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# Criteria in Arbitration of Wage Disputes: Theory and Practice in the Canadian Federal Public Service

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Résumé de l'article

Étant donné que l'arbitrage des conflits d'intérêts est devenu une méthode notable de règlement des impasses dans le secteur public et que les débats sur les salaires retiennent l'attention de la population, la recherche théorique et empirique sur les désaccords salariaux a intéresse les chercheurs dans les universités. De toutes les théories élaborées sur cette question, celle de Farber (1981) s'appuyant sur « la notion de solution équitable » et celle de Bazerman (1985) fondé sur « les normes d'équité » sont les plus significatives en ce qui a trait à l'analyse des décisions des arbitres dans les différends portant sur les salaires.

Selon Farber, la norme de solution équitable de l'arbitre est le fondement de sa décision et ce sont des critères « exogènes » plutôt que les offres finales des parties qui l'influencent. Alléguant la théorie de l'équité, Bazerman énonce trois règles qui peuvent agir sur la décision de l'arbitre. Un arbitre tranchant selon la norme d'« équité absolue » basera sa décision en matière de salaires sur les éléments suivants : comparaisons des salaires avec des entreprises similaires, examen de la situation financière de la firme, évolution du cout de la vie. D'autre part, un arbitre qui considère le différend suivant « une norme de parité » rendra sa sentence en coupant la poire en deux entre les revendications finales d'une des parties et l'offre finale de l'autre.

Pour un arbitre qui fait reposer son jugement sur « l'équité préétablie », la convention collective existante constitue une ancre naturelle et ne comporte que des rajustements aux salaires actuels fondes sur le pourcentage moyen des augmentations dans des entreprises comparables.

Les arbitres de la fonction publique fédérale doivent tenir compte des cinq facteurs (critères) énoncés dans la Loi des relations de travail dans la Fonction publique en rendant des sentences arbitrales en matière de salaires. On ne les oblige, toutefois, ni à expliquer leurs décisions ni à apprécier ces facteurs et leurs sentences n'en font pas mention. Dans l'étude, des hypothèses relatives à l'influence des critères sur les décisions des arbitres, en ce qui concerne les traitements, ont été élaborées et vérifiées à partir des sentences rendues au cours d'une période de cinq ans (1969-1974). Cette période paraissait la plus appropriée pour la présente recherche, parce que les contrôles obligatoires de la Loi anti-inflation de 1975 et de la Loi sur les restrictions salariales dans le secteur public de 1982 ont eu plus de poids que les autres critères dont il a été question précédemment.

L'analyse régressive des sentences sur les traitements révèle que les arbitres œuvrant dans la fonction publique fédérale ne se guidaient pas sur « la norme de parité » non plus qu'ils ne procédaient à un partage entre les réclamations des syndicats et les offres de l'employeur qui, de fait, étaient très éloignées les unes des autres. Les décideurs ne s'appuyaient pas sur « la norme d'égalité absolue » ni sur les majorations des salaires accordés dans les secteurs industriel et non commercial prives.

Les résultats de l'enquête confirment que les arbitres suivaient la norme de « l'égalité préétablie » et leurs décisions dans les différends en matière de traitements se fondaient sur le pourcentage moyen pondéré des augmentations de salaires des catégories professionnelles dans la fonction publique fédérale. On leur fournissait les statistiques relatives aux majorations de salaires par occupation ou fonction ainsi que les données se rapportant aux différences de traitements, lesquelles indiquaient que les taux de salaires des fonctionnaires fédéraux étaient plus élevés que ceux de groupes comparables dans le secteur prive. Suivant les recommandations du Comite préparatoire (1965), on estimait que les arbitres auraient à maintenir la cohésion des taux de salaires entre les catégories professionnelles de même qu'à l'intérieur de ces dernières tel que cela avait été établi au début du régime de négociation collective dans la fonction publique fédérale.

Les décisions des arbitres fondés sur des majorations de salaires du secteur prive qui étaient plus élevées que celles de la fonction publique fédérale peuvent avoir déséquilibre les rapports entre les taux dans la structure des salaires, tandis que les sentences basées sur des comparaisons de salaires par profession ou métier dans la fonction publique ont eu pour résultat de maintenir les rapports entre les catégories professionnelles et à l'intérieur de celles-ci. Les arbitres ont accepté les taux de salaires touchant la structure et les classes des conventions collectives existantes comme des ancres naturelles et les ont ajustés conformément au pourcentage moyen des augmentations de salaires annuelles de la catégorie professionnelle à laquelle appartenait l'unité de négociation des employés en arbitrage. Les majorations des salaires par profession ou métier devinrent une norme de solution équitable et c'est la norme « d'équité préétablie » qui a influencé les arbitres de la fonction publique fédérale dans leurs décisions en matière de différends sur les traitements.

# *Criteria in Arbitration of Wage Disputes*

## *Theory and Practice in the Canadian Federal Public Service*

**A.V. Subbarao**

*A review of the theories and results of previous research on the importance of criteria in arbitration of wage disputes is presented in this paper and the hypotheses of the importance of criteria to arbitrators in the Canadian Federal Public Service are developed.*

Importance of the criteria in arbitration of wage disputes has been studies for a long time (Stein, 1947; Cole, 1948; Justin, 1948; Stein, 1950; Kuhn, 1950; Bernstein, 1954; Miller, 1967), particularly since arbitration was promoted as a method of impasse resolution in the private sector during the war time. It has become an important method of impasse resolution in the public sector in North America since the 1960s. However, the importance of criteria in arbitration of wage disputes in the public sector did not attract the attention of the researchers until the 1980s as they were more interested, in the 1970s, in investigating the impact of interest arbitration on negotiations and outcomes (Anderson and Kochan, 1977; Subbarao, 1978; Kochan *et al.*, 1979; Farber and Katz, 1979). Theories of the importance of criteria in arbitrator decision-making (Farber, 1981; Bazerman, 1985; Bazerman and Farber, 1985) and on arbitrator behaviour (Ashenfelter and Bloom, 1984) are developed in the 1980s and they were tested in the public sector wage arbitration in the United States.

The policy makers in Canada recognized the importance of criteria in arbitration (Preparatory Committee, 1965) and specified them in the *Public Service Staff Relations Act* of 1967, requiring the arbitrators to consider them in rendering awards in interest disputes between unions and management. They believed that the criteria listed as factors in section 68 of the Act might also influence the bargaining behaviour of the parties. The Preparatory Committee (1965) on collective bargaining in the public service

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commented that during bilateral negotiations, the parties themselves might consider the factors such as the inter-industry and intra-industry comparisons if specified in the statute and such a consideration might enable them to reach agreements more or less similar to the awards that the arbitrators would render based on their consideration of the same factors.

