

## **The Professional Institute of the Public Service of Canada**

### **Responses**

#### **1. Economic Recovery and Growth**

*Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?*

After almost 5 years of reviews, budget freezes and spending reductions, it is essential that policy makers realize that cuts cannot be made in perpetuity without affecting valuable services -- services that facilitate trade, protect our environment, advance science, research and development and keep Canadians safe. Furthermore, despite the continued push to reduce government spending, parliament has yet to acknowledge wasteful outsourcing practices as a potential source of savings. Policy makers need to find savings in places that, to date, remain unexplored and reinvest in a weakened regulatory framework. It has become a perennial ritual for PIPSC to use this forum to draw attention to wasteful outsourcing practices – a practice that accounts for billions of federal dollars annually. This year is of particular significance because of the creation of Shared Services Canada. A number of troubling reports published in the past year suggest significant portions of this enterprise could be outsourced. When SSC matures it is expected to be the largest Information Technology enterprise in the country; it will hold a monopoly over federal IT service provision. If these essential services are guaranteed to be provided “in house”, Canadians would benefit from extensive internal expertise – which has already been paid for – as well as considerable economies of scale and the advantages of operating as a non-profit. The alternative is outsourcing to “profit-seeking” third parties. We ask that the government refrain from offloading responsibility, and to manage the resources internally. During the current period of austerity, all aspects of government spending have been reviewed. The federal government has opted to cut bodies that regulate areas such as banking, finance, health care, food safety, environmental assessment and safe transportation infrastructure. These programs not only generate a stable economic environment that nurtures growth but, more importantly, they help keep Canadians safe. Wasteful outsourcing policy is the last remaining “low hanging fruit” that has yet to be targeted. It’s time for the federal government to draw savings by reforming outsourcing policy and reinvest in a starved regulatory system.

#### **2. Job Creation**

*As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?*

Job creation in Canada should not begin with job loss. However, maintaining public service jobs at the Federal level is not only important for national and regional employment levels – the expertise of, and services provided by, federal public servants often play a critical role in the fostering of economic growth and job creation throughout the country. Effectively, reducing staff and the services provided by federal agencies is going to have a ripple effect on the economy. A recent study shows that planned federal government cuts will generate an indirect job loss of over 40,000 positions in the private sector, in addition to the planned 19,200 positions being cut from the Federal Public Service. Federal public

service professionals provide a number of services that are in fact critical to the functioning of the Canadian economy in the broader context of a troubled world. There are a number of examples of how the elimination of federal jobs and the programs that go with them will be felt by all Canadians. Deleting positions at the various economic development agencies (e.g. ACOA, FEDSO, WED) removes critical support for potential entrepreneurs and small business owners at a time when the Canadian economy needs innovation and new business enterprises in order to grow. A reduction in standards under the new Meat Inspection Regulations could have severe trade impacts as principal trading partners become wary of the increased likelihood of lower-quality products. By cutting the Federal Public Service, this government is also choking off key opportunities for job creation within Canada. In fact, research shows major job cuts at the federal level will have the opposite effect, leaving 60,000 fewer Canadians employed. In order to truly promote job creation, the Federal Government must invest in Canadian talent, and provide services that enhance opportunities for innovation and international trade. The Federal Government has already established a functional framework to foster job creation – the solution is to enhance it, not cut it back.

