Pre-Budget Consultation - 2014

Professional Institute of the
Public Service of Canada
(PIPSC)

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The Professional Institute of the Public Service of Canada (PIPSC) was founded in 1920. With its 55,000 members, the Institute is the largest union in Canada representing scientists and professionals employed at the federal and some provincial and territorial levels of government. The Institute was founded to protect the interests of professional public employees and became a bargaining agent following the implementation of the *Public Service Staff Relations Act* (PSSRA) in 1967. On behalf of the women and men working as professionals in Canada`s federal public service, we offer the following recommendations:

1. ***Reinvest in Canada's internal capacity for science, technology, innovation, and fundamental research.***
2. ***Reduce the amount spent on external professional services by $2.5 billion per year, returning outsourced services to 2006-07 levels.***
3. ***Introduce comprehensive pension reform, not Band-Aid solutions.***

Science, Technology and Innovation for the Public Interest

Recommendation #1: Reinvest in Canada's internal capacity for science, technology, innovation, and fundamental research.

Public scientists and researchers use their skills and expertise to benefit all Canadians. Federal departments and agencies employ over 35,000 Canadians that are engaged in science and technology activities.[1] These scientists, technicians, researchers and engineers inspect and approve the food we eat, the toys and products we use, and the vaccines and medications we depend on. They issue weather forecasts and storm warnings, ensure transportation safety and respond to critical emergencies. Their research helps provide solutions to global problems such as climate change, pandemics, sustainable development and food security. Research at federal institutions has led to world-renowned discoveries, including the first examples of computer animation, the cardiac pacemaker, medical isotopes, and anti-counterfeit hologram technology, and has spurred Canada's innovative capacity and economic growth.

Despite the clear connection between investment in public R&D and productivity levels, Canada continues to cut funds from public science and research programs – spending far less than the OECD average on government R&D (0.16% of GDP vs. 0.28% of GDP).[2] Statistics Canada's *Federal Scientific Activities 2014/15* reports that science and technology expenditures by federal

[1] Statistics Canada. *Federal Scientific Activities, 2014/15*. Catalogue no. 88-204-X. http://www.statcan.gc.ca/pub/88-204-x/88-204-x2014001-eng.pdf

[2] Organisation for Economic Co-operation and Development (2013), Main Science and Technology Indicators, Vol. 2013/1. OECD Publishing. http://stats.oecd.org/Index.aspx?DataSetCode=MSTI_PUB

departments and agencies are expected to decline 5.4% in 2014/15.[3] This amounts to $588 million dollars to be cut from S&T spending this year alone. Federal departments anticipate a 2.8% decrease in full-time equivalent (FTE) positions engaged in science and technology activities from 2013/14[4] levels, amounting to 1,014 fewer FTEs in 2014/15.

Resources invested into R&D should be kept internally within federal science-based departments and agencies (SBDAs) in order to maintain a strong public science capacity. Government science plays a unique role that cannot be taken up by academic or private institutions, including independent inspections, unbiased investigations and long-term data-collection. The government is not only in the unique position to provide these services, but, unlike academic and private institutions, is uniquely accountable to the public through access to information legislation. Despite this important and unique role of internal government science, OECD's main science and technology indicators show that federal spending on R&D continues to shift away from internal spending, towards business enterprises.[5] Statistics Canada's *Federal Scientific Activities 2014/15*, reflects the ongoing shift away from spending on intramural government science, pointing to the further privatization of public science. Although both intramural and extramural expenditures show a steady decline over the past 5 years, intramural science is disproportionately affected, dropping 16.5% since 2010/11.[6]

Canadian scientists, researchers and engineers are already pointing to the ways in which cuts to Canada's SBDAs are negatively impacting federal scientific capacity and, in turn, the ability to serve the public interest. A comprehensive survey of federal scientists conducted by Environics Research Group concluded that over 9 out of 10 federal scientists (94%) feel recent cuts have had a negative impact on overall science capacity in the federal government. Even more distressing is that 9 out of 10 scientists (91%) say recent cuts are having or will have a detrimental impact on the government's ability to serve the public interest. Nearly 9 out of 10 scientists and researchers (87%) at the NRC believe recent changes are limiting or will limit fundamental or basic research, and nearly as many (86%) believe this will have a negative impact on research and development. More generally 80% of scientists at the NRC believe Canada has done a worse job of advancing the country's international standing in innovation and technology over the past 5 years. [7]

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[3] Statistics Canada. *Federal Scientific Activities, 2014/15*. Catalogue no. 88-204-X. http://www.statcan.gc.ca/pub/88-204-x/88-204-x2014001-eng.pdf

[4] Ibid.

[5] Organisation for Economic Co-operation and Development (2013), Main Science and Technology Indicators, Vol. 2013/1. OECD Publishing. http://stats.oecd.org/Index.aspx?DataSetCode=MSTI_PUB

[6] Statistics Canada. *Federal Scientific Activities, 2014/15*. Catalogue no. 88-204-X. http://www.statcan.gc.ca/pub/88-204-x/88-204-x2014001-eng.pdf

[7] The Professional Institute of the Public Service of Canada (2014), *Vanishing Science: The Disappearance of Canadian Public Interest Science.*http://www.pipsc.ca/portal/page/portal/website/issues/science/vanishingscience

Short-sighted cuts to Canada's SBDAs will have long-term effects on the ability to serve the public interest, including the ability to develop evidence-based policies and programs, protect the health and safety of Canadians and our environment, support innovation, increase competitiveness, and spur economic growth. Funding for public scientific capacity should be increased, kept internally, and allocated to support both applied and fundamental research.

For the reasons mentioned above, PIPSC offers the following fair and sensible remedy.

Reinvest in Canada's internal capacity for science, technology, innovation, and fundamental research.

