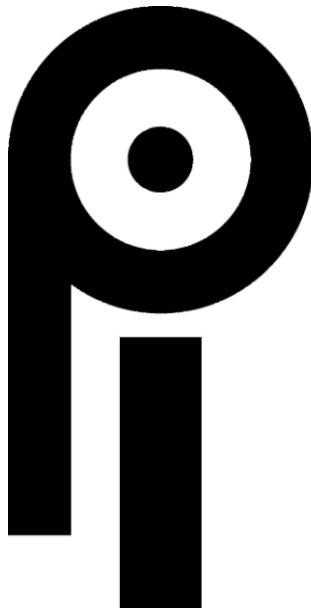


2016-17 Pre-Budget Consultation Submission



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

February-2016

Introduction

The Professional Institute of the Public Service of Canada (PIPSC) represents approximately 55,000 public sector scientists, auditors, IT experts and other professionals across the country, most of them employed by the federal government. We are grateful for the opportunity to submit our comments in advance of the federal budget. These comments are focussed on three broad areas of concern to our members: revitalizing public science, reining in wasteful outsourcing, and ensuring tax fairness.

Revitalizing Public Science

Our members are committed to helping the government realize the “real change” that the Prime Minister outlined in mandate letters to Ministers. But the public service also requires rebuilding after nearly 10 years of Harper government muzzling and cuts. This requires both new investment in vital program areas and advocacy to, for example, ensure scientists are indeed free to speak.

According to at least one pollster (Angus Reid¹), Canadians ranked the muzzling of federal scientists and pulling out of the Kyoto Accord as the two greatest failures of the previous Harper government.

A survey of federal scientists prepared in 2013 by Environics Research showed the extent to which government scientists felt they were restricted from speaking freely and how these conditions have negatively impacted the performance of their core function: delivering evidenced-based advice to guide policy decisions for the benefit and safety of all Canadians.²

Our members make vital contributions to Canada and Canadians every day. They:

- Inspect and approve the food we eat, the toys and products we use and the vaccines and medications we depend on.
- Issue weather forecasts and storm warnings, ensure transportation safety and respond to critical emergencies that threaten lives and the environment
- Contribute to solutions to global problems such as climate change, pandemics, sustainable development and feeding a hungry planet
- Lead world-renowned discoveries, including the first examples of computer animation, the cardiac pacemaker, medical isotopes, and anti-counterfeit hologram technology, which have spurred Canada’s innovative capacity and economic growth.

¹ The Harper Legacy, Angus Reid, October 30, 2015, <http://angusreid.org/the-harper-legacy/>

² *The Big Chill: Silencing Public Interest Science, A Survey*, PIPSC, 2013 and *Vanishing Science: The Disappearance of Canadian Public Interest Science*, PIPSC, 2014.

Federal government science has experienced a dramatic decline not only in funding but in staffing in recent years. For example,³

- The Canadian Food Inspection Agency (CFIA) lost 1,407 full-time staff positions (20% of its workforce) between 2012 and 2016. (More than 50% of the positions cut were from programs that mitigate risks to human health.)
- Agriculture and Agri-Food Canada (AAFC) shed 1,764 jobs between 2011 and 2015.
- The Department of Fisheries and Oceans (DFO) will soon have cut 30% of its Species at Risk staff for the period 2010-17.
- According to its most recent Plans and Priorities, Environment Canada will have cut 21% of its staff over the same period, including 338 employees from the climate change division.
- As of spring 2015, at least 1,116 jobs had been cut from Health Canada, and a further 349 from Natural Resources Canada.⁴
- The National Research Council of Canada, which underwent a dramatic change of mandate under the Harper government – starving it of needed funds for basic research and aligning its activities more closely with industry – has had over 800 positions cut since 2008.⁵

While one of the new Liberal government's first acts was to declare federal scientists once more free to speak to the media and public about their research, no new communications policies exist to clarify or codify this freedom and no complaint process exists within the public service allowing scientists to object to instances when this freedom is impinged or obstructed in the future.