### **3. Demographic Change**

*What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?*

An aging Canadian population necessarily implies the growth of Canadian retirees. Accordingly, the biggest challenge facing the Canadian government will be that of reducing elderly poverty, and helping those who are critically short of adequate retirement income. Many studies have shown a strong negative correlation exists between publicly-funded pension scheme size and senior poverty rates. According to recent research by the Conference Board of Canada, the country within OECD member states with the lowest level of senior poverty (the Netherlands), also has one of the most comprehensive government pension policies. Ireland, on the other hand, held the highest senior poverty rate, and the least generous state pension provisions. Also, disincentives for employers to provide adequate pension plans to its employees will cause problems for our state-funded pension plans, since this will increase the take-up rate of programs designed for low-income seniors. Legislation should encourage the use of comprehensive, defined-benefit workplace pension plans, since this is the most effective tool for containing senior poverty and its associated costs. The alternative would be to implement mandatory increases to the CPP, since it would also result in a higher guaranteed level of income at retirement. The Public Service Pension Plan is a premiere example of DB pension plan success in Canada. The plan is jointly funded, and according to the latest actuarial report, is totally sustainable, with a modest surplus. The federal government should encourage other Canadian employers to follow suit – and thus reduce the future incidence of senior poverty and limit reliance on GIS/OAS programs to those who are truly vulnerable – for whom those programs were intended. A growing number of retirees will need an adequate form of stable retirement income for their entire post-retirement life (and for the spouses that may survive them) to insure our society against a rising level of elderly poverty and the consequences that come with it. Increased rates of senior poverty will inevitably lead to higher costs for other forms of social policy, such as health care.

### **4. Productivity**

*With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?*

As Canadian economic activity becomes increasingly knowledge-based, human capital, especially professional, scientific and research positions, provides the main source of innovation and gains in

productivity. Yet, Canada has fallen behind other OECD countries in its investment in public R&D, not only with recent budget cuts, but also due to the imbalance of resource allocation that favours academic and private institutions over government R&D. This trend has led to a reliance on outside research, not only limiting productivity, but also increasing the likelihood of acquiring biased research that serves private interests rather than the public good. According to the OECD's latest figures, Canada continues to fall behind OECD counterparts, spending only 0.2% of GDP in 2009 on government R&D activities. This is also far below the G7 average, which generally allocates about 0.26% of GDP to intramural government research activities. Canada has developed a bias towards investing in academic institutions and business enterprises, while neglecting the need for government intramural science and R&D. With the 2012 budget, the National Research Council has recently been refocused to favour business-oriented research. We are also seeing an increased shift to tax credits as a means of federal R&D support. Although there is preliminary evidence that tax credits stimulate R&D spending, other research suggests that much of that may not be incremental, insofar as large firms already engaged in R&D also apply for tax relief. Not only does the expansion of public-private partnerships and tax-credits not guarantee social spill-overs, but the increased reliance on outside research runs the risk of degrading Canadian innovative and business competencies and reducing internal productivity. Now more than ever, Canada is in need of public research to inform policy, enhance public services, and increase Canada's competitiveness and productivity.

## **5. Other Challenges**

*With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?*

The groups that face the most serious challenges moving forward are future generations and all those who benefit from conservative environmental stewardship. Budget 2012 marked a regression to policy that favours resource development at the expense of evidence-based decision making and conservation. Below is a list of programs that have been discontinued or affected in the last twelve months:

- Environmental Assessment
- Environment Canada (EC) Environmental Emergency Response
- EC Environmental Protection Operations
- EC Compliance Promotion
- Urban Wastewater Program
- Action Plan on Clean Water
- Sustainable Water Management Division
- Environmental Effects Monitoring Program
- Contaminated Sites Action Plan
- Chemicals Management Plan
- Polar Environment Atmospheric Research Laboratory
- Canadian Foundation for Climate and Atmospheric Sciences
- The National Round Table on the Environment and the Economy
- The Department of Fisheries and Oceans (DFO) Species-at-Risk Program
- DFO research related to Contaminants and Marine Toxicology
- DFO Habitat Management
- DFO Experimental Lake Area
- DFO St. Andrews Biological Station
- National Network on Environments and Women's Health
- Health Canada Pest Management Regulation

The list of combined accomplishments and contributions of these programs is long and distinguished. The common thread that runs throughout is a commitment to the principles of public science: safeguarding the public; protecting the planet; and ultimately helping to generate long-term prosperity. The risks associated with such sweeping changes may not be immediately visible but there is the potential for there to be severe consequences. What is guaranteed is that the federal government's capacity to generate and analyze evidence has been diminished – making future generation more vulnerable.