6.9
Iqaluit (Dec. 2002=100)	0.03	132.0	135.8	136.9	0.8	3.7

**Source(s):** Tables 18-10-0004-01 and 18-10-0007-01.

**Date modified:**

2022-04-20



**TAB 2**



BANK OF CANADA  
BANQUE DU CANADA

# Bank of Canada increases policy interest rate by 50 basis points, begins quantitative tightening

FOR IMMEDIATE RELEASE

Media Relations

Ottawa, Ontario

April 13, 2022

The Bank of Canada today increased its target for the overnight rate to 1%, with the Bank Rate at 1¼% and the deposit rate at 1%. The Bank is also ending reinvestment and will begin quantitative tightening (QT), effective April 25. Maturing Government of Canada bonds on the Bank's balance sheet will no longer be replaced and, as a result, the size of the balance sheet will decline over time.

Russia's ongoing invasion of Ukraine is causing unimaginable human suffering and new economic uncertainty. Price spikes in oil, natural gas and other commodities are adding to inflation around the world. Supply disruptions resulting from the war are also exacerbating ongoing supply constraints and weighing on activity. These factors are the primary drivers of a substantial upward revision to the Bank's outlook for inflation in Canada.

The war in Ukraine is disrupting the global recovery, just as most economies are emerging from the impact of the Omicron variant of COVID-19. European countries are more directly impacted by confidence effects and supply dislocations caused by the war. China's economy is facing new COVID outbreaks and an ongoing correction in its property market. In the United States, domestic demand remains very strong and the US Federal Reserve has clearly indicated its resolve to use its monetary policy tools to control inflation. As policy stimulus is withdrawn, US growth is expected to moderate to a pace more in line with potential growth. Global financial conditions have tightened and volatility has increased. The Bank now forecasts global growth of about 3½% this year, 2½% in 2023 and 3¼% in 2024.

In Canada, growth is strong and the economy is moving into excess demand. Labour markets are tight, and wage growth is back to its pre-pandemic pace and rising. Businesses increasingly report they are having difficulty meeting demand, and are able to pass on higher input costs by increasing prices. While the COVID-19 virus continues to mutate and circulate, high rates of vaccination have reduced its health and economic impacts. Growth looks to have been stronger in the first quarter than projected in January and is likely to pick up in the second quarter. Consumer spending is strengthening with the lifting of pandemic containment measures. Exports and business investment will continue to recover, supported by strong foreign demand and high commodity prices. Housing market activity, which has been exceptionally high, is expected to moderate.

The Bank forecasts that Canada's economy will grow by 4¼% this year before slowing to 3¼% in 2023 and 2¼% in 2024. Robust business investment, labour productivity growth and higher immigration will add to the economy's productive capacity, while higher interest rates should moderate growth in domestic demand.

CPI inflation in Canada is 5.7%, above the Bank's forecast in its January *Monetary Policy Report (MPR)*. Inflation is being driven by rising energy and food prices and supply disruptions, in combination with strong global and domestic demand. Core measures of inflation have all moved higher as price pressures broaden. CPI inflation is now expected to average almost 6% in the first half of 2022 and remain well above the control range throughout this year. It is then expected to ease to about 2½% in the second half of 2023 and return to the 2% target in 2024. There is an increasing risk that expectations of elevated inflation could become entrenched. The Bank will use its monetary policy tools to return inflation to target and keep inflation expectations well-anchored.

With the economy moving into excess demand and inflation persisting well above target, the Governing Council judges that interest rates will need to rise further. The policy interest rate is the Bank's primary monetary policy instrument, and quantitative tightening will complement increases in the policy rate. The timing and pace of further increases in the policy rate will be guided by the Bank's ongoing assessment of the economy and its commitment to achieving the 2% inflation target.

## Information note

The next scheduled date for announcing the overnight rate target is June 1, 2022. The Bank will publish its next full outlook for the economy and inflation, including risks to the projection, in the MPR on July 13, 2022.

A market notice providing operational details for QT will be published this morning on the Bank's web site.

Content Type(s): Press, Press releases



## Monetary Policy Report – April 2022

Canadian economic activity remains strong, and employment is robust. The Bank is forecasting growth of about 4¼% in 2022, easing to 3¼% in 2023.



