

Submission to the Standing Committee on Finance

Bill C-38

An Act to Implement Certain Provisions of the Budget

May 29, 2012

By Claude Poirier, spokesperson for the Professionals Serving Canadians Coalition which comprised the following unions:

**The Association of Canadian Financial Officers
The Association of Justice Counsel
The Canadian Association of Professional Employees
The Canadian Federal Pilots Association
The Professional Association of Foreign Service Officers
The Professional Institute of the Public Service of Canada**



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Preliminary remarks

Professionals Serving Canadians (PSC) is a coalition of six concerned public service unions representing more than 75,000 professionals employed by the federal government: the Canadian Association of Professional Employees (CAPE), the Association of Canadian Financial Officers (ACFO), the Association of Justice Counsel (AJC), the Canadian Federal Pilots Association (CFPA), the Professional Association of Foreign Service Officers (PAFSO) and the Professional Institute of the Public Service of Canada (PIPSC).

The Canadian Association of Professional Employees (CAPE) represents approximately 13,000 economists and social science services employees who advise the government on public policy, 1,000 translators, interpreters and terminologists who provide the bilingual face of the government, and 85 analysts and research assistants at the Library of Parliament.

The Association of Canadian Financial Officers (ACFO) represents more than 4,600 financial professionals in the federal public service and at NAV CANADA. The Association is the bargaining agent of the FI group. As a professional association, ACFO provides networking opportunities, promotes professional development and gives its members a voice on policy issues.

The Association of Justice Counsel is the bargaining agent for approximately 2,700 lawyers employed by the government of Canada, who work for the Department of Justice, the Public Prosecution Service of Canada, and provide in-house legal services to various federal agencies, tribunals and courts across the country.

The Canadian Federal Pilots Association (CFPA) is the bargaining agent representing the approximately 450 professional pilots whose activities include federal government aviation inspections, pilot flight testing, licensing, enforcement, certification of operators, aircraft certification flight testing, development of operating standards, Coast Guard helicopter operation, aviation accident investigation, safety analysis and promotion, and the design, monitoring and regulation of the air navigation system. CFPA members are employed by Transport Canada (including Canadian Coast Guard pilots), and the Transportation Safety Board.

The Professional Association of Foreign Service Officers (PAFSO) is the bargaining agent for Canada's Foreign Service, representing 1,800 active and

retired Foreign Service officers. In addition to negotiating the FS group contract, the Association is mandated to protect the status and standards of the Foreign Service and promote the effective functioning of Canada's diplomatic corps.

The Professional Institute of the Public Service of Canada (PIPSC) has 57,000 members. It is the largest union in Canada representing scientists and professionals employed at the federal and some provincial and territorial levels of government.

We wish to thank the Committee members for granting our request to appear before this committee in order that they might hear our concerns regarding the adoption of many of the measures contained in Bill C-38, *An Act to implement certain provisions of the budget tabled in Parliament on March 29, 2012, and other measures*.

SPENDING CUTS

A few figures to start

So far, 3,291 of the approximately 13,000 CAPE members in the EC occupational group have received a letter stating that they are among those affected by the budget cuts. The vast majority of them will therefore have to take part in the employee retention and lay-off process or opt to leave the public service.

Of the 2,400 CAPE members in the EC group at Statistics Canada, 1,293 have received an affected employee letter and 322 already know that their positions will be abolished. Therefore, two out of three economists or analysts working for Statistics Canada are affected by the budget restraint measures.

On April 30, 95 federal lawyers working for the Department of Justice received notice letters pursuant to the Workforce Adjustment Directive. These affected AJC members work within the Aboriginal Affairs Portfolio, Legislative Services Branch, Management Sector and Business and Regulatory Law Portfolio.

Since the federal budget was tabled, 2,949 members of PIPSC working for federal departments and agencies have received letters notifying them that their positions are among those affected. Some of the heaviest concentrations of these affected letters were issued in the following departments and agencies:

349 at the Canadian Food Inspection Agency, 384 at the Department of National Defence, and 455 at Statistics Canada.

CFPA members have not received a significant number of letters advising them that their positions are affected. The budget, nevertheless, has had a significant impact on the members of CFPA, in that the operating budgets have been significantly reduced – a \$62 million dollar reduction at Transport Canada means, among other things, that the organization is unable to staff some positions, as the salary dollars are serving to fund operations. There are also significant challenges regarding the funding of the oversight program. Furthermore, the reduction of department aircraft resources, including selling aircraft, closing the Edmonton Aircraft Services Base will directly and negatively impact program delivery.