Restoration of science in the federal government requires significant reinvestment in both staff and programs, and the appointment of a Chief Science Officer who, among other things, will be a strong advocate for scientific integrity within the public service. Together, we believe, these initiatives are necessary to both realize and reinforce the government's ongoing commitment to evidence-based public policy.

Recommendation for Budget 2016-17: Revitalize Public Science

- Reinvest in evidence-based decision-making by restoring funding to science-based departments.

³ Except where noted all data in this list is taken from *The State of Public Services and How to Fix Them*, Howie West, CCPA, January 19, 2016, https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2016/01/State_of_Federal_Public_Services.pdf

⁴Updated data supplied by PIPSC research staff.

⁵ Ibid.

- Adopt policies that ensure Canadian scientists are free to speak and have more opportunities to share their findings at conferences and elsewhere, both domestically and abroad.
- Appoint a Chief Science Officer to be a strong advocate for scientific integrity within the public service.

Reining in Wasteful Outsourcing and Preserving Professional Expertise

The contract between public employees and the federal government is breaking down as more and more services are outsourced for longer and longer periods of time. This is resulting in higher costs to Canadians, less transparency and accountability, fewer checks and balances, a loss of institutional knowledge, and the circumvention of federal employment standards of bilingualism, inclusiveness, and merit-based hiring.

We believe combatting outsourcing is an important issue in the public interest because:

- The federal government currently spends over \$10 billion a year on outsourced services, more than the budgets of Statistics Canada, Health Canada, Fisheries and Oceans, Environment Canada, the National Research Council of Canada, the Canadian Food Inspection Agency, the Public Health Agency of Canada, and the Canadian Nuclear Safety Commission combined⁶.
- No official (or at least public) estimate exists of the total number of outsourced federal government workers, who constitute what has been styled a “shadow public service.”
- Although generally understood to cover periods of short duration, nearly 1 in 5 outsourcing contracts are for periods longer than 52 weeks.
- A 2010 study by the Public Service Commission (PSC) provided compelling evidence that government managers are misusing outsourcing provisions and circumventing the hiring practices set out in the Public Service Employment Act (PSEA). The PSEA exists to ensure staffing in government agencies is guided by principles such as merit, integrity, transparency, regional and ethnic diversity, and bilingualism.
- A subsequent 2012 Auditor General’s report echoed these concerns, concluding, among other things, that government departments conduct very limited assessments of the benefits, costs and risks of contractor use.

⁶ Budgetary Expenditures (2015-16 Estimates).

- Outsourcing does not save money. The threats of ‘scope creep’ and ‘change fees’ are significant, hidden cost escalators in outsourcing contracts. Many contracts in the areas of management consulting, IT consulting, and temporary help services are revised at least once.
- Outsourcing projects, such as Shared Services Canada’s current \$400-million Bell-CGI consolidation of federal government email, run serious risks of lengthy delays, security lapses, and cost overruns. The Bell-CGI project, for example, is currently more than 18 months behind schedule. A recent audit of SSC outsourcing practices found that the most common missing documentation among the procurement files sampled had been confirmation that contractors met government security requirements.⁷ The most recent Auditor General’s report found SSC does not adequately measure, track or report on its costs, progress or savings related to its IT infrastructure transformation and the consolidation of government email.⁸

Contrary to current practice, outsourcing government services does not ensure Canadians get the best expertise available, when it’s needed, more efficiently, or at less cost. The best, most efficient and usually least expensive expertise for public services already exists within the public service and should remain there. Canadians deserve the highest standards of government expertise possible. They deserve public services that are second-to-none, accountable, secure, cost effective, and transparent. Federal public hiring processes ensure the best-qualified are hired and paid fairly and transparently. HR shortcuts – such as outsourcing – short change public employees, public services and Canadians.

Recommendation for Budget 2016-17: Rein in Wasteful Outsourcing and Preserve Professional Expertise

- Reduce reliance on outside IT and other professional services, in accordance with the promise previously made to reduce expenditures on outside consultants to 2005-06 levels.
- Reinvest in internal capacity and internal professional expertise to ensure the federal government doesn’t lose the ability to provide relevant services.
- Eliminate internal barriers that incentivize outsourcing such as internal hiring freezes and onerous staffing requirements.