### Press Conference: Monetary Policy Report – April 2022

*Release of the Monetary Policy Report* — Press conference by Governor Tiff Macklem and Carolyn Rogers, Senior Deputy Governor (11:00 (ET) approx.).

### Monetary Policy Report Press Conference Opening Statement

Governor Tiff Macklem discusses key issues involved in the Governing Council's deliberations about the policy rate decision and the MPR.

**TAB 3**

Report for Nova Scotia Government & General  
Employees Union on the Proposed Economic  
Increases and Government Estimates of Inflation

Casey Warman

April 28, 2022

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# 1 Introduction

In “Article 38.01 - Rates of Pay”, the government is proposing a three-year term with the following economic increases:

- Year 1: 1.5% (April 1, 2021)
- Year 2: 1.5% (April 1, 2022)
- Year 3: 2.5%
  - ➔ 1.5% (first day – April 1, 2023)
  - ➔ 1.0% (last day – March 31, 2024)

These suggested economic increases will result in a loss of purchasing power.

**1.** The government’s own predictions of inflation are much higher than the offered economic increases. In the Employer Exhibit Book, in Chart 7.6, the forecasts of inflation for Nova Scotia are:

- 2021: 4.1% (forecast was 3.8%)
- 2022: 4.2%
- 2023: 2.3%

**2.** Inflation is already outpacing the government predictions.

- As of March 2022, prices have already grown over 4.1% since December 2021.
- If prices follow the current pattern, the Annual inflation for 2022 will be 5.8%.
- Bank of Canada’s more recent expectations are much higher than the Nova Scotia government’s predictions.

## 2 Offered Economic Increases vrs. Nova Scotia Government Predictions of Inflation

In this section, the Economic increases proposed by the Nova Scotia government are compared to the government's own predictions of inflation. First, in Section 2.1, the end of fiscal year values are calculated. This will help determine how much of an additional increase would be required at the end of the term to obtain purchasing power under the government's own inflation projections. Then in Section 2.2, the monthly losses are determined, and aggregated to estimate how much an employee loses over the contract period.

### 2.1 End of period Economic Increases vrs. Government Inflation Forecasts

Figure 1 compares the proposed Economic increases versus the inflation forecasts from the Employer Exhibit Book.<sup>1,2</sup> In this analysis, the starting value is reset to 100, and therefore the loss of purchasing power that occurred over the previous (2015-2021) contract is ignored. This comparison can be thought of either in terms of the base period CPI being April 2021, or starting with \$100. The government's inflation estimates are converted to fiscal years using a constant monthly inflation rate for the given calendar year.

Figure 1 demonstrates that, even by the end of the first year, prices have increased more than the Economic increases (4.1% versus 1.5%). This gap grows over the three-year period. By the end of the 2023-24 fiscal year, the prices are approximately 110.5 relative to the April 1<sup>st</sup>, 2021 start period, while earnings are 105.6. There would need to be an approximately 4.61% increase on top of the proposed increases, or a 5.66% March 31<sup>st</sup> 2024 adjustment instead of the proposed 1%.