All public service workers understand the cold hard reality behind these raw data: that these so-called affected employees, hired at the conclusion of rigorous selection processes in which they had to demonstrate their qualifications, expertise and competencies, will now have to start over again and compete against the very people they have been working side by side with for months or even years.

We would understand the urgency of making staff cuts if Canada were in a disastrous financial situation, but many economists feel, and recent data from the government itself indicate, that the deficit will be reduced quickly with the addition of new revenue streams. Many of these cutbacks don't make sense economically, but are being made strictly for ideological reasons.

Contrary to the government's assertion that Budget 2012 targets the "back office", the majority of cuts will inevitably impact direct services to Canadians, undermining their economic prosperity, safety, and security. For example, even as we are told that government is prioritizing the expansion of Canadian business abroad, they have closed seven of 12 regional offices inside Canada which help prepare local companies to invade international markets. This is not the "back office": these are the front lines of generating economic value for Canada.

We could support the government if it were possible to believe that putting public servants out of work is the only way to kick-start the economy. Since the budget was tabled in the Commons, however, several economists and organizations such as CAPE have predicted that spending cuts in the public sector will lead to

substantial job losses in the private sector.

On April 3, CAPE revealed that its analysis of an economic model developed by Statistics Canada predicted that the loss of 19,200 jobs in the public service would put as many as 40,000 Canadians out of work across the country – people such as cooks, hair stylists, taxi drivers, travel agents, retail salespersons and even nurses.

The budget cuts in the public service will have repercussions in the private sector at a time when Canada needs to create jobs, not eliminate them. Here is how each region of the country will be affected:

- Ontario: 26,155 total jobs lost, including 18,199 in the private sector;
- Quebec: 13,299 total jobs lost, including 9,314 in the private sector;
- Western Canada: 7,538 total jobs lost, including 4,886 in the private sector;
- Atlantic Canada (including Newfoundland): 6,758 total jobs lost, including 4,286 in the private sector; and
- British Columbia: 5,869 jobs lost, including 4,009 in the private sector.

The day after these figures were published, the Minister of Finance ridiculed them in the House of Commons, making reference to a study released by “something called the Canadian Association of Professional Employees.” For the Minister’s enlightenment, we would point out that this “something” represents the vast majority of the economists employed by his department. In addition to insulting his own employees, the Minister demonstrated his ignorance of what goes on in his own house.

If CAPE had been alone in presenting such data, we would have understood the Minister’s irritation. But the Parliamentary Budget Officer has since stated that the federal spending cuts, combined with those announced by the provinces, will lead to the loss of 108,000 jobs in Canada in 2015.

More recently, in a report that takes into account the austerity measures stemming from the government’s strategic review initiatives since 2007 as well as the 2012 budget cuts, the Canadian Centre for Policy Alternatives places the total number of federal public service job losses over the next three years at 29,600 once the cuts from the 2012 budget have been fully implemented. The report also notes that a significant number of private sector jobs will also be lost.

While ministers Flaherty, Clement and Baird have been merciless in their constant criticism of these reports, repeatedly noting that the purpose of these government measures is to ensure economic prosperity and boost job creation, they have cited no figures in support of their arguments. The CAPE analysis, however, was prepared using a Statistics Canada model that many federal departments and companies in the private sector frequently employ to predict the impact of major economic decisions on jobs and gross domestic product.

Looking beyond the figures

We apologize for throwing so many figures at you, but CAPE members are the very people whose job it is to analyse and interpret such figures, and it is important to them that they not go unmentioned. But beyond the figures themselves, we are concerned about the issue of reduced services to Canadians. On this subject, the line of rhetoric adopted by the government is that the spending cuts will make it possible to do more with less and to improve service and reduce waste by making greater use of available technologies; however, no examples are given or data cited in support of this argument.