For the factors to influence bilateral negotiations as envisaged by the Preparatory Committee (1965), the bargaining parties' understanding of the importance of the statutory factors in arbitrator decision-making is of significant importance. However, the federal public service arbitrators are not required to explain their decisions and their awards, analyzed in this study, contained only a standard statement indicating that they «considered the evidence and submissions of the parties, as well as the factors enumerated in section 68» (Public Service Staff Relations Board File: 185-2-281).

The standard statement does not indicate the importance of criteria in arbitrator decision-making and hence, an analysis of the awards rendered by the federal public service arbitrators in wage disputes during a five-year period (1969-74) was undertaken in this study for the purpose of finding the weights that they assigned to the statutory factors and to the parties' final offers. Since the awards did not contain an explanation of the arbitrators' consideration of the factors, content analysis was not appropriate and instead, a statistical analysis of their decisions was undertaken.

The coverage of the period in this study was confined to 1969-74 because the awards in wage disputes under the Act were issued only since 1969 and for most of the period since 1975, wage increases in the federal public service were subjected to the statutory wage controls of the *Anti-Inflation Act* of 1975 and of the *Public Service Compensation Restraint Act* of 1982. Wage guidelines were also in vogue in Canada during 1969-72. However, they were only voluntary and hence, the importance of those wage guidelines as one of the criteria in arbitration was also analyzed in this study.

The analysis was also confined to the arbitrators' decision-making in wage disputes only because of the renewed importance of arbitration as a method for resolving impasse in wage negotiations in the federal public service during the 1980s. Subsequent to the expiry of the 1982 statutory wage controls program, the employer, the Treasury Board and the two bargaining agents, the Public Service Alliance of Canada (PSAC) and the Professional Institute of the Public Service (PIPS), that represented majority of the bargaining units in the federal public service, agreed for a strategy to negotiate master-collective agreements covering all their members in their

respective bargaining units and on all terms and conditions of employment other than wages (PSSRB File: 185-2-280).

Since 1984, wage negotiations that reached impasse were resolved, as agreed by the parties, in arbitration and it has once again become the preferred method of dispute resolution in the federal public service, perhaps because of the intriguing developments since the Supreme Court of Canada delivered its judgement in 1982 in the Air Traffic Controllers' case (Subbarao, 1985). According to the judgement, the employer has the discretionary power to designate employees in a bargaining unit as essential and the designated federal public servants had no right to strike. Since 1982, the percentage of employees designated in the bargaining units increased, making the conciliation-strike route, the alternative method of impasse resolution under the Act, unattractive to the federal public servants. The conciliation-strike route became attractive in the 1970s, when the wage outcomes in that route were larger than those in arbitration route (Subbarao, 1979). By the late 1970s, two-thirds of the employees covered under the Act opted for the conciliation-strike route, reversing the trends at the commencement (1967-68) of collective bargaining in the federal public service, when eighty per cent chose arbitration route (Subbarao, 1977). Employees are once again opting for arbitration since 1984 and the trends indicate a renewed importance of arbitration as a method of impasse resolution in the Canadian federal public service.

Wage disputes have become the prime candidates for arbitration since the other terms and conditions of employment of the federal public servants are covered in the master-contract agreements. Hence, only the wage awards are analyzed and the importance of criteria in arbitrator decision-making in wage disputes is investigated in this study. Theory of arbitrator decision-making and the results of previous research on arbitration of wages are reviewed briefly in the following section, on the basis of which the hypotheses of the importance of the factors (criteria) to arbitrators in the federal public service are developed.

## THEORY AND RESEARCH

Farber (1981) developed a theory of arbitrator decision-making, disputing the conventional wisdom of compromise arbitration (Stevens, 1966) in which an arbitrator was expected to split-the-difference between the parties' final offers. Farber argued that instead of splitting-the-difference, an arbitrator renders an award based on his «notion of an equitable outcome». An arbitrator's notion of an equitable outcome

depends upon his consideration of the criteria and of their importance in his decision-making. Farber added that an arbitrator's norm of an equitable outcome would be influenced more by the 'exogenous' criteria than the final offers of the parties in a wage dispute.

Bazerman (1985) expanded the equitable outcome theory and by applying the theories of equity, he identified three norms of equity — absolute equity, equality and anchored equity — in arbitrator decision-making. A norm of absolute equity, according to Bazerman, meant that «wages in the firm in arbitration should match the actual wage levels in comparable firms». For an arbitrator with a norm of absolute equity, the criteria of wage comparisons with similar firms, financial condition of the firm and inflationary pressures on the employees would be more important than others. An equality norm means that the parties' final offers are of equal importance to an arbitrator who considers them as two parameters of the disputed resources that he is required to distribute equally to both the parties in a wage dispute. An arbitrator with an equality norm splits-the-difference between the parties' final offers.

An anchored equity, Bazerman (1985) stated, implies that the existing collective agreement is the natural anchor and an equitable outcome requires only adjustments to «the present wage by the average percent increase in comparable firms». Hence, an arbitrator with a norm of anchored equity would decide taking into consideration the two criteria, the present wage in the firm in arbitration and the average percentage increases in comparable firms.

Bazerman (1985) tested his theory of the arbitrators' norms of equity in a simulation in which 69 experienced arbitrators participated and decided 25 hypothetical wage dispute cases. In each of the 25 cases, arbitrators were provided with information relating to the seven criteria, namely, the present wage in the firm, financial health of the firm, inflation rate, average local wage, average collective bargaining increase in the industry, management's final offer and union's final offer. The results revealed that the two criteria, *the present wage and the average percentage increases in comparable firms,* influenced majority of the arbitrators' decisions. Hence, the most common norm followed by the arbitrators, according to Bazerman, was the *anchored equity* and that influenced their decision-making in wage disputes. However, arbitrators in the study who also completed a questionnaire indicated that they weighed all the criteria equally in their decision-making. Bazerman concluded that the objective statistical analysis of the arbitrators' decisions failed to confirm their subjective weights of the criteria.

Researchers for two decades during 1947-67 (Stein, 1947; Cole, 1948; Justin, 1948; Stein, 1950; Kuhn, 1952; Bernstein, 1954; Miller, 1967)

studied the arbitrators' subjective explanations of their decisions and analyzed the importance of criteria in wage disputes. Of these, Bernstein's study was the most comprehensive covering an analysis of 209 awards issued during the period 1945-50 and it identified seven criteria that arbitrators claimed were important in their decision-making. Bernstein (1954) listed the seven criteria in the order of their importance in arbitration of wages and they were the industry wage comparisons, cost of living, financial condition of the firm, job features, workers' families' standard of living, productivity of labour and a miscellany of others such as hours of work, union behaviour, general economic conditions and manpower attraction. Miller's (1967) study was a continuation of that of Bernstein and it involved an analysis of 70 awards issued during 1953-64. Results of Miller's research confirmed Bernstein's findings.