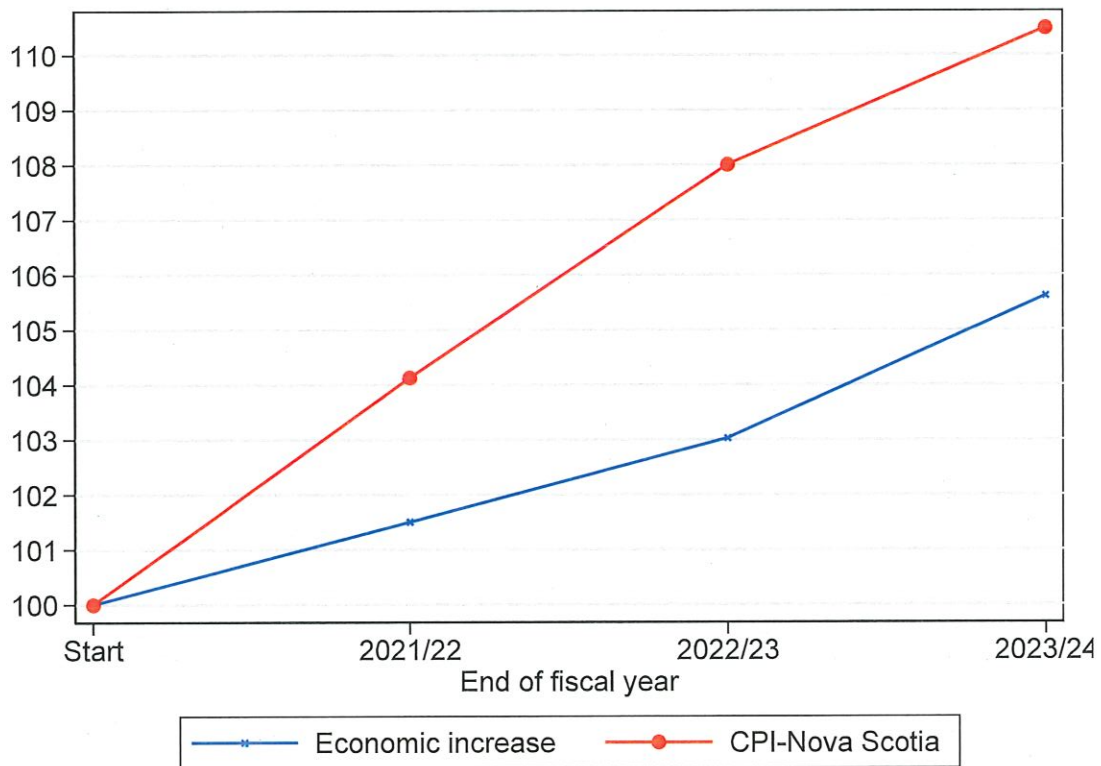
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<sup>1</sup>The actual CPI growth of 4.1% is used for 2021.

<sup>2</sup>The 2023 forecast is used for January to March 2024 inflation rates.



Figure 1: Consumer Price Index for Nova Scotia versus Economic increases for NSGEU contract: Government's Price Forecasts outpace Economic increases



Notes: Author's calculations using Provincial estimates of CPI data for Nova Scotia from Chart 7.6 from the "Employer Exhibit Book - NSGEU Interest Arbitration" and Economic increases from "Province of NS Brief and Authorities - April 4, 2022".

## 2.2 Losses in Monthly and Total Earnings

Next, the loss in earnings over the proposed contract is examined. Figure 2 shows what happens to real earnings over the three-year contract if the Employer proposed three-year term deal is implemented under the inflation scenarios outlined in Chart 7.6 in the Employer Exhibit Book. While Figure 1 can help illustrate what end of period adjustment is required to reattain purchasing power, it does not show the total loss in earnings over the proposed three-year term. Given the different timing in terms of Economic increases (mainly at the start of fiscal period) and inflation (happening throughout a given fiscal year), using the end of period values from Figure 1 will overestimate the losses. Therefore, monthly calculations are undertaken. When calculating monthly increases, inflation is again assumed to grow at a steady rate over a given year. For January to March 2024, the 2023 forecast from the Employer Exhibit Book are used.

Figure 2 is set up as follows:

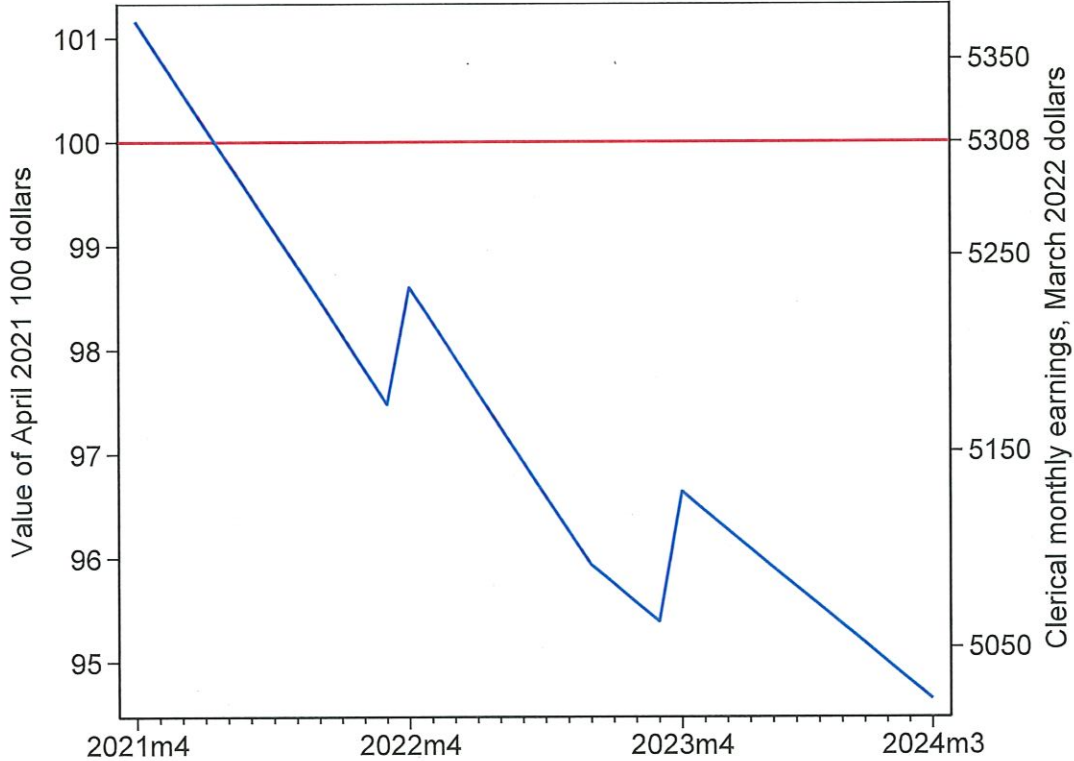
- The y-axis on the left shows what happens to \$100 in April 1<sup>st</sup>, 2021 over the period covered by agreement in real terms.
- The horizontal red line shows the value required to stay on par with initial period earnings.
- To not overestimate the impact of inflation, the difference in timing of the Economic increases and inflation are taken into account. Average monthly inflation is used.
- The y-axis on the right gives an example: the real monthly earnings of a Clerical employee (with the pay grade of CL 25-V) are presented.
  - The \$100 is scaled up to the equivalent of monthly earnings.
  - Values are adjusted to represent March 2022 prices.

Some key points that can be learned from Figure 2 are:

1. The initial value of \$100 in earnings declines during the contract.
2. The annual Economic increases are not enough to counteract inflation each fiscal year.
3. By the end of the contract period, the example Clerical employees were earning approximately \$300 less in the final month.

- The \$300 is equivalent to around 5% less than start period earnings.

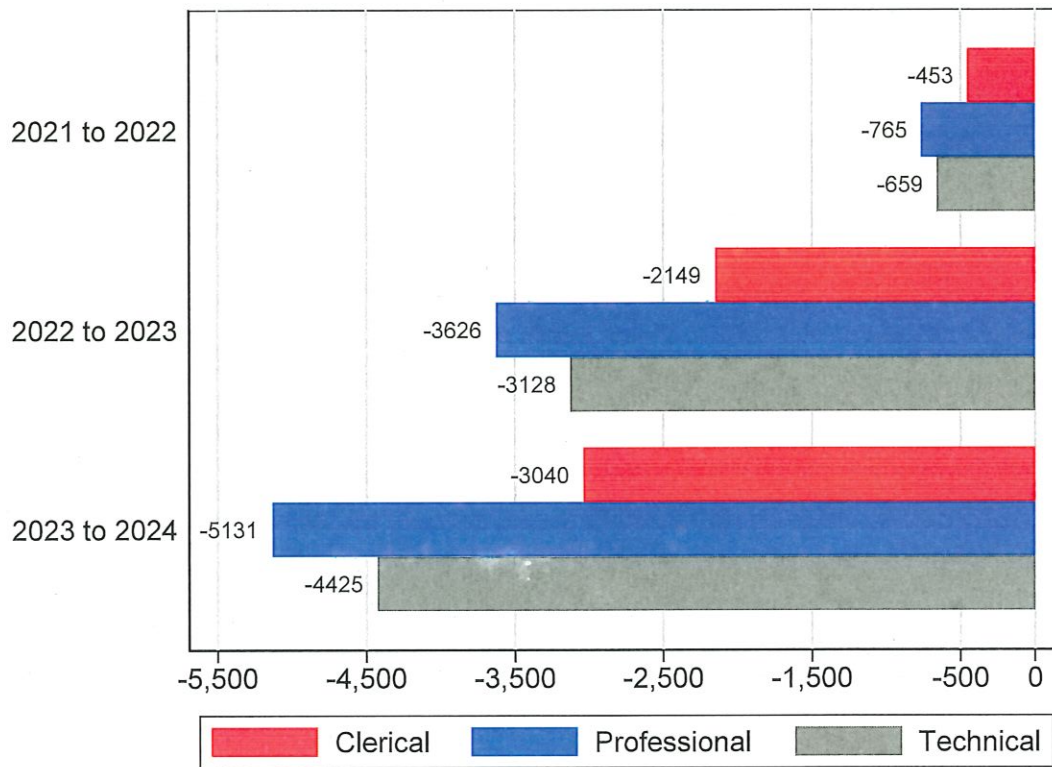
Figure 2: Real value of \$100s and Real Monthly earnings for Clerical, CL25-V