Stop Wasteful Outsourcing

Recommendation #2: Reduce the amount spent on external professional services by $2.5 billion per year, returning outsourced services to 2006-07 levels.

Over the first seven years of this government's tenure, $67 billion has been spent on outsourcing services to private contractors. Since 2006 the annual total has risen by over $2 billion per year. After two years of modest declines, the estimates for 2014-15 show that expenditures for professional services are once again on the rise. Outsourcing is expensive, it makes government less accountable and it raises serious ethical and security-related concerns.

In recent months, the release of internal documents has highlighted the shortfalls of the current government's contracting policies. First, one year after awarding Bell and CGI a $400-million contract to lead the email transformation initiative, the preliminary phase of the project is already six months behind schedule. Second, a Shared Services Canada internal audit of professional services contracting provided some scathing criticism of SSC's handling of outsourced workers. Weaknesses highlighted in the report include: the prevalence of contractors displaying risk indicators of an employer-employee relationship; incomplete and scattered information about contractors; procurement files that are documented improperly; and a recurring problem of missing security confirmations.

Current contracting practices result in non-competitive relationships. A false perception exists that contracting out personnel is a competitive, efficient process that results in lower costs. In fact, while initial bids may be competitive, winning a contract generally becomes a "foot in the door" that allows costs and the duration of contracts to increase repeatedly. A report by the Canadian Centre for Policy Alternatives, *The Shadow Public Service*, shows the final tab paid by government ends up being equal to 350% of the initial bid firms make, on average.

Outsourcing may seem less expensive at first, but the costs increase over time. Private contractors must record a profit over and above the cost of providing the service, whereas internally provided services are supplied at cost. Outsourcing essential services results in a loss of expertise that can create a dependency on the contractor to maintain operational requirements. As government spending patterns already demonstrate, contracts start out competitive but grow less so as time goes on.

Current contracting practices also result in the loss of institutional knowledge. As time passes, government agencies lose their ability to provide certain services in-house, which creates a dependency on the private contractor. The institutional knowledge, and the associated intellectual property rights, are shifted away from the public sector and given to the contractor. This affords the contractor significant leverage in negotiating variances, extensions and new agreements.

Current contracting practices create accountability concerns. In many cases, private contractors are not subject to Access to Information and Privacy requests – making the public money channelled to the private sector significantly less accountable to the public than other government expenditures.

Current contracting practices create security concerns – specifically, uncertainty about who has access to what information. For example, if a contract is awarded to a U.S. company, can the U.S. government gain access to sensitive or personal information?

For the reasons mentioned above, PIPSC offers the following fair and sensible remedy.

Reduce the amount spent on external professional services by $2.5 billion per year, returning outsourced services to 2006-07 levels.

Fair Pensions for All Canadians

Recommendation #3: Comprehensive pension reform, not Band-Aid solutions

Canadians are not saving enough for retirement. Current figures show that about 35% of Canadian seniors rely on the Guaranteed Income Supplement (GIS) program to avoid living under the poverty line. In turn, GIS is perennially one of the most expensive federal programs. What Canadians need now is a fundamental shift in government policy that encourages more employers to establish pension plans for their employees, not proposals aimed at reducing income for certain groups of pensioners.

On April 24, 2014, the federal government announced the launch of consultations on a new federal framework for voluntary Target Benefit Plans (TBP). This proposed model would impact all federally registered employers and Crown corporations. The new framework is intended to give federally registered employers and Crown corporations the opportunity to sponsor a TBP if they are not already sponsoring a Registered Pension Plan for their employees or, as the case may be, to convert their sponsored defined contribution (DC) or a defined benefit (DB) pension plan into a Target Benefit Plan (TBP). PIPSC, as the voice of professionals in the public service, is unequivocally opposed to converting existing DB plans into such TBPs for the following reasons:

- **TBP is Unfair to Retirees:** Employers benefit unfairly from Target Benefit plans, while the negative impacts and risk are borne disproportionately by plan members.
- **TBP is a Virus not a Cure:** It gives employers an opportunity to renege on their existing financial obligations. By giving such a large group of employers a significant accommodation, the federal government is implicitly inviting similar requests from all Canadian employers and even financial institutions to renege on their financial obligations.
- **Defined Benefit plans are Sound, TBP is Unnecessary:** All DB plans will inevitably face deficits from time to time. Despite these temporal fluctuations, short, medium and long-term experience shows that, on average, pension funds reap a positive return on their investments.
- **TBP Sidesteps Meaningful Pension Reform:** There are better ways to address known weaknesses in Canada's pension landscape and enhance retirement security for all Canadians. The easiest way to address the weaknesses in our pension landscape is to enhance our CPP/QPP. The CPP is the main, if not the exclusive, reason for major drops in the GIS take-up. CPP expansion would further reduce poverty among Canadian seniors.

Reducing workplace benefits for large numbers of people will not help reduce the need for GIS, nor will it reduce the cost of providing it. To the contrary, the reduction of active members' and pensioners' benefits entailed by the conversion of a DB plan into a TB plan would unfairly and inappropriately exacerbate poverty among Canadian seniors.

For the reasons mentioned above, PIPSC offers the following fair and sensible remedy.

Comprehensive pension reform, not Band-Aid solutions:

- *The government should launch an extensive consultation process to discuss comprehensive pension reform, instead of proposing a band-aid solution such as TBPs.*
- *The government should prohibit contribution holidays and enhance the financial governance of DB plans.*
- *The government should implement policies aimed at encouraging employers to establish pension plans, including multi-employer pension plans for small employers.*
- *The government should acknowledge that Canadians would be better served by an expansion of the Canada Pension Plan, to which federal and provincial Finance Ministers agreed in June 2010.*