Kuhn (1952), however, found that the criteria were of limited use in arbitration of wage disputes. His study was also extensive and covered an analysis of 600 awards issued during 1900-49 in the U.S. transit industry. Stein (1947) also concluded that the arbitrators referred to the criteria in their awards only to rationalize their decisions. They knew that rationalization of their decisions was important (Stein, 1950) and they were obligated to explain their decisions by referring to the criteria which the parties cited in support of their final offers (Justin, 1948). Kuhn (1952) also doubted that arbitration was a 'scientific', 'systematic', 'accurate', 'economically sound' or even 'objective' method of wage determination and that conclusion summarizes the confusion surrounding the subjective weights of the criteria in wage arbitration.

The objective weights of the criteria that Bazerman (1985) identified in his statistical analysis added to the confusion with regard to the validity of their subjective weights in arbitrator decision-making. However, Bazerman and Farber (1985) continued with their analysis to find why arbitrators relied more on the exogenous criteria than on the parties' final offers. They found that arbitrators in their study ignored the parties' final offers, considering them as of «low quality» because the difference between the unions' demands and employers' offers was large.

Importance of the parties' final offers in arbitrator decision-making was investigated by other researchers, too. In a study of the Iowa's tri-offer arbitration system, Gallagher and Chaubey (1982) found that arbitrators decided by selecting a party's offer that was close to the factfinder's recommendations, considering that as an equitable outcome. They, however, selected the factfinder's recommendations if the parties' final offers in a wage dispute were far apart. Arbitrators in Iowa were required to decide by selecting one of the three — the employer's final offer, union's final offer or the factfinder's recommendations.

Arbitrators in the New Jersey police officers' pay disputes also decided by selecting those parties' final offers that were close to their norm of equitable outcome (Ashenfelter and Bloom, 1984) and the awards in conventional arbitration were considered equitable. Under the New Jersey statute, conventional arbitration would be the method of impasse resolution in pay disputes only if the parties specifically requested. Otherwise, the impasse would be resolved by final-offer arbitration. In an analysis of the final-offer arbitration awards issued during 1978-80 in the New Jersey police officers' pay disputes, Ashenfelter and Bloom (1984) found that arbitrators selected the unions' final offers in most of the cases because they were closer to the norm of conventional arbitration awards than the employers' final offers.

A summary of the results of recent research reveals that the parties' final offers are important in arbitrator decision-making, provided they are not far apart and a party's offer that is closer to the arbitrator's norm of equitable outcome is more important than the other. Anchored equity is the most preferred norm of an arbitrator who adjusts the 'anchor', the wage rate in the existing collective agreement of the employees in arbitration, with the average percentage increase in comparable firms. The weight of the criterion, intra-industry wage comparisons, was found to be significant in a statistical analysis of the arbitrators' decisions and weights of the other criteria were not significant. However, arbitrators claimed that all the criteria were of equal importance and the findings of content analysis of their decisions were not conclusive, with regard to the importance of criteria in wage arbitration. Nevertheless, arbitrators in the federal public service are required «to take into account» the factors (criteria) specified in the Act and based on the theories and results of research, hypotheses of the importance of the statutory factors to arbitrators appointed under the Act are developed in the following section.

## FACTORS IN ARBITRATION AND HYPOTHESES

The Preparatory Committee (1965) recommended and the statute provides in section 68, the following factors that the arbitrators are required to take into account in their decision making:

- the needs of the Public Service for qualified employees;
- the conditions of employment in similar occupations outside the Public Service, including such geographic, industrial or other variations as the Board may consider relevant;

- the need to maintain appropriate relationships in the conditions of employment as between different grade levels within an occupation and as between occupations in the Public Service;
- the need to establish terms and conditions of employment that are fair and reasonable in relation to the qualifications required, the work performed, the responsibility assumed and the nature of the services rendered; and
- any other factor that to it appears to be relevant to the matter in dispute.

The first statutory factor, the need to recruit and retain qualified employees in the federal public service, is similar to what Bernstein (1954) identified in his study as the «manpower attraction» criterion, one of the few miscellaneous criteria that arbitrators referred to in their awards. Other than the arbitrators' subjective references in Bernsteins' (1954) study, the objective weight of this factor in arbitral decisions was not investigated in any other study. Nevertheless, the rate of unemployment of an occupational group of employees in arbitration and the indication of the ease or difficulty of recruitment or retention were expected to influence the federal public service arbitrators' decision-making, particularly when these data were submitted by the parties in arbitration. Hence, a high rate of unemployment of an occupational group in arbitration was hypothesized in this study, to have a negative effect on arbitrator decision-making in wage disputes and vice versa.

In addition to the rate of unemployment, arbitrators were expected to consider the wage differential between the pay rates of the occupational groups in arbitration and the rates of similar groups in the industries that competed with the federal public service in the labour market for recruitment. The second statutory factor, in fact, requires the arbitrators to consider inter-industry comparisons and those in the private sector (Bernstein, 1954; Miller, 1967) claimed that they did. However, the objective weight of this factor (average local wage) in Bazerman's (1985) study was not significant and only one (mixed model) of the three clusters of arbitrators weighed the factor of inter-industry wage comparisons. Wage differentials that were positive and favourable to the federal public servants were hypothesized in this study to have a dampening effect on the percentage of wage increases that the arbitrators would otherwise award based on their consideration of the intra-industry comparisons.

Arbitrators in the federal public service were hypothesized to assign more weightage to the intra-industry wage comparisons than the inter-industry comparisons. Arbitrators in Bernstein's (1954) study stated that they weighed the intra-industry comparisons more than the inter-industry

comparisons in wage disputes. The third statutory factor, in fact, required the federal public service arbitrators to consider *occupational wage comparisons*. The federal public service employees are categorized into five occupational categories recognized in the statute, namely, the scientific and professional; technical; administrative and foreign service; administrative support and operational. Each occupational category is further sub-divided into occupational groups. Each group consists of employees with similar skills and performs similar kinds of work.

The occupational groups became synonymous with the bargaining units in the federal public service. The Public Service Commission of Canada recognized the occupational groups and established their respective pay rates which became the basis for the pay structure in the federal public service. The Preparatory Committee (1965) recommended that the pay relationship of the occupational groups established in the pay structure should be maintained with as little change over time as possible.

