by Iglika Ivanova **APRIL 2013** CANADIAN CENTRE

Reality Check on the Size of BC's Public Sector

SUMMARY

Spending cuts and staffing reductions have seriously weakened BC's public sector. Budget 2013 lays out further cuts of over 1,000 full-time public service jobs in 2013/14 alone. These cuts have been justified by appealing to a commonly held (but inaccurate) notion of an oversized public sector, claiming that reducing "overspending" is key to eliminating the deficit and can be done with little impact on much-valued programs and services.

This report examines trends in public sector employment and provincial government spending in BC, and finds that the numbers tell a very different story.

- BC has the smallest public sector of all provinces, when measured by the number of employees per 1,000 population. In 2011, there were 89.8 public sector employees per 1,000 people in BC, compared to 91.7 in Alberta and 99.6 in Ontario (which have the second and third smallest public sectors).
- Federal, provincial and municipal public sector employees accounted for 18 per cent of all BC workers in 2011, considerably less than the Canadian average of 21 per cent.
- While other provinces have reinvested in public services since the early 2000s, BC made cuts from 2001 to 2004 and again after the 2008 recession, leaving services unable to meet the needs of a growing population.
- Provincial government spending as a share of the economy (or GDP)
 has declined significantly and by 2011/12, BC was spending 2.3 per
 cent of GDP (or \$5 billion) per year less than we did in 2000/01. There
 is no evidence to support claims of government "overspending." The
 provincial deficit is caused by a revenue shortfall due to a decade of tax
 cuts followed by a slow economy.

Rounds of spending cuts and staffing reductions have starved BC's public service to the point where key programs have indeed been scaled back or dismantled. The consequences of cutting public sector jobs include:

- Reduced monitoring and protection of forests and water, allowing for more illegal logging and pollution;
- Larger class sizes and overcrowding in public and post-secondary institutions, reducing the quality of education;
- Less homecare and other services for seniors, leading to hardship for seniors and overcrowding in hospitals; and
- Less protection for vulnerable children in care, increasing the likelihood of abuse and neglect, as documented by the BC Representative for Children and Youth.

Overall, cuts have hit the most vulnerable in our society hardest, and contributed to a general shift away from paying for programs and services together, through taxes, and toward paying individually, through user fees or by purchasing education, seniors' care and other social services in the private market. A reinvestment in a strong public sector would not only improve quality of life for all British Columbians, but also reduce the economic and social costs associated with the high levels of poverty and inequality in our province.

INTRODUCTION

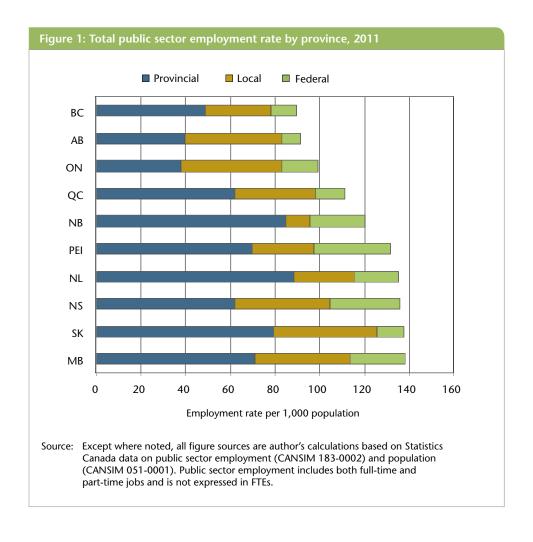
Whenever the BC provincial government has felt a fiscal pinch over the last decade, public sector jobs have been first on the chopping block. The recent BC Budget 2013, tabled in February, is no exception: plans to eliminate the provincial deficit rely on reductions in government jobs through attrition and a hiring freeze announced in September 2012, which is estimated to cut over 1,000 full-time public service jobs in 2013/14 alone, or one in every 25 jobs. Another 350 full time jobs are to be cut over the next two years, reducing the size of the public service by 5% overall by 2015.

