

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



PIPSC • IPFPC

***Submission to the House of Commons Standing
Committee on Finance regarding the 2018-19 Pre-
Budget Consultation***

August 2017

Introduction

The Professional Institute of the Public Service of Canada (PIPSC) represents approximately 55,000 public sector professionals across the country, most of them employed by the federal government. Our members make vital contributions to Canada and Canadians every day.

We are grateful for the opportunity to submit our comments in advance of the federal budget. We believe the budget should address the following priorities:

Invest in Tax Fairness

PIPSC represents approximately 12,000 auditors, audit managers, forensic accountants, economists, statisticians, actuaries, finance officers, commerce officers and other professionals employed by the CRA. These highly skilled individuals carry out complex and challenging responsibilities in order to ensure that all Canadians pay their fair share in taxes.

In past years, budget cuts and policy mistakes contributed to a tax system in need of major investment. The Trudeau government deserves credit for ending the targeted assaults by the previous Harper government on public interest charities. In 2016, it also committed to reinvesting \$444.4 million over the next 5 years in staff and structure at the Canada Revenue Agency (CRA), specifically to “crack down on tax evasion and combat tax avoidance.” A further \$529.9 million was added in 2017. These measures will go a long way to restoring public faith in the fairness and integrity of our tax system, ensuring federal programs are provided much-needed revenue, and that our members are well supported in serving these goals.

But sustaining these promised reinvestments over the coming years and ensuring they address longstanding concerns about tax fairness requires constant vigilance and encouragement by all Canadians, especially our members. Recent spending announcements have been welcome news but, even with this new infusion, spending and staffing are still well below levels established before sweeping cuts were made. Investment in investigation and enforcement more than pays for itself in increased public revenues. Doing so will ensure that public trust in a fair and impartial tax system is restored and maintained. We urge Parliament to advocate for sustained reinvestment in the staff and structure needed within CRA to recoup money owed from tax cheats

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Recommendations for Budget 2018/19

- Commit \$400 million, annually and ongoing, to enhance the CRA's ability to target tax haven abuse, corporate tax avoidance and evasion, and complex tax schemes.
- Consult with front-line workers and invest in the training, technology and infrastructure required to keep pace with tax cheats.
- Close tax loopholes and overhaul of Canada's tax and secrecy laws that currently allow tax evaders to use Canada to facilitate international tax evasion.

Withdraw Bill C-27

Bill C-27 is a deeply troubling piece of legislation that paves the way for employees of federally regulated employers to see their pension security eroded. It shifts the risks of providing for a secure retirement from employers to employees by permitting employers to seek to replace defined benefit pension (DB) plans with new target benefit pension plans. Bill C-27 would substantially expand the ability of federally regulated employers to offer target benefit pension plans, which provide a much lower level of security to members' pension income than that provided by defined benefit plans. Moreover, we worry that this legislation signals that the current government is also considering similar action with respect to the Public Service Superannuation Plan (PSSA), a move PIPSC would vehemently oppose.

PIPSC was pleased to see the government run on a campaign promise to support and grow the middle class. We applauded the decision to expand the Canada Pension Plan (CPP), a significant step towards helping younger workers build and save for their future. During the 2015 election we saw no mention of the possibility of the government introducing a bill such as C-27.

Target benefit plans made headlines in 2013-14, when the New Brunswick government passed laws to convert longstanding public sector defined benefit pension plans into target benefit plans. This conversion has resulted in significant pension reductions and decreased benefit security for New Brunswick government employees, including many PIPSC members who were affected by this legislation. Many New Brunswick plan members and retirees felt they were

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misled and misinformed about what plan conversion would mean for them. As a result, plan conversions in New Brunswick have resulted in class action lawsuits and constitutional challenges. Our union is in the process of challenging this legislation in the New Brunswick courts on behalf of our members.

Bill C-27 has the potential to fuel labour disputes. Employers have a large incentive to push workers to “surrender” the pension benefits they have already earned. In a lockout situation, workers may be pressured to agree to surrender their benefits and pension rights. The proposed legislation also appears to allow employers to introduce target benefit plans for new employees without obtaining their consent, once again paving the way to the eventual elimination of existing defined benefit plans as current employees retire or leave the workplace.

While many of the provisions of the proposed legislation are confusing, unclear or uncertain, the real difficulty with Bill C-27 is that it provides a path for federally regulated employers to move away from defined benefit pension plans to a less secure model of pension plan. When managed properly, DB plans have been proven to be highly sustainable. In addition, they represent a powerful recruitment tool that helps attract the highly skilled professionals federal employers need.

Recommendations for Budget 2018/19

- PIPSC recommends that the federal government withdraw Bill C-27 and create a legislative and economic environment in which defined benefit pension plans can actually thrive.

Restore Public Science

Our members make vital contributions to Canada and Canadians every day. They inspect the food we eat, the toys and products we use and the vaccines and medications we depend on; they issue weather forecasts, ensure transportation safety and respond to critical emergencies that threaten lives and the environment; they contribute to innovation by leading world-renowned discoveries and contributing to solutions to global problems such as climate change, pandemics, sustainable development and feeding a hungry planet.

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In December of 2016, PIPSC and the Treasury Board came to an agreement that enshrined principles of scientific integrity and anti-muzzling into collective agreements. This historic event will ensure that Canadians have the right to receive unbiased, evidenced-based scientific research from the federal public service, regardless of the governing party's political ideology.