Arbitrators were not expected to disturb the pay structure which the Public Service Commission established based on its job classification study conducted at the commencement of collective bargaining in the Canadian federal public service. The fourth statutory factor requires the arbitrators to undertake job evaluation if the pay rate of an occupational group in arbitration needed to be established or if the prevailing rate was to be revised that might disturb the pay structure of the occupational category. Arbitrators stated in a wage dispute that «such a time consuming task was not its function but it must be assumed by the parties themselves with such expert technical advice and assistance as may be required» (PSSRB File: 182-2-15). In other words, arbitrators believed that they were required to make only adjustments to the prevailing wage rates to the extent that such adjustments would not disturb pay relationships of the occupational groups in the federal public service.

In order to make adjustments to the prevailing wage rate of an occupational group in arbitration, arbitrators were expected to weigh the average collective bargaining wage increases of similar groups in the occupational category within the federal public service and they were hypothesized to assign more weightage to the intra-industry occupational wage comparisons required under the third statutory than the inter-industry comparisons of the second statutory factor.

Arbitral decisions based on occupational wage comparisons would not only preserve the rate relationships within the federal public service but would also satisfy the interests of the parties. Interests of the parties are important to arbitrators, according to Stein (1950) and Bernstein (1954).

Bernstein (1954) described the importance to the parties of the arbitrators' decisions based on intra-industry wage comparisons. «To the worker they permit a decision on the adequacy of his income. He feels no discrimination if he stays abreast of other workers in his industry, his locality, his neighbourhood. They are vital to the union because they provide guidance to officials upon what must be insisted upon and a yardstick for measuring their bargaining skill. In the presence of internal factionalism or rival unionism, the power of the comparison is enhanced». They are important to the employer, too, because «he will be able to recruit in the local labor market» (Bernstein, 1954). Average collective bargaining wage increases that reflect intra-industry comparisons were also found to have been assigned significant weightage in an objective analysis of the arbitrators' decisions (Bazerman, 1985).

In addition, the statute requires the arbitrators to consider «any other factor» that is relevant to the matter in dispute. In wage disputes, the cost of living was considered important and it is generally believed that «the real wages of workers should not be depreciated by price movements beyond their control» (Bernstein, 1954). The increases in the consumer price index were expected to have a positive effect on the arbitrators' decisions in wage disputes. However, in one study it was found that the objective weight of this factor was not as large as the subjective weight that arbitrators claimed they assigned and it was not statistically significant (Bazerman, 1985). Nevertheless, arbitrators in the federal public service were hypothesized to weigh the CPI increases positively, provided the wage increases to be awarded would not disturb the rate relationships between the occupational groups and they were within the limits of the wage guidelines of the government's economic program.

Finally, the union demands and employer offers were considered important in wage disputes and arbitrators were hypothesized to assign a positive weight to that party's final offer which was closer to the average occupational wage increase than the other's. The average of the percentage of wage increases of the groups within an occupation was considered more important than the other factors in arbitrator decision making since that is expected to determine the arbitrators' norm of an equitable award in the federal public service.

The factors that were hypothesized to influence the arbitrator decision-making are listed below and the signs of their respective weights are indicated in the parenthesis:

1) union demands close to the average collective bargaining wage increase of an occupation (+);

2) employer offers close to the average collective bargaining wage increase of an occupation (+);
3) average percentage of collective bargaining wage increases of an occupational category (+);
4) wage differential between occupational groups within the federal public service and outside (-);
5) increases in the consumer price index (+);
6) the rate of unemployment of the occupational group in arbitration (-).

Results of tests of these hypotheses are presented in the following section.

## ANALYSIS OF DATA AND RESULTS

Fifty-six arbitration awards were issued during 1969-74 and they constituted 15.5 percent of the collective agreements in the arbitration route. Of the 56 awards, only 36 contained information relating to the union demands and employer offers in wage disputes and since they were considered the most important variables in this analysis, only those 36 awards were analyzed in this study. The size of the samples in this analysis as in other studies of this nature (Ashenfelter and Bloom, 1984; Bazerman, 1985; Bazerman and Farber, 1985) was small. However, the samples were representative of the occupational groups that opted for the arbitration-route in the federal public service.

Awards analyzed in this study were rendered by different tripartite arbitration boards. However, section 71 of the PSSR Act provides that in case of a disagreement among members of a tripartite arbitration board, the decision of its chairman, either with or without the concurrence of other member(s), will prevail. In any case, members of a tripartite arbitration board are not allowed to either publish their disagreements or issue dissenting awards and a board's award is issued only under the signature of its chairman. Thirteen of the 36 awards in this study were issued under the signature of one chairman (arbitrator 1), fifteen by another (arbitrator 2), six by a third (arbitrator 3) and two by a fourth chairman (arbitrator 4).

Each of the 36 awards issued by the four arbitrators covered a two year period and they awarded in each case wage increases, separately, for the first and second years of the contract period. The awards did not contain the data relating to the statutory factors (criteria), since the arbitrators were not required to explain their decisions or their consideration of the factors in their decision-making. Hence, the data that were essential for testing the

hypotheses of the influence of the criteria on arbitrator decision-making were collected from other sources. The weighted averages of the annual percentage of wage increases of the bargaining units in each occupational category in the federal public service were collected from the Treasury Board's Bargaining Calendar and those data represented the criterion of intra-industry occupational wage comparisons (third statutory factor).

For inter-industry comparisons (second statutory factor), the weighted averages of the annual percentage increases of wages in the non-commercial and industrial sectors were collected from the Labour Canada's Annual Review of Wage Developments. Wage differentials (indicators of the inter-industry comparisons) between the bargaining units in the federal public service and comparable groups in the private sector were collected from the Pay Research Bureau's Salary Trends. The rates of unemployment of the occupational groups, representing the first statutory factor (manpower attraction criterion) and the increases in the consumer price index, to represent the fifth statutory factor (any other criteria) were collected from the Statistics Canada's Labour Force and Consumer Price Index publications, respectively. (Details of the data are available with the author.)

Two sets of data for each factor corresponding to each of the 36 awards were collected, one set representing the conditions prevailing on the dates of issue of awards and the other, on the dates of effectiveness of awards. There was a delay, on an average of over one year in issuing arbitration awards after the date of expiry of the collective agreements, which is the date of effectiveness of an award. The minimum time gap between the date of expiry of a collective agreement and the date of issue of an award was three months and the maximum two years. Analysis of the two sets of data was expected to indicate whether the federal public service arbitrators were influenced by the factorial conditions prevailing on the dates of issue of awards or on the dates of their effectiveness.

