



Public Service Alliance of Canada  
Alliance de la Fonction publique du Canada

Submission by the  
Public Service Alliance of Canada  
to the  
House of Commons Standing Committee on Finance  
Pre-budget consultation  
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*The Public Service Alliance of Canada (PSAC) is the largest federal public sector union in Canada, representing more than 180,000 people from coast to coast to coast. While the majority of PSAC members work for the federal government and its agencies, PSAC also represents workers in the private sector, in territorial governments and in the broader public sector including universities.*

## **Executive Summary**

After years of eviscerating the public services that Canadians count on, the federal government should accelerate the restoration of federal public services started in the 2016-17 federal budget.

We recommend that the federal government

- continue increasing departmental budgets at the level started in the 2016-17 budget in order to provide needed public programs and services;
- be transparent about outsourcing and end the use of temporary staffing agencies
- eliminate PPP Canada Inc.;
- be transparent and consult with regard to changes in public service programs;
- establish new procedures for the implementation of new technology affecting the delivery of government programs;
- pursue equality measures including a national child care program and a new proactive pay equity law;
- move up the funds to support Indigenous peoples and infrastructure currently earmarked for the next mandate;
- increase corporate tax rates to provide the necessary revenue for government investment in public infrastructure and public programs and ensure profitable corporations pay their fair share.

## **Federal public services must be restored more quickly**

According to Treasury Board data as of March 2015, 25,318 positions had been cut from core public services and agencies since 2011.

The government has been acting on election campaign promises to restore a wide variety of federal public services. For example, Veterans' Affairs offices and Coast Guard stations are gradually re-opening but progress is slow.

While the 2015 federal budget front loaded increases to departmental operating expenditures over the first two years, they tend to flatten out over the next four years. The Parliamentary Budget Office called this an "effective freeze". At the end of the four years, direct program expenses will account for 5.9 per cent of GDP, the same as it was in 2014-15 under the Conservatives. As a result,

reversing the previous government's cuts will need to be made in upcoming budgets.

The Conservative cuts to the federal public service went deep and it will take a concerted effort to restore a strong, healthy and respected public service.

The next federal budget must include steps to reverse the cuts more quickly. Here are some examples.

- We still do not have enough food inspectors who work in programs that mitigate the risks to human health from animals, fruit and vegetables.
- The huge cuts at Environment Canada and Fisheries and Oceans must be reversed if the government is truly committed to environmental protection.
- There is a need for more permanent employees at Parks Canada, not just more student hiring to ensure proper access and maintenance of our national parks and historic sites.
- More resources are needed to process and help resettle immigrants and refugees.
- There are insufficient staff to proactively ensure that Canadians receive the tax and other benefits to which they are entitled.
- Staffing levels and in-person services for unemployed workers must be sufficient to reduce delays in processing claims.

## **The government needs to be transparent about outsourcing**

The government currently estimates that about \$10.9 billion is spent annually on professional and special services. Budget 2016's \$221 million annual reduction in professional services, travel and government advertising was a drop in the bucket.

Responses contained in Order Papers tabled in the House of Commons on the use of contractors in the federal government demonstrate that even the departments who prepare the contracts are unclear as to the extent and the use of contractors in the federal public service. For instance, in response to the question, "CRA conducted a search of its electronic procurement records for services contracts in the Corporate Administrative System as of October 19, 2015. This search identified 732 contracts. Although each contract represents at least one resource (employee), some of the contracts could involve more than one resource; however, the CRA system does not capture the number of resources involved with each contract." This kind of response was typical of most departments. It is unacceptable.

Canadians need a transparent and thorough review of the use of professional and special services, particularly temporary staffing agencies. The next federal budget is another opportunity for the government to reduce the use of these agencies. This alone would reduce overall costs and lift significant numbers of

people out of precarious work situations into more permanent employment – another positive step for the economy.

## **Public private partnership (P3s) are an unnecessary expense**

Budget 2016 included \$3.4 billion earmarked for crumbling federal assets, providing significant scope for the government to privatize ownership and operation of these assets.

Privatization and P3s are more expensive and not in the public interest. In 2014, Ontario's auditor general estimated that P3s cost Ontario \$8 billion more or \$1,600 for every Ontario household than if they had been publicly financed and operated. The Ontario Auditor General also found that there was no evidence or empirical data to support claims that Ontario's 74 P3 projects transferred large amounts of risk to the private sector.

The government does not need P3s. It has access to lower borrowing costs than any private corporation or consortium. The government was right to remove the requirement that all federally-funded infrastructure projects be considered for public private partnerships. The next step should be to eliminate PPP Canada Inc. all together.

## **Canadians need to know what is happening with government programs**

The government has said it is committed to eliminating poorly targeted and inefficient programs, wasteful spending, and ineffective and obsolete government initiatives.