Among other things, the following facts have come to light since the government tabled its budget:

- The National Council of Welfare is being eliminated. The role of this important organization was to advise the government on its strategy to fight poverty. However, the recent visit to Canada by the United Nations Special Rapporteur on the Right to Food reminded us that poverty has not been eradicated from this country, no matter what Minister Kenney might think;
- The National Round Table on the Environment and the Economy is being abolished. An agency created by the Conservatives to advise the government on ideas to reconcile economic development and the environment, has been sacrificed on the ideological altar and was falsely accused by Minister Baird of having promoted a carbon emissions tax. This move has been denounced not just by Canadians, but by many of our international partners. And at the same time, the Climate Change Secretariat at the Department of Foreign Affairs and International Trade has been eliminated, and its employees made surplus;
- It has been announced that Human Resources and Skills Development Canada's departmental libraries will be closing. The disappearance of this

tool supporting the analysis of job market trends will add to the difficulty of informed decision-making in this field;

- New employment insurance eligibility rules are being brought in that could force unemployed workers to accept jobs outside their skill sets or in other regions. There is a real concern that this action, combined with the decision to authorize employers to pay some foreign workers as much as 15% less than the minimum wage, will exert downward pressure on the salary levels of all Canadians;
- Changes are being made in the rules surrounding the slaughter of animals outside of slaughter establishments, assigning to veterinarians in the private sector responsibilities for which they have not been trained. The budget cuts will lead to reductions in food inspection personnel, seemingly threatening the security of our food supply as well as Canadian producers' access to lucrative international markets. In fact, once these cost cutting measures are fully implemented, there will be fewer food inspection employees in the field than before the listeriosis crisis at Maple Leaf Foods in 2008, which resulted in the death of 23 Canadians;
- Whereas the International Civil Aviation Organization has predicted a 4% annual increase in North American air traffic, doubling the volume of air traffic in North America by 2025, the government's budget will reduce the number aviation safety inspectors and the resources they need to perform their work. The Auditor General of Canada's 2012 report was clear that Transport Canada continued to fall short of its aviation company inspection targets, "only two thirds of planned inspections have been carried out".
- The Department of National Defence will be closing the Deployment Health Section, which monitors the mental health of members of the Canadian Forces; one of the Deployment Health Section's key focus areas is suicide prevention. As in every case, the government has given its assurance that the work will now be done by other organizations, but those other organizations, specifically Statistics Canada in this instance, are also losing employees and resources;
- No fewer than 95 lawyers in the Aboriginal Affairs Portfolio, the Legislative Services Branch, the Management Sector, and the Business and Regulatory Law Portfolio of the Department of Justice are deemed "affected" under the WFA Directive. In describing these cuts, which the government has labelled

“efficiency savings,” the Association of Justice Counsel said it is an elimination of essential services provided by capable professionals who take the lead on complex litigation and save billions of taxpayer dollars;

- The budget cuts will also affect the Canadian Coast Guard’s search and rescue services. These staff cuts were announced just one week after we learned that recreational boaters off the coast of Newfoundland had to contact a medical call centre in Rome, Italy, because the Maritime Rescue Sub-Centre in St. John’s was closed and its medical calls were being routed to a private centre in Italy.

In the coming weeks and months, we expect to hear about more cuts that will have a negative impact on services to Canadians. The one thing this exercise has made clear is that disorganization reigns in several departments and agencies and that these organizations are unable to say what services or programs will be affected or abolished entirely as a result of the budget cuts. We are left with the impression that the budget restraint exercise was concocted to serve an ideological imperative, without first measuring the actual impact on the Canadian public and consulting outside the government only when it served a predetermined decision.

One thing is certain: following this round of cuts, the government will no longer have the same level of expertise at its disposal to support informed decision-making. Take the government’s environmental policy, for example. The government has openly admitted that it consulted the oil industry before developing its policy. So, if the government wishes to take into account the oil lobby’s thinking before it drafts its environmental policy, it needs analysts to perform due diligence and determine which of the oil industry’s views are fact-based and which only serve to protect the interests of big oil. Without this expertise, it will be impossible to determine what avenues are most beneficial to Canadians. Without the required expertise, necessary decisions will be based on impressions rather than facts, and this shift constitutes a danger to our society.

In addition, a very definite trend seems to be developing: the employer is eliminating jobs held by professionals and knowledge workers. What is the point of having people to provide advice if decisions are being made without taking into account the unbiased advice and opinions of professionals? No thought has been given to what impact the loss of expertise and institutional knowledge will have, or to the fact that what is being destroyed will eventually have to be rebuilt. And for those professionals who remain, cuts to administrative and IT support,

combined with the hollowing out of their operating budgets – including travel, training, and hospitality – will ensure they are not able to perform their jobs effectively.

Another area that will be weakened by these budget cuts is program spending. Analysts in the public service audit these expenditures, provide options to decision makers and analyse the costs and benefits of the various federal programs. By reducing its capacity to analyse public service programs, the government is opening itself up to the possibility of making decisions that will cause it to lose money.