Arbitrators awarded, as shown in Table 1, on an average 6.78 percent and 6.04 percent wage increases for the first (A1) and second (A2) years of the contract period, respectively. Wage increases awarded were closer to the weighted average percentage annual wage increases of the occupational categories in the federal public service. The weighted average percentage wage increase of an occupational category is the average of the percent of wage increases of the bargaining units in that category, weighted by the number of members in each unit. The weighted average annual occupational wage increases in the federal public service were 6.27 percent on the date of issue of awards (APSI) and 6.54 percent on the date of their effectiveness (EPSI). The closeness of APSI and EPSI with A1 and A2 confirm

the hypothesis of the importance of the criterion of intra-industry occupational wage comparisons (the third statutory factor) in arbitrator decision-making.

**Table 1**

**Descriptive Statistics for the Dependent and Independent Variables (N = 36)**

| *Variables* | *Mean (percent)* | *Standard deviation* |
|---|---|---|
| Awarded wage increase for the first year ($A_1$) | 6.78 | 1.41 |
| Awarded wage increases for the second year ($A_2$) | 6.04 | 1.15 |
| Union demand for the first year ($UD_1$) | 10.60 | 3.91 |
| Union demand for the second year ($UD_2$) | 8.23 | 2.02 |
| Employer offer for the first year ($EO_1$) | 4.11 | 2.30 |
| Employer offer for the second year ($EO_2$) | 4.24 | 1.61 |
| Wage differentials between Federal Public Service and Private Sector (wage diff) | 100.58 | 6.49 |
| Federal Public Service wage increases on the date of issue of award (APSI) | 6.27 | 0.68 |
| Federal Public Service wage increases on the date of effectiveness of award (EPSI) | 6.54 | 1.47 |
| Consumer price index increases on the date of issue of award (ACPI) | 6.92 | 4.74 |
| Consumer price index increases on the date of effectiveness of award (ECPI) | 5.59 | 2.91 |
| Non-commercial sector wage increases on the date of issue of award (ANC) | 8.27 | 1.22 |
| Non-commercial sector wage increase on the date of effectiveness of award (ENC) | 8.09 | 0.84 |
| Total industry wage increases on the date of issue of award (ATI) | 8.65 | 1.10 |
| Total industry wage increases on the date of effectiveness of award (ETI) | 8.26 | 0.63 |
| Rate of unemployment on the date of issue of award (AUR) | 4.15 | 3.19 |
| Rate of unemployment on the date of effectiveness of award (EUR) | 3.72 | 2.96 |

Unlike the intra-industry comparisons, the inter-industry wage comparisons which arbitrators are required to take into consideration, according to section 68 (c) of the Act, did not seem to have influenced their deci-

sions. Wage increases in the total industry as well as in the non-commercial sector were higher than the awarded wage increases. The weighted average annual wage increases in the collective agreements covering 500 or more workers in the total industry were 8.65 percent on the date of issue of awards (ATI) and 8.26 percent on the date of effectiveness (ETI). The weighted average annual wage increases in the non-commercial sector, which were 8.27 percent on the date of issue of awards (ANC) and 8.09 percent on the date of effectiveness (ENC), were also higher than the awarded wage increases.

The inter-industry wage comparisons, perhaps, were not as important to arbitrators as the intra-industry occupational wage comparisons, because of the wage differentials (100.58) between the federal public service and the private sector, which indicated that the wage rates in the federal public service were higher than those in the private sector for comparable occupational groups. Even though, the rates of unemployment of the occupational groups were low, with an average of 4.15 percent on the date of issue of awards (AUR) and 3.72 percent on the date of effectiveness (EUR), they did not seem to have influenced the arbitrators' consideration of the inter-industry wage comparisons. When the rates of unemployment were low, indicating the need to attract employees in the tight labour markets, arbitrators' decisions in wage disputes were expected to be influenced by the inter-industry wage comparisons.

Union demands and employer offers were hypothesized to influence the arbitrators' decisions if they were comparable with the occupational wage increases in the federal public service. The average annual wage increase demanded by the unions was 10.60 percent for the first year of the contract period (UDI) and 8.23 percent for the second year (UD2), while the average employer offer was 4.11 percent for the first year (E01) and 4.24 percent for the second year (E02). Neither the union demands nor the employer offers were comparable with the occupational wage increases and they were far apart from each other, in which case, arbitrators were expected to ignore both of them.

Unlike union demands and employer offers, the consumer price index increases were comparable with the annual wage increases in the federal public service. The consumer price index increased, on an average, by 6.92 percent on the date of issue of awards (ACPI) and 5.59 percent on the date of effectiveness (ECPI). However, it was difficult to determine the influence of the CPI and of the occupational wage increases on arbitrator decision-making, based on the analysis of the descriptive statistics of the dependent and independent variables in this study.

A correlation analysis was undertaken for the purpose of finding the association of awarded wage increases, the dependent variables with the independent variables listed in Table 1. An other independent variable, wage guidelines, was included in the correlation analysis and it is a dummy variable differentiating the awards that were issued during the regime (1969-72) of the Prices and Incomes Commission from those which were rendered subsequently. The influence of the wage guidelines was expected to be different on different arbitrators. More over, the four arbitrators were also expected to differ from each other in their consideration of the statutory factors. In order to ascertain their association with the independent variables, four different dummy variables representing the four arbitrators were also included in the correlation analysis.

Most of the correlations between the dependent and independent variables, shown in Table 2, are statistically significant. Because of the space limitations, only the correlations between the awarded wage increases and the independent variables on the date of issue of awards are presented in Table 2. Even though the correlations were significant, the influence of each of the independent variables on arbitrator decisions could not be explained, because of the high intercorrelations between the independent variables. For example, both the CPI and the federal public service wage increases had statistically significant high correlations (.60) with the awarded wage increases and the intercorrelation (.71) of those two independent variables was also statistically significant. In order to delineate the variance of each independent variable and to determine their influence on the dependent variables, a factor analysis was undertaken. Factor analysis extracts factors that explain the variance of the independent variables. The factor analytic technique rearranges the relationships that exist between the data and reduces them to smaller set of factors or components that account for the observed relationships in the data (Nie *et al.*, 1975).

