



Canada Company: Many Ways to Serve

Submission Briefing Note
Pre-Budget Consultations
House of Commons
Standing Committee on Finance

August 12th 2011

**Sharing the Sacrifice:
Fair Compensation for Canada's Reservist Employers**



Recommendation

That the Standing Committee on Finance recognize the vital role and sacrifices our reservists and employers make to protect our values at home and abroad by recommending employer compensation policies that will:

- Be more equitable by distributing employee deployment costs across society rather than a small number of employers.
- Ensure a vibrant pool of reservists by improving reservist employment opportunities and working conditions.
- Ease reservist deployment and transition back to civilian life.
- Enable DND to make better personnel decisions and plan for the future.

Executive Summary

- Canada Company: Many Ways to Serve is a charitable, non-partisan organization that serves to build the bridge between business and community leaders and the Canadian Military.
- Reservists represent approximately 20% of our soldiers in the Afghanistan mission. They also assist with disasters like the Manitoba floods or special events like the Winter Olympics.
- Employers are a key link between the civilian life of a reservist and his or her military duties but must assume significant human resource costs to replace the deployed reservists. These costs are particularly challenging for smaller businesses.
- A 2010 CD Howe Institute study shows that federal/provincial job- laws created to protect the jobs of deployed reservist actually produce an unintended negative consequence of dissuading employers from hiring reservists.
- The 2011 Canadian Defence & Foreign Affairs Institute's *Canada's Citizen Soldiers: A Discussion Paper* authored by the Honourable David Pratt endorses the CD Howe Institute proposals and recommends employer support for Canada's Reservists.
- Canada Company is asking policy makers to implement a fair and effective employer financial assistance program. The submission incorporates the key learning of successful programs adopted in the United Kingdom and Australia.
- The proposed program would be fair for employers who face genuine and significant costs by more equitably distributing the costs of national defence, improve reservist employment opportunities and ease deployments and their transition back to civilian life and enable military planners to fully leverage the benefits of a vibrant pool of reservists.



Submission

This submission demonstrates how Canada can strengthen its pool of military reservists by adopting a reservist employer compensation program that reflects the true cost to employers and will strengthen the Department of National Defence's ability to implement the Canada First Defence Strategy.

Overview

Military reservists contribute to our peace security and prosperity and are an important and growing component of Canada's security at home and abroad.

To many around the world, the men and women of the Canadian Forces and Reserves are the face of Canada. Whether it's serving in peacekeeping or nation-rebuilding efforts or in conflict or combat zones, our troops and reserves are shoulder-to-shoulder with partners and allies, protecting, defending and helping where few others can, or will.

Canada Company

Canada Company: Many Ways to Serve is a charitable, non-partisan organization that serves to build the bridge between business and community leaders and the Canadian Military. Our goal is to ensure that the men and women in our Canadian Forces receive the widest support, care and recognition that they deserve for the important contributions they make to Canada and our communities.

Blake C. Goldring founded Canada Company in 2006 to bring business and community leaders across Canada together to support the Canadian military in the work they do at home and abroad. The organization has grown to over 300 members and has become an influential voice advocating for our troops and their families. Canada Company initiatives include:

- **Canada Company Scholarship Fund** and **Project Hero** which provide post-secondary scholarships for the Children of military parents killed while serving on an active mission with the Canadian Forces.
- **Camps For Kids of Deployed Soldiers** has provided unforgettable camp experiences for over 500 children with deployed parents.
- **Canadian Forces Employment Transition Program** roundtable held this past April to discuss ways of assisting Canadian Forces members who wish to transition to civilian employment. Canada Company is creating a "virtual" job exchange for CF members.
- **Tour de Force 2011:** a seven day bike tour challenge in September 2011 to raise money for children of fallen Canadian Forces personnel.



Canada's Reservists a Key Pillar of our Military

Canada has approximately 26,000 military reservists who support the work of 68,000 members of our regular armed forces. Reservist contributions cannot be understated as they represent approximately 20% of our soldiers in the Afghanistan mission.

A reservist is a friend, a neighbour or work colleague who is at the ready to drop the comforts of home and put their careers on hold, often exposing themselves to great danger, to promote our values within Canada and around the globe.

Our Canadian Forces assume key roles in domestic and international operations; be it providing fresh drinking water to those who have none, securing a perimeter for a new school or hospital, or simply allowing trust to develop where it has never flourished before. Reservists are more than reinforcements to enhance readiness in these operations. They are often specialists who bring linguistic and cultural diversity that augments what the Regular force currently has.

Reservists save institutional and overhead costs by allowing military planners to respond to increasing operational demands. They are also there to assist us when disaster strikes like the Manitoba floods or special events like the Winter Olympics which created an unprecedented demand for reservists.

Reservists and Employers: Vital Relationship

To meet our defence and security challenges the Canada First Defence Strategy (2009) forecasts the number of reservists to grow to 30,000 over the coming 20 years. The demographic age group of young men and women is expected to decline as a proportion of the total workforce, posing challenges for military recruiters and making the cooperation and support of civilian employers essential.