Notes: Author's calculations using Provincial estimates of CPI data for Nova Scotia from Chart 7.6 from the "Employer Exhibit Book - NSGEU Interest Arbitration" and Economic increases from "Province of NS Brief and Authorities - April 4, 2022". Right y-axis adjusted to March 2022 Dollars using All items Nova Scotia CPI from Cansim Table: 18-10-0004-01 for Clerical employees with pay grade of CL 25-V.

In Figure 3, real earnings relative to the start period earnings are annualized for each fiscal period. Values for this exercise are shown in March 2022 dollars. This would be equivalent to adding all the values above the horizontal red line in Figure 2 and subtracting the values below this line for each fiscal period. In addition to the values for Clerical employees (with pay grade of CL 25-V), which are presented in Figure 2, the values for Professional employees (with pay grade of PR 20-V) and Technical employees (with pay grade of TR 30-V) are also presented. While the losses in the first fiscal year are relatively small, the losses in earnings grows substantial as inflation eats away at purchasing power.

Figure 3: Losses for Example Classifications by Fiscal Year, April 2021 to March 31, 2024



Notes: Author's calculations using Provincial estimates of CPI data for Nova Scotia from Chart 7.6 from the "Employer Exhibit Book - NSGEU Interest Arbitration". Adjusted to March 2022 Dollars using All items Nova Scotia CPI from Cansim Table: 18-10-0004-01. Clerical employees with pay grade of CL 25-V; Professional employees with pay grade of PR 20-V; and Technical employees with pay grade of TR 30-V.

Over the three-year period of the contract, using the Nova Scotia Budget 2022-23 inflation numbers, the before income tax total loss in earnings would be equivalent to:

- Clerical: **\$5,642**
- Professional: **\$9,522**
- Technical: **\$8,212**

This is in addition to the losses over the previous six-year period of the contract:

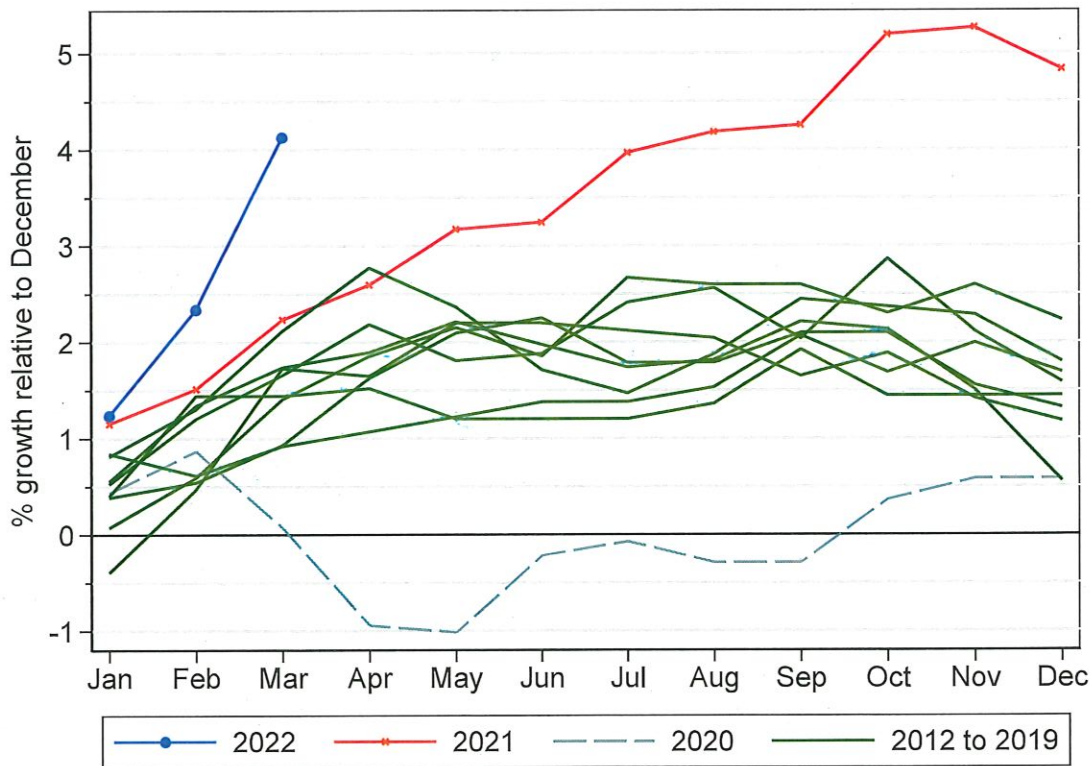
- Clerical: **\$4,994**
- Professional: **\$8,428**
- Technical: **\$7,269**

### 3 Government Forecasts of Inflation Potentially Low

#### 3.1 Inflation as of March 2022

Figure 4 illustrates how much higher inflation has been in 2022 compared to recent years. The values in the figure are calculated as the growth rate in CPI for the given month relative to the previous December CPI. Prior to the Covid-19, prices followed a similar pattern (green lines). During much of 2020, prices declined or stayed pretty level. While 2021 started off slightly above the pre-Covid-19 pattern, prices grew greatly during the year (red line). From early indications, 2022 will see much higher inflation than was witnessed in 2021, and well above recent inflation rates. This highlights that the predictions of inflation used in the Employer Exhibit Book depicted in Chart 7.6 will likely underestimate inflation.

Figure 4: Consumer Price Index for Nova Scotia, CPI growth relative to December



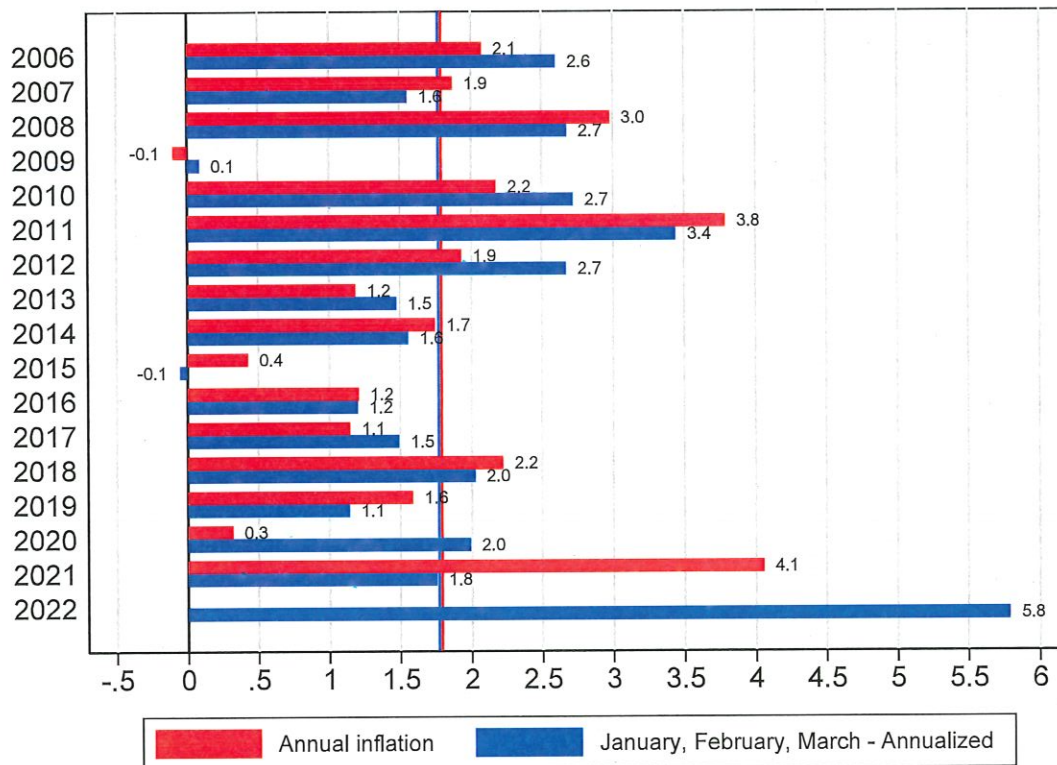
Notes: Author's calculations from CPI data for Nova Scotia from Cansim Table: 18-10-0004-01.