The factors are independent of each other and they account for the variance of the variables. Eight factors, as shown in Table 3, accounted for 93.5 percent of the variance of the independent variables analysed in this study. The amount of total variance accounted for by each of the factors 6, 7 and 8 was relatively small, but they were retained in the analysis because of the importance of the loadings of those factors. For instance, the loadings or numbers in the last row of Table 4 representing the regression coefficients of the factors that accounted for the variance of the independent variables indicate that factor 7 accounted for a large percentage of the variance of the wage differentials data (.94). No other independent variable had such large loadings on factor 7 and hence, it was a wage differentials factor. Similarly, only one independent variable, arbitrator 4, had large

**TABLE 2**

**Correlation Matrix of Dependent and Independent Variables**

| *Variables* | *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* | *9* | *10* | *11* | *12* | *13* | *14* | *15* | *16* | *17* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Awarded wage increase for first year | 1.00*** | | | | | | | | | | | | | | | | |
| 2. Awarded wage increase for second year | .64*** | 1.00 | | | | | | | | | | | | | | | |
| 3. Union demand for first year | .77*** | .24 | 1.00 | | | | | | | | | | | | | | |
| 4. Union demand for second year | .21 | .43** | .22 | 1.00 | | | | | | | | | | | | | |
| 5. Employer offer for first year | .51*** | .55*** | .21 | .22 | 1.00 | | | | | | | | | | | | |
| 6. Employer offer for second year | .42** | .55*** | .13 | .47** | .61*** | 1.00 | | | | | | | | | | | |
| 7. Wage differentials between federal service and private sector | -.34* | -.04 | -.25 | -.01 | -.02 | -.12 | 1.00 | | | | | | | | | | |
| 8. Wage guidelines | -.07 | -.42** | .26 | .04 | -.38* | -.22 | -.10 | 1.00 | | | | | | | | | |
| 9. Federal public service wage increases | .60*** | .80*** | .14 | .30* | .56*** | .50*** | -.02 | -.38* | 1.00 | | | | | | | | |
| 10. Consumer price index increases | .60*** | .69*** | .14 | .19 | .62*** | .54*** | -.05 | -.27 | .71*** | 1.00 | | | | | | | |
| 11. Non-commercial sector wage increases | .35* | .33* | .45** | .36* | .08 | .33* | -.33 | -.04 | .19 | -.09 | 1.00 | | | | | | |
| 12. Total industry wage increases | .40** | .55*** | .20 | .47** | .49*** | .46** | -.17 | .41** | .59*** | .26 | .65 | 1.00 | | | | | |
| 13. Rate of unemployment | .57*** | .02 | .61*** | -.18 | .28* | .01 | -.35* | .15 | .06 | .05 | .25 | -- | 1.00 | | | | |
| 14. Arbitrator 1 | -- | -.28* | .26 | .04 | -.53*** | -.15 | .15 | .77 | -.34 | -.21 | .10 | -.37 | -.03* | 1.00 | | | |
| 15. Arbitrator 2 | .16 | .51*** | -.23 | .23 | .43** | .26 | .11 | -.71 | .49 | .32 | -.07 | .35* | -.14 | -.64*** | 1.00 | | |
| 16. Arbitrator 3 | -.27* | -.31* | -.09 | -.31* | -.04 | -.23 | .09 | -.07 | -.19 | -.26 | -.09 | -.03 | .09 | -.34* | .38* | 1.00 | |
| 17. Arbitrator 4 | .11 | -.01 | .09 | -.06 | .25 | .13 | -.08 | .04 | -.03 | .19 | .09 | .06 | .51*** | -.18 | .21 | -.11 | 1.00 |

*** Significant at .001 level ** Significant at .01 level * Significant at .05 level

loadings on factor 6 and it could be considered an arbitral discretion factor. Of all the independent variables that had loadings on factor 8, that of APSI (.49) was relatively large and hence, factor 8 was considered an intra-industry occupational wage comparisons factor. The three factors, occupational wage increases, wage differentials and arbitral discretion were important for this study and hence, factors 6, 7, and 8 were included in this analysis.

**Table 3**

**Eigenvalues and Percent and Variance Extracted in Unrotated Principal Component Factor Solution**

| *Factor* | *Eigenvalue* | *Percent of variance* | *Cumulative variance* |
|---|---|---|---|
| 1 | 6.35 | 35.3 | 35.3 |
| 2 | 3.48 | 19.3 | 54.6 |
| 3 | 2.08 | 11.6 | 66.2 |
| 4 | 1.52 | 8.5 | 74.7 |
| 5 | 1.22 | 6.8 | 81.5 |
| 6 | 0.87 | 4.8 | 86.3 |
| 7 | 0.85 | 4.7 | 91.0 |
| 8 | 0.45 | 2.5 | 93.5 |

The independent variable, APSI, had loadings on factors 1 (.59) and 2 (.44) also, but those factors had loadings of other independent variables, too. For example, the loadings on factor 1 of ANC (.91), ATI (.95), EPSI (.85), ECPI (.85), ACPI (.69) and E01 (.65) were larger than that of APSI (.59). Because of the relatively large loadings of the many variables on factor 1, it was considered a general factor representing mostly the external economic environment of CPI and wage increases in the 'outside' (non-commercial and industrial) sectors. Factor 4, on the other hand, which had large loadings of ENC (.91) and ETI (.75) could be considered an inter-industry wage comparisons factor. Factor 3 with loadings of AUR (.93), EUR (.92) and UDI (.78) was a 'manpower attraction' factor. Like factor 6, factor 5 with loadings of arbitrator 3 (-.97), arbitrator 2 (.41) and arbitrator 1 (.31) was also an arbitral discretion factor. The loadings on factor 2 of wage guidelines (-.93), arbitrator 1 (-.85), arbitrator 2 (.78) and ACPI (.63) indicate that it was a government economic policy factor, with negative association with one arbitrator and positive association with another.

**Table 4**

**Varimax Rotated Factor Matrix**

| *Independent Variables* | *Factor 1* | *Factor 2* | *Factor 3* | *Factor 4* | *Factor 5* | *Factor 6* | *Factor 7* | *Factor 8* |
|---|---|---|---|---|---|---|---|---|
| ANC | .91 | -.01 | -.11 | .27 | .08 | .09 | .06 | -.05 |
| ATI | .95 | .11 | -.06 | .19 | .07 | .02 | .06 | -.05 |
| EPSI | .85 | .28 | .04 | .14 | .08 | -.12 | -.04 | .03 |
| APSI | .59 | -.05 | .19 | .44 | .05 | -.04 | .19 | .49 |
| ECPI | .85 | .15 | .07 | -.26 | .11 | .09 | -.11 | .24 |
| ACPI | .69 | .63 | .01 | .08 | .08 | -.01 | -.12 | .12 |
| EO1 | .65 | .40 | .33 | .01 | -.09 | .10 | .05 | -.23 |
| WAGE GUIDELINES | -.13 | -.93 | .15 | -.09 | .04 | .00 | -.00 | -.22 |
| ARBITRATOR 1 | -.18 | -.85 | .01 | .01 | .31 | -.17 | -.10 | .22 |
| ARBITRATOR 2 | .27 | .78 | -.11 | .00 | .41 | -.22 | .06 | -.19 |
| EUR | -.02 | .02 | .92 | .03 | .04 | .24 | -.17 | -.06 |
| AUR | -.07 | -.06 | .93 | .01 | .02 | .29 | .07 | .03 |
| UD1 | .20 | -.26 | .78 | .28 | -.01 | -.23 | -.02 | .12 |
| ENC | .05 | -.04 | -.21 | .91 | .04 | .01 | -.16 | .07 |
| ETI | .49 | .31 | -.03 | .75 | -.06 | .00 | -.07 | -.06 |
| ARBITRATOR 3 | -.17 | .05 | -.05 | -.01 | -.97 | -.04 | .04 | -.02 |
| ARBITRATOR 4 | .09 | .00 | .31 | .01 | .03 | .93 | -.00 | -.01 |
| WAGE DIFFERENTIALS | .00 | .07 | -.20 | -.16 | -.04 | -.00 | .94 | .02 |