Reservists and employers both make sacrifices to ensure our security. Reservists must leave their families and assume personal risks for deployments that can last up to 18 months.

Employers are a key link between the civilian life of a reservist and his or her military duties with job-protection laws providing a reservist with the peace of mind that their job will be available when they return from their deployment. Employers must retrain new employees and assume significant human resource costs to replace the deployed reservists.

Government policies are necessary that recognize the sacrifices made by both reservists and their employers and strengthen a relationship that is vital to Canada's safety and security.



Threats to this Vital Relationship

A 2010 CD Howe study shows that federal/provincial job-laws created to protect the employment of deployed reservists actually produce an unintended negative consequence of dissuading employers –especially small business- from hiring reservists. Unless the system is changed, the employer pool will be eroded and will further increase pressure on our military to recruit and retain reservists

Although reservists provide excellent value to employers with their specialized skills including teamwork, managerial and communications acquired in training, the current system actually dissuades employers from hiring reservists, the end result is an even smaller pool of employers who must assume a disproportionate cost of reservist operations. These costs include:

- Recruiting and training a replacement
- Overtime costs to cover absences
- Productivity loss
- Retraining costs of returning reservists

These costs are particularly challenging for smaller businesses who find them more difficult to absorb within their operations.

Reservists are also affected by the current system, sometimes choosing not to deploy in deference to employer opposition, hiding their reservist status and finding fewer employment opportunities.

The 2011 Canadian Defence & Foreign Affairs Institute's *Canada's Citizen Soldiers: A Discussion Paper* authored by the Honourable David Pratt identified and examined the key issues facing the Canadian Army Reserve and its role as part of an effective and modern Canadian Military. The Paper specifically endorses the CD Howe Institute proposals and recommends employer support for Canada's Reservists.

"Those who serve their country as part-time soldiers, and those who employ them, should not be financially penalized for service that benefits all Canadians." –Pratt Report

Reservist and Employers: Strengthening this Vital Relationship

Canada Company is asking policy makers to implement a Canadian system of employer financial assistance.

The Canada Company proposal is based on the findings and recommendations of a recent CD Howe Institute study, *Supporting Employees who Deploy* that will not only provide fairness to



reservist employers who are assuming a disproportionate cost to maintain our reservist capacity, but if implemented will help enable Canada to meet the future needs of its military.

The CD Howe Institute proposes a hybrid system of employer compensation programs that incorporates the key learning of successful programs adopted in the United Kingdom and Australia.

Established in 2001, the Australian system provides one weekly stream of compensation for employers.

Established in 1997, the UK model provides three compensation categories: one to assist employers with the hiring costs of finding a new employee; a second to cover overtime costs as a consequence of the employee's absence, and a third to compensate employers for any retraining necessary.

While the Australian system is simpler and does not require the employer to release sensitive material, the amount of compensation is the same irrespective of the actual costs. The advantage of the United Kingdom system is that it attempts to tailor the size of benefits to actual costs incurred for such things as recruiting agency fees and advertising costs.

A Canadian Employer Compensation Program

The CD Howe Institute proposes a Canadian Employer Compensation Program that could be administered by the Department of National Defence allowing it to be coordinated with human resource and recruitment strategies. Alternatively, it could also be administered by Human Resources and Social Development Canada. Benefits would be based on compensation levels obtained from national employer payroll data. Firms with 100 or more employees would receive 40% annual salary sliding upwards to 80% for companies of 1-5 employees. The maximum annual claim would be \$47,200 per employee with a maximum period of 16 months for a claim.

The CD Howe Institute has modeled the costs on the latest employment and salary statistics for 25 year olds. It projects the program applying to the historical average of 60% of reservists who hold civilian positions in the work force. Through this model, it estimates that the program would have cost an average of \$ 16.5 million annually between the years of 2006-09, increasing slightly in 2010 as a result of the Winter Olympics in Vancouver and the G20 meetings in Toronto and then dropping to \$ 8 million in 2011. Going forward, costs can be estimated on anticipated future deployment levels. In the shorter term, based on the changing Afghanistan mission, costs would be consistent with the 2011 figures.

An Employer Compensation Program will enable Canadian employers and the Canadian Forces to work together to keep reservists engaged and to fully develop their potential.

The proposed program would be **fair** for employers who face genuine and significant costs by more equitably distributing the costs of national defence and would produce the following outcomes:



- **Cost-effective** for taxpayers, with an approach targeted to help smaller companies.
- **Modest** cost that will provide significant benefits for Canada.
- Improve reservist **employment opportunities** and **working conditions** and **ease transition** back to civilian life.
- Demonstrate Canada's support for Reservists and their families and a sign of support to all members of the Canadian Forces.
- More successful recruitment and retention will help ensure a vibrant pool of reservists and enable DND to make better personnel decisions and provide better options as it implements the Canada First Defence Strategy and plans for the future.

Recommendation to Government

That the Standing Committee on Finance recognize the vital role and sacrifices our reservists and employers make to protect our values at home and abroad by recommending employer compensation policies that will:

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