Budget 2016 didn't address the process or criteria for identifying these programs, spending and initiatives. Nor did it identify what those programs are and why they are no longer in the public interest. There must be a transparent process identifying affected programs or spending. Federal public service unions must be given full information to assess the impact changes could have on services and the work of their members

## **Federal public service workers need to be protected as systems change**

Budget 2016 provided \$75.2 million over two years to support the replacement of departmental and agency human resources, information and management platforms with government-wide systems. We assume this means internet technology and software platforms that support these functions.

It is not clear to what extent this work will be outsourced to providers and what the cost implications will be. We are also concerned the initiatives could set the stage for very disruptive processes and increased job loss.

Our compensation advisor members and tens of thousands of federal public employees have already experienced the implementation of the new federal pay platform Phoenix. One of the hard lessons learned so far is that it was foolhardy to eliminate over 2,700 highly qualified compensation specialists before the new system was running satisfactorily.

The government needs to take the Phoenix disaster very seriously. Promises of savings thanks to the introduction of new technology and programs will turn out to be empty without the staff with the necessary skills, expertise and experience to make the systems work. The cost both to the government and to individuals of the disruption caused by inadequate program development and testing can more than outweigh any benefits.

## **Equality is good for the economy**

- **Child Care**

A recently released Department of Finance briefing note for the Liberal government explored the link between child care and their labour force participation. It shows that the participation rate of Canadian mothers in the labour market puts Canada in ninth place among other OECD countries.

With some exceptions, participation rates were lower in provinces with higher child care costs (Ontario, Newfoundland and Labrador, British Columbia and Alberta). Evidence from Quebec shows that lower child care costs have helped improve labour force participation.

The 2016 federal budget allocated \$500 million from the Social Infrastructure Fund for child care in 2017-2018; \$400 million to support child care initiatives of provinces and territories and \$100 million to child care and early learning in Indigenous communities. In order to use that funding effectively, PSAC supports the building of a publicly funded and managed child care system supported by an inclusive policy framework based on solid evidence and research.

- **Pay Equity**

One of the ways to address is the gender wage gap is through proactive pay equity legislation. While an established right under the *Canadian Human Rights Act* for almost 40 years, the current complaint-based model has been found to be highly adversarial, requiring legal expertise, requiring a considerable amount of time and resources to resolve complaints, frustrating the goal of the legislation.

On June 9, 2016 a special House of Commons Committee on Pay Equity recommended a new proactive law. The Liberal government has an opportunity to act on their recommendation without delay. A new law that puts a positive obligation on employers in the federal sector to take steps to eliminate discriminatory wage differences based on sex is not only fair but also provides economic benefits.

## **More must be done to reconcile with Indigenous peoples**

Indigenous peoples have survived generations of injustice and neglect, capped off by the Conservative government's programming cuts and a 2% cap on education funding since 1996 (leaving First Nations students \$20 billion behind provincially funded schools). This was all in addition to an inhumane housing and infrastructure deficit. In order to make a significant impact in the day-to-day lives of people living on reserve, the Liberal government must do far better than what was offered in the 2016 federal budget.

The 2016 budget allocated most of the funds for the first year of the government's *next* mandate. For example, First Nations education was earmarked for \$2.6 billion overall, but only \$1.15 billion of that will be available during this mandate. The remaining \$1.45 billion will only be available after the next federal election. These funds are needed now.

The level of funding itself is inadequate to finance the essential infrastructure that is so desperately needed in First Nations across the country. Indigenous Affairs and Northern Development Canada's own figures suggest that, at minimum, \$8 billion is needed to bring safe drinking water to the current number of households. The 2016 budget set aside a paltry \$618 million.

Funding must also be allocated for some of the real and important promises made during the 2015 election campaign – follow through on the [Calls to Action](#) from the Truth and Reconciliation Commission, implementation of the [UN Declaration on the Rights of Indigenous Peoples](#) and the pledge to implement full Aboriginal and treaty rights.

## **Proactive tax measures**

In order for the Liberal government to fulfill its many promises around restoring federal public services, it will need to make some serious decisions about how to generate more revenue. Canadians need to understand and acknowledge the relationship between the services and infrastructure they rely upon and the need for certain tax measures. We also need to ensure that everyone pays their fair share.

Corporate tax rates remain well below the combined 39 per cent tax rate in the United States, our largest trading partner. The Canadian Centre for Policy

Alternatives estimates that restoring the corporate tax rate to its pre-2006 rate of 19 per cent alone would raise \$6 billion a year.

The last budget outlined an investment \$444.4 million over five years for the Canada Revenue Agency to enhance its efforts to crack down on tax evasion and combat tax avoidance. The Canada Revenue Agency realized more than \$1-billion more than they anticipated by addressing tax evasion in 2014-2015. However, Canadians for Tax Fairness estimates that last year alone, corporations moved \$40-billion into off-shore tax havens, an increase of 17 per cent over 2014. Much more needs to be done.

The government not only must remain committed to this investment but should accelerate it as it is expected to yield at the very minimum an extra \$2.8 billion over five years.