In order to ascertain the influence of these factors on arbitrators' decisions, regressions of awarded wage increases were analyzed, separately, for the first and second years of the contracts. Regression analysis revealed that the coefficients of only the three factors 3, 6 and 8, as shown Table 5, were statistically significant, indicating that arbitrators assigned weightage to those factors in their decision-making. Factor 3, the 'manpower attraction' criterion received negative weightage in arbitration of wage increases for the first year of the contract period. The negative weight indicates that the rates of unemployment, particularly those that were above average, had a negative influence on wage increases awarded. The two variables with loadings on factor 3, the rate of unemployment (AUR) and the union demand (UD1), had a statistically significant high correlation of 0.61, which indicates that the rates of unemployment of certain occupational groups were relatively high resulting in their high correlation with the union

demands. The rates of unemployment of those occupational groups had a dampening effect on wage increases awarded to them. The positive regression coefficient of factor 6, which represents the discretion of arbitrator 4, however, suggests that he might have weighed other factors in deciding the two wage disputes in which he issued awards.

**Table 5**

**Regression Results for the Percentage Wage Increase Awarded by the Arbitrators**

| *Independent Variables* | *Regression Coefficients for Awarded Wage Increases for First Year (t Statistic in Parenthesis)* | *Regression Coefficients for Awarded Wage Increases for Second Year (t Statistic in Parenthesis)* |
|---|---|---|
| FACTOR 1 | .929 | - |
| | (.370) | |
| FACTOR 2 | 2.110 | 2.885 |
| | (.843) | (1.333) |
| FACTOR 3 | -4.693* | .579 |
| | (1.870) | (.267) |
| FACTOR 4 | .749 | 2.601 |
| | (.298) | (1.201) |
| FACTOR 5 | 1.206 | 2.387 |
| | (.480) | (1.103) |
| FACTOR 6 | 5.052* | .511 |
| | (2.012) | (.236) |
| FACTOR 7 | -3.924 | -.822 |
| | (-1.563) | (-.380) |
| FACTOR 8 | 4.200 | 5.626** |
| | (1.674) | (2.599) |
| CONSTANT | 62.194 | 57.611 |
| $R^2$ | .341 | .290 |
| $R^2$ | .145 | .113 |
| F | 1.745 | 1.638 |

* Significant for a two-tailed test at 10% level
** Significant for a two-tailed test at 5% level

In the regression of wage increases awarded for the second year of the contract period, the coefficient of only one factor 8, which represented intra-industry occupational wage comparisons was statistically significant at 5 percent level. The positive coefficient of factor 8 indicates that the wage

increases of comparable occupational groups within the federal public service were of significant importance to these arbitrators in their decision-making. The regression coefficients of other factors were not statistically significant. Particularly, factor 1 which represented the external economic environment did not even enter the regression equation of wage increases awarded for the second year, suggesting that wage increases in the industrial and non-commercial sectors and cost of living increases were not of significant importance for wage arbitration in the federal public service.

## DISCUSSION

Results of this analysis confirmed the hypothesis of the influence of the intra-industry occupational wage comparisons on arbitrator decision-making in the federal public service wage disputes. However, the influence of the occupational wage increases, the third statutory factor, was more significant in arbitration of wage increases for the second year than for the first year of the contract period. Because of the delay of over one year on average in rendering awards, wage increases with respect to the first year of the contract were awarded with a retrospective effect, whereas those relating to the second year were to become effective from the date of issue of awards. Hence, the occupational wage increase (APSI) prevailing on the dates of issue of awards influenced the arbitrators' decisions, since they were current at the time the awards were issued.

Although the 'manpower' attraction criterion, the first statutory factor, had no influence on wage increases awarded for the second year, the rates of unemployment of the occupational groups, particularly those which were relatively high, did have a dampening effect on the wage increases for the first year. Wage increases in the industrial and non-commercial sectors which represented the second statutory factor, as hypothesized, had no significant influence on arbitrator decision-making in the federal public service, since they were not comparable with the intra-industry occupational wage increases.

The CPI increases were comparable with the wage increases in the federal public service, but this analysis failed to indicate if they had any influence on arbitrator decision-making. In the factor analysis, the CPI increases and wage increases in the 'outside' sectors constituted an important external economic environmental factor and the regression analysis revealed that factor had so significant influence on wage increases awarded by arbitrators. These results suggest that arbitrators in the federal public service were not guided by the norm of 'absolute equity'. The results also failed to

reveal if the government's voluntary wage guidelines had any significant influence on arbitrator decision-making. In fact, the evidence indicates that in a few cases, arbitrators awarded wage increases more than six percent which was recommended in the wage guidelines and those decisions were criticized by the Chairman of the Price and Incomes Commission in 1970 (Barnes and Kelly, 1974).

Of all the statutory factors, the third factor had the most significant influence on arbitrators' decisions and they relied on the occupational wage increases for their decision-making in the federal public service wage disputes mainly for the following two reasons:

- The Treasury Board, the employer of the federal public servants, which computed the weighted average annual wage increases of the occupational categories might have provided that data to arbitrators. The unions, too, might have submitted the data relating to wage increases in the 'out side' sectors in support of their demands. However, arbitrators assigned more weightage to occupational wage increases within the federal public service than those in the 'out side' sectors, since the wage differentials data which were also submitted to them during arbitration hearings, indicated that wage rates in the federal public service were higher than those in the 'out side' sectors for comparable occupational groups.

- As per the Preparatory Committee's (1965) recommendations, arbitrators were required to maintain the wage rate relationships of the occupational groups, both within and between different occupational categories. They were not expected to disturb the pay structure established by the Public Service Commission of Canada based on its job classification study that was conducted at the commencement of collective bargaining in the federal public service. Arbitrators' decisions based on wage increases in the 'out side' sectors might have disturbed the rate relationships, while their reliance on occupational wage increases within the federal public service maintained the pay structure.