While major strides have been made to improve scientific integrity over the last year, relatively little has been done to restore scientific capacity within federal departments that was so badly damaged over the last decade. Statistics Canada projects the total number of government employees engaged in science and technological activity is set to actually decrease in the 2017/18 fiscal year by 260 personnel.¹ Much of this decrease is in departments such as Natural Resources Canada and Environment and Climate Change, both of which project future drops in science personnel.

Aggravating this issue is the continuation of a trend to de-emphasize the importance of spending on internal capacity relative to resources devoted to grants for universities and non-government research institutions. In 2017-18 there is expected to be a decline in overall federal personnel engaged in R&D, while personnel engaged in the administration of extramural research programs are scheduled to increase.² Extramural research is important but it is also crucial that the federal government recognize the importance of carrying out basic research within departments and agencies, maintaining the expertise it currently possesses and nurturing future innovation in the sphere of public science.

Recommendations for Budget 2018/19

- Hire more scientists and researchers to replace the 1,500 federal scientists lost prior to 2015.

¹ Federal personnel engaged in science and technological activities, by major departments and agencies, Statistics Canada, Table 358-0166

² Federal personnel engaged in science and technological activities, by occupational category and major departments and agencies, Statistics Canada Table 358-0165

- Invest in government scientific capacity at federal departments and agencies – as opposed to only favouring non-government activities. A healthy Canadian scientific and research community depends on both.
- Conduct meaningful consultation with PIPSC’s scientific community in advance of the science infrastructure initiatives that will be carried out in the coming years.

Reduce Outsourcing, Increase Insourcing

Outsourcing is no way to deliver government services. The government only needs to look at a few recent, major IT projects to realize the scope of the problems outsourcing can cause. Spending alone on external professional and other services continues to grow despite the government’s commitment to reduce it. In 2014, the federal government spent approximately \$9.5 billion³ on professional and other services. In 2018, this is estimated to rise to \$12 billion.⁴ Outsourcing then is not on the decline. What is on the rise are its spectacular failures – Phoenix, the E-mail Transformation Initiative and the Canada.ca website. Some of these projects will continue to be run outside the government for years to come.

Phoenix

The government’s beleaguered new pay system has affected tens of thousands of public servants who have been underpaid, overpaid or not paid at all. Why weren’t federal IT workers consulted on the implementation of Phoenix from the start? Worse, why was IBM allowed to use its own “test bed” – a staging area to catch system flaws before they’re deployed – and not the Government of Canada’s? Had the government’s own test bed and IT workers been used, we could have warned the government the system was programmed to fail.

³ Main Estimates 2014/15, available at <http://www.tbs-sct.gc.ca/ems-sgd/20132014/me-bpd/beso-dbacd-eng.asp>

⁴ Main Estimates 2017/18, available at <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/government-expenditure-plan-main-estimates/2017-18-budgetary-expenditures-standard-objects.html>

In recent months, PIPSC IT specialists have been asked to come to the rescue and help fix Phoenix. A team of PIPSC's CS members will be assembled, given targeted training and allowed to use their existing skills and experience to help fix these longstanding problems. This is both a victory for public service employees and common sense. The model should be applied more broadly.

E-mail System

A massive project to consolidate government e-mail accounts, contracted to tech giants Bell and CGI, is years behind schedule and untold millions of dollars over budget. In mid-2016 only 10% of e-mail boxes had migrated to the new system. In January 2017 this had risen only to 15%.⁵ The contract for the e-mail transformation expires in 2020. The project is sputtering at best.

Canada.ca

A project outsourced to Adobe to bring all government websites under one Canada.ca site is also overdue and over budget. According to one report, the original \$1.54-million contract had ballooned to \$9.4 million by the end of 2016.⁶ This does not include the millions departments have spent to migrate their existing web sites. While the recent news that the government is refocusing the initiative is welcome,⁷ its announcement is tantamount to an admission of the problems with outsourcing.

Services at Risk

Despite these spectacular failures the government remains keen on outsourcing. A Request for Information (the first step in any major contract) related to "Benefits Service Delivery" is currently listed on the Buy and Sell section of the government's website. This project is for process improvements and enabling technology for major government programs such as Employment Insurance, the Canada Pension Plan and Old Age Security. The potential for disaster if problems similar to Phoenix were ever experienced by these critical services should prompt the government to abandon the practice of routinely excluding its own IT employees from helping ensure such projects succeed.

⁵ <http://www.cbc.ca/news/politics/federal-government-email-bell-ssc-1.4129528> visited on July 13, 2017.

⁶ <http://www.cbc.ca/news/politics/canadaca-federal-website-delays-1.3893254> visited on July 13, 2017.

⁷ <http://www.cbc.ca/news/politics/federal-government-to-downsize-failing-canada-ca-project-1.4202563> visited July 13, 2017.

Recommendations for Budget 2018/19

1. Insource first! The government should create a task force with unions to reduce outsourcing, fix problems and build institutional knowledge within the Federal Public Service. The federal government makes up one of the largest IT enterprises in the country. It should listen to its employees' advice, trust their abilities and train them to address tomorrow's problems.
2. Reduce reliance on outside IT and other professional services to 2005-06 levels by 2019-20.

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