A deficit of the government's own making

One thing that stands out in the wake of these budget cuts is the fact that the current deficit, which the government cites repeatedly as the reason why spending cuts are so essentially needed, is to a large extent of this government's own making. As the global economy teetered on the brink of a recession, the government of Canada deprived itself of billions of dollars of revenue, even though many economists consider increased public spending one of the best tools for countering recessionary pressures. Thus, the lowering of the goods and services tax (GST) first to 6% and then to 5% cost the government an estimated \$13.4 billion in annual tax revenue.

While Canadian corporations are at an historical high in terms of enhancing their balance sheet, many with large cash reserves, the Canadian corporate tax rate was reduced by another percentage point this past January 1, creating a further \$1.5 billion in lost revenue for the Government. The tax relief was given to the corporations with the understanding that they would use those savings to create jobs. However, according to a study published in January by the Canadian Labour Congress, these sums are going directly to the corporate coffers.

Budget cutbacks are being painted as inevitable in order to reduce the deficit, but they are really the result of bad fiscal decision-making. Ottawa is building new prisons even though the crime rate is declining steadily. Billions of dollars have been set aside to buy military aircraft and warships. The oil industry continues to receive billions in subsidies, and Canada's corporate taxes, which the government continues to cut, are among the lowest in the G-8. The 2012 budget is another brick in the wall this government is building to reduce services, shifting the burden of deficit fighting onto the shoulders of Canadian taxpayers. The consequences will continue to grow exponentially, and many Canadians will

discover that the services they took for granted have been sacrificed to fight a deficit that could have been avoided.

Regional consequences of the spending cuts

While the budget cuts could undermine the capacity of a professional and independent public service to support the government in its activities, they will also bridle economic growth, particularly in the regions.

Let us remind you of the regional data produced by the Statistics Canada model when we ran an analysis of the impact public service job cuts will have on the Canadian economy:

- Ontario: 18,199 private sector jobs lost;
- Quebec: 9,314 private sector jobs lost;
- Western Canada: 4,886 private sector jobs lost;
- Atlantic Canada (including Newfoundland): 4,286 jobs lost; and
- British Columbia: 4,009 private sector jobs lost.

A more detailed review of public and private sector job losses in selected provinces indicates clearly that some communities will be hit particularly hard. The job losses predicted by the model for the following Canadian provinces are:

- Newfoundland and Labrador: 875 total jobs lost, including 518 in the private sector;
- Prince Edward Island: 499 total jobs lost, including 315 in the private sector;
- Nova Scotia: 3,469 total jobs lost, including 2,284 in the private sector;
- New Brunswick: 1,915 total jobs lost, including 1,169 in the private sector;
- Manitoba: 2,281 total jobs lost, including 1,457 in the private sector;
- Saskatchewan: 1,210 total jobs lost, including 753 in the private sector; and
- Alberta: 4,048 total jobs lost, including 2,675 in the private sector.

While some might argue that these figures are not high, trot them out in front of an audience of concerned citizens or business people in Charlottetown, Red Deer, Brandon, St. John's or Moncton and see what kind of a reaction you will get.

This is an example of the impact of the cuts in a small community. In Prince Edward Island (PEI) the federal government employs 5.3% of the provincial workforce. The federal government employs more people than any private company or institution in the province. The mean salary of the average government employee is well above that of the average Islander. Estimates generated using Statistics Canada's input-output model show that cuts announced in the 2012 budget could end up eliminating as many as 184 federal positions in PEI. Given the nature of the jobs (high-skill and high-wage) the overall employment effect will be even bigger -- resulting in as many as 315 additional positions being eliminated as the cuts ripple out to local businesses. The province could lose millions worth of economic activity.

Three quarters of CAPE's members work in the National Capital Region, and we believe that the regional impact of the budget cuts on our members is consistent with the impact in the NCR. However, other employee organizations have noted a disproportionately high number of affected letters received by their members in Canadian regions other than the National Capital.

As of May 3, in the Professional Institute of the Public Service of Canada, roughly 20% of the affected letters received were sent to members working in the regions: specifically, 204 in Atlantic Canada, 317 in the Prairies and 117 in British Columbia out of a total of 2,949 letters received.

On May 18, the Public Service Alliance of Canada stated that 13,000 of its members had received notices that their positions were affected by the cuts laid out in the 2012 budget. Of that number, 898 are in British Columbia, 1,689 in the Prairies, 117 in the North and 1,326 in Atlantic Canada. Combined, these figures for all regions outside of Quebec, Ontario and the National Capital Region represent 31% of the PSAC members who received affected letters.