Arbitrators did select the union demands and employer offers that were comparable with the occupational wage increases, which they seemed to have considered as equitable outcome for the parties in the federal public service. They awarded wage increases by selecting union demands in six percent of the cases for each year of the contract period and by selecting employer offers in 8 percent for the first year and in 11 percent for the second year. However, in a majority of the cases, arbitrators did not select either the union demands or employer offers, since they were not comparable with the occupational wage increases. They were also far apart from each other, with the lowest employer offer of zero wage increase and the

highest union demand of 30.4 percent annual wage increase. Since they were far apart from each other in a majority of the cases, arbitrators did not award by splitting-the-difference between union demands and employer offers. Even though, the arbitrators' decisions resulted in awarding 41 percent of the difference between union demands and employer offers for the first year and 39 percent of the difference for the second year of the contracts, the results would not support the conclusion that arbitrators were guided by the 'equality norm of equity' in their decision-making in wage disputes. An equality norm requires an arbitrator to split-the-difference exactly between a union demand and an employer offer.

The results suggest strongly that the norm of 'anchored equity' guided the federal public service arbitrators in their decision-making in wage disputes. They regarded the wage rates in the pay structure and pay grades in the existing collective agreements as natural anchors and adjusted them by awarding increases comparable with the average percentage increase of wages of the occupational categories in the federal public service. The occupational wage increases became a norm of equitable outcome and comparisons with the norm, arbitrators might have felt, should satisfy the parties in arbitration as well as the employees in the federal public service. Even if they are not satisfied with the outcome in wage arbitration, the federal public servants and their bargaining agents, now, have little choice, in view of the intriguing developments in the conciliation-strike route in the 1980s that affected their bargaining power.

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## *Les critères théoriques et pratiques en arbitrage de différends sur les salaires dans la fonction publique fédérale au Canada*

Étant donné que l'arbitrage des conflits d'intérêts est devenue une méthode notable de règlement des impasses dans le secteur public et que les débats sur les salaires retiennent l'attention de la population, la recherche théorique et empirique sur les désaccords salariaux a intéressé les chercheurs dans les universités. De toutes les théories élaborées sur cette question, celle de Farber (1981) s'appuyant sur «la notion de solution équitable» et celle de Bazerman (1985) fondée sur «les normes d'équité» sont les plus significatives en ce qui a trait à l'analyse des décisions des arbitres dans les différends portant sur les salaires.

Selon Farber, la norme de solution équitable de l'arbitre est le fondement de sa décision et ce sont des critères «exogènes» plutôt que les offres finales des parties qui l'influencent. Alléguant la théorie de l'équité, Bazerman énonce trois règles qui peuvent agir sur la décision de l'arbitre. Un arbitre tranchant selon la norme d'«équité absolue» basera sa décision en matière de salaires sur les éléments suivants: comparaisons des salaires avec des entreprises similaires, examen de la situation financière de la firme, évolution du coût de la vie. D'autre part, un arbitre qui considère le différend suivant «une norme de parité» rendra sa sentence en coupant la poire en deux entre les revendications finales d'une des parties et l'offre finale de l'autre. Pour un arbitre qui fait reposer son jugement sur «l'équité préétablie», la convention collective existante constitue une ancre naturelle et ne comporte que des rajustements aux salaires actuels fondés sur le pourcentage moyen des augmentations dans des entreprises comparables.

Les arbitres de la fonction publique fédérale doivent tenir compte des cinq facteurs (critères) énoncés dans la *Loi des relations de travail dans la Fonction publique* en rendant des sentences arbitrales en matière de salaires. On ne les oblige, toutefois, ni à expliquer leurs décisions ni à apprécier ces facteurs et leurs sentences n'en font pas mention. Dans l'étude, des hypothèses relatives à l'influence des critères sur les décisions des arbitres, en ce qui concerne les traitements, ont été élaborées et vérifiées à partir des sentences rendues au cours d'une période de cinq ans (1969-1974). Cette période paraissait la plus appropriée pour la présente recherche, parce que les con-

trôles obligatoires de la *Loi anti-inflation* de 1975 et de la *Loi sur les restrictions salariales dans le secteur public* de 1982 ont eu plus de poids que les autres critères dont il a été question précédemment.

L'analyse régressive des sentences sur les traitements révèle que les arbitres oeuvrant dans la fonction publique fédérale ne se guidaient pas sur «la norme de parité» non plus qu'ils ne procédaient à un partage entre les réclamations des syndicats et les offres de l'employeur qui, de fait, étaient très éloignées les unes des autres. Les décideurs ne s'appuyaient pas sur «la norme d'égalité absolue» ni sur les majorations des salaires accordées dans les secteurs industriel et non commercial privés.

Les résultats de l'enquête confirment que les arbitres suivaient la norme de «l'égalité préétablie» et leurs décisions dans les différends en matière de traitements se fondaient sur le pourcentage moyen pondéré des augmentations de salaires des catégories professionnelles dans la fonction publique fédérale. On leur fournissait les statistiques relatives aux majorations de salaires par occupation ou fonction ainsi que les données se rapportant aux différences de traitements, lesquelles indiquaient que les taux de salaires des fonctionnaires fédéraux étaient plus élevés que ceux de groupes comparables dans le secteur privé. Suivant les recommandations du Comité préparatoire (1965), on estimait que les arbitres auraient à maintenir la cohésion des taux de salaires entre les catégories professionnelles de même qu'à l'intérieur de ces dernières tel que cela avait été établi au début du régime de négociation collective dans la fonction publique fédérale.

Les décisions des arbitres fondées sur des majorations de salaires du secteur privé qui étaient plus élevées que celles de la fonction publique fédérale peuvent avoir déséquilibré les rapports entre les taux dans la structure des salaires, tandis que les sentences basées sur des comparaisons de salaires par profession ou métier dans la fonction publique ont eu pour résultat de maintenir les rapports entre les catégories professionnelles et à l'intérieur de celles-ci. Les arbitres ont accepté les taux de salaires touchant la structure et les classes des conventions collectives existantes comme des ancres naturelles et les ont ajustés conformément au pourcentage moyen des augmentations de salaires annuelles de la catégories professionnelle à laquelle appartenait l'unité de négociation des employés en arbitrage. Les majorations des salaires par profession ou métier devinrent une norme de solution équitable et c'est la norme «d'équité préétablie» qui a influencé les arbitres de la fonction publique fédérale dans leurs décisions en matière de différends sur les traitements.