

Carney Liberal government deepens assault on federal public sector workers

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Canada's Liberal government under Prime Minister Mark Carney is demanding that federal public sector workers accept massive concessions, including significant real wage cuts.

The Public Service Alliance of Canada (PSAC) conceded that it and the government are “still very far apart” on new contracts for some 120,000 federal workers, after a second round of mediated negotiations at the end of last month.

The Carney government has already slashed over 22,000 jobs in the federal public sector and aims to cut tens of thousands more. Negotiators for the Treasury Board Secretariat of Canada, which acts as the employer for members of the core public service, presented a wage offer for PSAC members in Program and Administrative Services, Technical Services, and Operational Services groups that amounts to an average increase of less than 1 percent per year. The government proposed a wage increase of 2.0 percent for the first year—well below even the current rate of inflation—followed by derisory annual increases of just 0.5 percent for the next 3 years. In effect, the Liberals are using the threat of job losses to impose a significant decline in public sector workers' standard of living.

Liberal governments under Trudeau and Carney targeted over 55,000 workers at Canada Post, a Crown corporation, to set the benchmark for the entire public service. They have spearheaded the transformation of Canada Post from a universal public service into a profit-driven, “Amazonified” logistics operation. Cynically invoking the postal service's reported financial “losses,” the Carney government has imposed a plan to drastically slash the postal service's budget and eliminate tens of thousands of jobs. Under direction from the federal government and with the connivance of the Canadian Union of Postal Workers, Canada Post management plans to scrap daily home mail delivery, close hundreds of rural and suburban post offices, expand precarious weekend parcel work, and use AI-driven “dynamic routing” to intensify the workloads of those postal workers who remain.

By slashing jobs and suppressing wages in its role as employer of hundreds of thousands of public sector workers, the Liberals aim to bolster the drive of corporate Canada to intensify the exploitation of the working class as a whole.

Carney is committed to rearming Canadian imperialism to participate in the rapidly escalating third world war among the major powers. In Carney's words, Canadian imperialism must be at “the table” in this violent redivision of the world, rather than “on the menu.”

Almost immediately after Carney assumed the reins of power in Spring 2025, he increased military spending to meet NATO's 2 percent of GDP target, with the 2025-2026 military budget ballooning

to over \$63 billion. The Liberal government is now committed to meeting the new NATO target of 5 percent of GDP for military spending by 2035, saying that over the next decade, “Canada will unleash half a trillion dollars in defence investment—from submarines and aircraft to drones, sensors, and radar systems.”

In a bid to attract major investments and offset the economic damage from the trade war with the US, the Carney government has at the same time committed to maintaining ultra-low corporate tax rates and lavishing tens of billions on big business, in the form of direct subsidies and infrastructure projects. It has announced a “Productivity Mega Deduction” that it claims will lower the marginal effective tax rate on new business investment from 13 percent to 6.4 percent, “the lowest of any major economy in the world and less than half the rate in the United States.”

This drive to rearm Canadian imperialism and strengthen Canadian capital requires an equally massive reorientation of government spending. The Carney government launched a “Comprehensive Expenditure Review” (CER) in July 2025, requiring most federal departments to slash their operational budgets by 15 percent over three years and aiming to cut the federal workforce by nearly 40,000 full time jobs.

Significantly, these reductions are concentrated in departments that provide critical public services or regulate industry—Immigration, Refugees and Citizenship; Employment and Social Development, which administers EI and other social assistance programs; Transport, which regulates air, marine and rail transportation safety; Health, which administers the Public Health Agency of Canada and the Canadian Food Inspection Agency. The repressive arms of the state—the Department of National Defence, the Royal Canadian Mounted Police (RCMP), the Canadian Security Intelligence Service (CSIS), the Canada Borders Services Agency (CBSA), and the Communications Security Establishment Canada (CSEC)—are exempt from the CER budget cuts.

The CER has resulted in significant job losses across the federal public sector. Since March 2024, the number of workers employed by the federal government has fallen by 22,490, a decrease of 6.1 percent over two years. The job cuts have accelerated, with over 12,600 of those job losses occurring in the past year, a cut to the overall federal workforce of 3.5 percent.

Nearly half of the 12,600 jobs eliminated in the past year were term, casual or student positions, with workers' contracts simply not renewed. Such forms of non-permanent government employment exploded in recent years.

But this was only a first wave. Multiple departments have invoked the euphemistically named Workforce Adjustment (WFA) process, the

procedure enshrined in the collective agreements negotiated by the public sector unions that allows the government to eliminate permanent positions and lay off workers.

Over 25,000 workers have received letters warning them that their positions were “affected” or “at-risk,” with almost 10,000 permanent positions currently slated to be cut through the WFA process.