⁷ “Snail mail? New federal government email system six months behind schedule,” Kathryn May, Ottawa Citizen, June 26, 2014 (<http://ottawacitizen.com/news/national/snail-mail-new-federal-government-email-system-six-months-behind-schedule>)

⁸ 2015 Fall Reports of the Auditor General of Canada, Report 4—Information Technology Shared Services (http://www.oag-bvg.gc.ca/internet/English/parl_oag_201602_04_e_41061.html)

Ensuring Tax Fairness

The integrity of the tax system should never be called into question. Yet that is exactly what has happened in recent years. Budget cuts and policy mistakes have contributed to an increasingly dysfunctional tax system. Restoring public faith in the fairness and integrity of our tax system demands not only ending the previous government's targeted assaults on public interest charities but investing in the staff and structure needed at the Canada Revenue Agency (CRA) to catch international tax cheats and provide much-needed revenue for federal government programs.

Canadians for Tax Fairness currently estimates the revenue lost from tax havens alone to be \$7.8 billion, and that close to \$199 billion of corporate Canadian money now sits in tax havens.⁹ The finance department's numbers show a ten-dollar return for every dollar invested in combating international tax evasion and aggressive tax avoidance.¹⁰ This means investment in ensuring a fairer tax system pays for itself.

In the five years between 2012 and 2017, the CRA will have cut over 4,000 positions and nearly \$1 billion from its annual budget.¹¹ These cuts have hindered the Agency's ability to properly investigate and reclaim lost revenue from tax cheats. Over 600 PIPSC positions have been affected, resulting in significant lost capacity to units such as Criminal Investigations, Special Enforcement, Offshore Tax Evasion and Aggressive Tax Planning.

Compounding this damage are questionable policy decisions and misguided restructuring efforts by the Harper government that continue to hamper efforts at ensuring all Canadians – and especially the wealthiest – pay their fair share of taxes. Restructuring efforts aimed at streamlining auditing processes and shifts in policy direction have resulted in reduced capacity, a loss of expertise and accusations that audits are increasingly politically motivated.

The end result is that less attention is being paid to the people trying the hardest to avoid taxes. A 2013 report prepared for Revenue Canada by Walker Consulting Group¹² suggests it's become more common

⁹ Canadians for Tax Fairness Presentation to the House of Commons Finance Committee. February 14, 2013, <http://tackletaxhavens.ca/sites/tackletaxhavens.ca/files/attach/brief%20to%20FINA%20on%20tax%20havens.pdf>

“Tax Havens: Canada's \$199 Billion Problem” Canadians for Tax Fairness, July 27, 2015, <http://www.taxfairness.ca/en/node/802>

¹⁰ *What is Wrong at the CRA? And How to Fix It*, Canadians for Tax Fairness, December 2015, <http://www.taxfairness.ca/en/news/what-wrong-cra-and-how-fix-it>

¹¹ Canada Revenue Agency Report on Plans and Priorities, 2011-2012 & 2015-16

¹² “Revenue agency too timid about big-time tax cheats: report,” Ottawa Citizen, July 2, 2014, <http://ottawacitizen.com/news/national/revenue-agency-too-timid-about-big-time-tax-cheats-report>

to target overt mistakes on small returns than it is to target big and complicated tax avoidance strategies.

Tax fairness, preservation of CRA's reputation for impartiality, and return on taxpayer investment should dictate the current government's course of action. That course should therefore be directed towards catching big-time tax cheats.

Recommendation for Budget 2016-17: Implement a Tax Fairness Strategy

We urge Parliament to advocate for reinvestment in the staff and structure needed within CRA to recoup unpaid taxes from international tax havens, restore public trust, and apply Canadian tax laws in a fair and impartial way. A recent report¹³ by Canadians for Tax Fairness recommended several ways to fix the CRA and ensure tax fairness, including:

- Boost Capacity
- Prioritize and prosecute
- Investigate complex cases
- Close Loopholes and Fix Laws
- Produce a Tax Gap Report, and
- Lead global efforts to tackle tax havens and reform corporate tax rules.

¹³ Ibid.