By the end of the process, once the total number of eliminated positions has been compiled, it will be abundantly clear that the regions will have been hit hard, severely hampering their ability to participate in the economic recovery.

PENSIONS

Background

We would like to comment on the two changes to the public service pension plan (PSPP) proposed in the spring 2012 national budget.

The first change pertains to PSPP cost sharing, which will raise our members' share from 40% to 50%, with a corresponding drop in the employer's share. The second change is the increase from 60 to 65 in the normal pensionable age for post-2012 new hires.

The Treasury Board proposes that the change in cost sharing be implemented in 2013 and phased over a period of two, three or five years.

Our position is that the increase in cost sharing should not be implemented before 2014, as opposed to 2013 as proposed by the Treasury Board, to avoid that our members be subject to two "hits" in 2013, as the increase to a 40/60 cost sharing started in 2006 comes to an end in 2013. In addition, our position is that the increase in members' contribution rates should be implemented over a five-year period so as not to place undue financial hardship on our members.

With respect to the increase in the normal pensionable age, our position is that this will lead to a two-tiered membership.

Change from 40/60 to 50/50 in the PSPP cost sharing

This will generate PSPP cost savings to the employer, which will gradually amount to about 2% of payroll. We need to stress that the contribution increase borne by our members will not address whatsoever any eventual PSPP solvency issues. In fact, this change in cost sharing exclusively transfers a portion (10%) of the PSPP cost from the Employer to the members.

Further, how will any emerging PSPP surplus will be addressed under the new 50/50 cost sharing arrangement must be determined as soon as possible and implemented at the same time as the above changes. The public service bargaining agents will not tolerate another raid on surplus on the part of the government, as happened a decade ago.

According to the PSPP, surpluses are to be amortized over 15 years. Ideally therefore, any emerging surplus should entail a reduction in our members' and the employer's contribution rates over 15 years. Likewise, a deficit should be addressed through an increase in both members' and employer's contribution rates.

In addition, our position is that contribution holidays should be absolutely avoided under any circumstances because they cause inter-generational inequities.

Increase from 60 to 65 in the normal pensionable age for post-2012 new hires

Employer's savings resulting from the increase from 60 to 65 in the pensionable age for new post-2012 hires will start at a very low level but gradually increase over a period of about 30 years to about 5% of payroll.

The proposed change to 65 in the pensionable age for new post-2012 hires would create a two-tier situation, i.e. the new hires would in a sense be second-class citizens compared to our existing members.

The early retirement provision (more commonly known as the "age 55 and 30 years of service rule") is not addressed in the 2012 budget regarding of new post-2012 hires. This matter requires clarification and cannot be set aside for any length of time. To ensure fair and consistent treatment as much as possible for new post-2012 hires, we propose the status quo for current members and the implementation of a "rule of 90", i.e. age and service totalling at least 90, or at the very least a "age 60 and 30 years of service rule."

Recommendations

1. That Bargaining Agents be involved in the review of the relevant upcoming amendments to the PSPP.
2. That the change in cost sharing:
 - a. Start in 2014 or not before the current contribution increase has been completed;
 - b. Be implemented gradually over a period of at least five years.
3. That a proper determination be discussed and made as soon as possible of how emerging PSPP surplus will be addressed under the new 50/50 cost sharing arrangement.
4. That a "rule of 90" apply for new post-2012 hires.
5. That consideration be given, as an offset to the drastic measures imposed

by the government on the PSPP, to simultaneously make the following improvements:

- a. Increase in the Supplementary Death Benefit (SDB) benefits;
- b. Allow the splitting of RCA retirement benefits by enshrining them in the PSPP provisions; and
- c. Increase from two years to age 65 the Leave Without Pay Period granted to members in receipt of monthly disability benefits, thereby allowing them to accrue PSPP credits during the whole disability period.

THANKS

We would like to thank the Committee members for their invitation and for having listened to our observations and recommendations. If you have any questions or need some clarification, we are ready to answer your questions.

REFERENCES

Websites of the Coalition members:

- Association of Canadian Financial Officers : <http://www.acfo-acaf.com/>
- Canadian Association of Professional Employees : <http://www.acep-cape.ca>
- Association of Justice Counsel: <http://ajc-ajj.net/>
- Canadian Federal Pilots Association: <http://www.cfpa-apfc.ca>
- Professional Association of Foreign Service Officers: <http://pafso.com/>
- Professional Institute of the Public Service of Canada: <http://www.pipsc.ca>

- Professional Serving Canadians : www.securityeh.ca

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