Chart 7.6 forecasts inflation in 2022 at 4.2%. Figure 4 shows that prices have already

increased by approximately 4.1% since December 2021. If the average inflation rate over the next 9 months is the same as the first 3 months of 2022, then the annual inflation rate will be approximately 5.8%. Given that inflation is growing steadily over the first 3 months, even this might be an underestimate.

To examine how useful an indication the January to March inflation rates are in terms of estimating the annual rates when all 12 months have been realized, in Figure 5, the annual inflation rates are compared to the first quarter rates.

Figure 5: Average inflation for full year versus January to March



Notes: Author's calculations from CPI data for Nova Scotia from Cansim Table: 18-10-0004-01. The vertical red line shows the mean for Annual inflation from 2006 to 2021. The vertical blue line shows mean of Inflation using the first 3 months from 2006 to 2021.

Figure 5 shows:

1. Annual inflation for 2006 to 2021 (red bars)
2. The inflation based on the first quarter (January to March ) for 2006 to 2022. (blue bars)
3. 2006 to 2021 mean annual inflation (vertical red line) and 2006 to 2021 mean first quarter inflation (vertical blue line).

A few key takeaways from Figure 5:

1. With a couple of exceptions, the annual and 1<sup>st</sup> quarter rates are generally pretty similar.
2. The 2006 to 2021 means for the 12 month and 1<sup>st</sup> quarter inflation are almost identical (1.79 and 1.77 respectively).<sup>3</sup>
3. The first quarter of 2021 is well below the full year inflation rate.
4. The first quarter of 2022 is much higher than any other period.

### 3.2 Bank of Canada's Latest Predictions

The Bank of Canada's latest projections suggest:

1. Inflation will average 6% average for the 1<sup>st</sup> half of 2022.
2. Not reach 2.5% until 2<sup>nd</sup> half of 2023 and will not return to the 2% target until 2024.

These inflation rates are well above the offered Economic increases being proposed by the government and also above the predictions in the Nova Scotia Employer Exhibit Book.<sup>4</sup>

## 4 Ability to Pay

Inflation should have a net positive impact on the government's ability to pay.

- The unexpected inflation will reduce real debt and real interest payments.
- Nominal revenues increase with inflation. For example:
  - Income taxes increase with increasing nominal incomes.
  - Sales tax revenues rise with the increase in prices of goods and services.

The Nova Scotia Employer Exhibit Book shows greater growth in several components of revenue, and revenues will continue to grow with inflation.

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<sup>3</sup>Restricting to the pre-Covid period, the means are 1.73 and 1.76.

<sup>4</sup>These are national inflation rates but the inflation rate in Nova Scotia is usually close to the national rate and is currently above it.

## 5 Conclusions

The proposed Economic increases put forward by the government will result in a loss of real purchasing power and a loss in earnings over the three-year term.

- The proposed Economic increases are well below the government's own projected inflation rates.
- The Nova Scotia government's forecast of inflation are below the more recent Bank of Canada's current forecasts and below the inflation rates that have been realized as of March 2022.

Without amendments to the proposed Economic increases, members of the NSGEU will experience significant earning losses over the proposed contract term, and will see end of period earnings well below the start of period earnings. This is in addition to the losses that occurred over the previous contract that covered the 2015 to 2021 term.