The government also introduced the Early Retirement Incentive (ERI), reducing the financial penalties for workers to retire before meeting age and years of service requirements, to encourage older workers to leave their positions so that they could be eliminated through attrition. In a measure of the organizational chaos caused by cuts and their effect on worker morale, over 10,000 workers applied. The loss of these experienced workers and their accumulated knowledge promises to deepen the crisis within departments already reeling from budget and program cuts.

The workers that remain are expected to “streamline” program delivery and integrate AI tools to create “efficiencies” that make up for the sharp reduction in departmental budgets and workforce—an effective speedup that will place an ever-greater burden on already-strained public services. Carney has appointed Patrick Pichette, a former senior executive at McKinsey and Google, as the CEO of Digital Transformation Canada, a new federal organization with the mandate to “modernize” the public service through the adoption and scaling of AI tools.

Negotiators from PSAC denounced the government’s proposed wage offer, calling it “insulting” and saying that it “sends a clear message about how little value the employer places on the work (federal public servants) do every day to deliver critical public services across the country.”

“In light of the disrespect the employer has shown with this proposal and throughout the process,” read PSAC’s statement, “our PA bargaining team is assessing next steps.”

This is nothing but hot air. PSAC and the public sector unions, alongside the trade union bureaucracy in Canada as a whole, have been a critical prop of the Liberal governments under Carney and his predecessor Justin Trudeau, and have played a key role for decades in suppressing the class struggle. They have no viable strategy to defend public sector jobs and wages. The union bureaucracy and the NDP wholeheartedly support the Carney government’s “Team Canada” nationalist response to the Trump administration’s trade war, which ultimately requires that they accept the framework of austerity required for Canadian capital to remain internationally competitive and fund a massive rearmament program.

Both the government and the union bureaucracy have an interest in dragging out mediation, so as to discourage workers and dampen their militancy. Even after the mediation process is complete, the union would need to pass through several more hoops before workers would be in a legal strike position. These include a cool-down period and the negotiation of an “essential services” agreement, through which the union negotiates with the government to determine who will have the right to strike.

The WFA process, the slashing of term, casual and student positions, and the drive to eliminate positions through attrition have all been carried out under the terms of the sellout agreements accepted by the union bureaucrats in 2023, when they snuffed out a powerful strike of over 100,000 public sector workers.

In the run up to the 2023 strike, PSAC engaged with the Trudeau Liberal government in bargaining sessions that dragged on for two years, retreating on all the demands raised by its members as rampant

inflation imposed devastating real-wage cuts. When rank-and-file public sector workers, demanding wage increases to keep up with inflation, improved job security and the right to continue remote work, forced PSAC into calling a strike, the union bureaucracy did its utmost to isolate and undermine the striking workers. The union leaders negotiated an essential services agreement that prevented over 45,000 PSAC members from joining the strike.

Ultimately, PSAC accepted a concessions-filled contract that enshrined real-wage cuts, made no improvements to job security, and left remote work entirely in the hands of management. Predictably, the Carney government has used its powers under this sellout deal to implement massive job cuts and force workers back to the office.

The 2023 public sector workers’ strike was just one of the many struggles sabotaged by the trade union bureaucracy in the course of the strike wave that swept Canada beginning in 2022. 500,000 nurses, teachers and other Quebec public and para-public workers struck in the fall of 2023, only to have their struggle end in sell-out contracts imposed by their trade union leaders in collusion with the right-wing CAQ government. The contracts accepted real wage cuts and expanded workloads, made cuts to overtime pay, gutted seniority rights, and continued forced overtime for nurses.

From 2023 to 2025, the Liberal government used Section 107 of the Labour Code to criminalize strikes by postal workers, dockworkers in British Columbia and Quebec, and railroaders at the country’s two national railways without so much as a parliamentary debate or vote. The trade union leaders, while promising to challenge this use of Section 107 in court, did nothing to oppose this evisceration of their members’ right to strike, meekly rolling over and accepting the concessionary contracts effectively imposed by government fiat.

So long as the pro-capitalist trade union leaders remain in control of any resistance to the Carney government’s class-war assault against federal public sector workers, a similar fate awaits. Only by breaking with the nationalist union bureaucrats, along with their political allies in the Liberals and the NDP, and building independent rank-and-file committees—international in scope, uniting workers across North America—can workers challenge the imperialist agenda of war, austerity and stepped up exploitation demanded by the ruling class. These committees must expand the struggle of public sector workers to other sections of the working class facing similar attacks, and adopt a socialist strategy to put an end to the subordination of society’s resources to war and corporate profiteering.



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