The obsession with deficit-reduction has been used to justify cuts in services, contracting out and public sector layoffs, both in the early 2000s and after the 2008 recession, even though in both cases the deficits were not caused by overspending but by revenue shortfalls (driven by the slow economy and a series of tax cuts that eroded provincial revenues). In fact, government spending as a share of the economy (or GDP) is lower now than it was in the early 2000s, but BC is facing a fiscal crunch because provincial revenues have declined by more.

Cutting public sector programs and jobs may balance the budget in the short run, but in the long run, public sector cuts compromise the delivery of much-needed programs and services, and our government's regulatory capacity—our ability to protect the environment, to enforce our employment standards, to manage our forests.¹ This results in

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As documented in previous CCPA research, including David Fairey, Eroding Worker Protections: BC's New "Flexible" Employment Standards (2005) and Ben Parfitt, Axed: A Decade of Cuts to BC's Forest Service (2010).



lower economic security and increased hardship for marginalized British Columbians, and undermines quality of life for all of us.

The provincial government has been able to get away with cutting public sector jobs by appealing to a commonly held (but inaccurate) notion of an oversized public sector. Government layoffs and job cuts through attrition (especially retirement) have been described in official news releases as exercises in "trimming" and "streamlining" the public service when in reality job cuts and frozen budgets have resulted in the scaling back and dismantling of a number of social programs.

The notion of an oversized public sector in BC is pervasive, but the numbers on public sector employment tell a very different story. According to Statistics Canada, the public sector—federal, provincial and local combined—employed 410,895 British Columbians in 2011.² This is about 18% of all workers in BC, considerably less than the Canadian average of 21%. In reality, BC has the smallest public sector of all provinces when compared to the size of the population, as Figure 1 shows.

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Note that Statistics Canada's employment figures count jobs rather than full-time equivalents (FTEs) and as such they do not distinguish between part-time and full-time jobs.

2011 is the last year for which statistics are available, as Statistics Canada's public sector employment program, which used to measure and report on public sector employment and wages, was cut in 2012—ironically, a victim of the federal government's budget cuts (which also included public sector job cuts that will now be much harder to track).

In 2011, there were 89.8 public sector employees per 1,000 people in BC, slightly less than Alberta's 91.7 and Ontario's 99.6. The largest public sectors were those of Saskatchewan and Manitoba, with 138.0 and 138.4 per 1,000 people.

It is difficult to compare provincial government employment levels across Canada because provinces divide social service responsibilities differently between provincial and local governments. For example, Ontario and Alberta deliver more social services through municipal governments and therefore have smaller provincial employment rates and larger local government employment rates than other regions, like Atlantic Canada and here in BC, where most social services are delivered through the provincial government.

Despite the fact that much of social service delivery rests with the province in BC, we have one of the smallest provincial public sectors in Canada, with 48.8 employees per 1,000 British Columbians. Only Ontario and Alberta have smaller provincial-level public sectors, though they employ a lot more people at the local/municipal government level than BC does.

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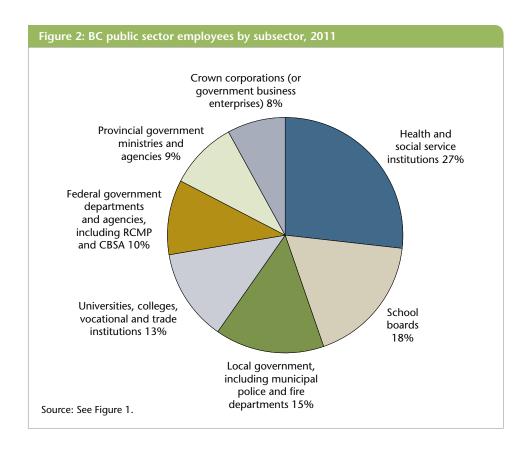
WHO ARE BC'S PUBLIC SECTOR WORKERS?

Public sector workers are a very diverse group that includes employees of ministries, departments and agencies of all three levels of government—federal, provincial and local—as well as all police, firefighters and military personnel, employees of Crown corporations (or government business enterprises), such as BC Hydro, BC Transit and ICBC, and all workers providing government-funded education, health and social services, including teachers, nurses, social workers and all employees in publicly funded colleges and universities.

Just over half of all public sector workers in BC are employed by the provincial government, and another third are local government employees (which includes teachers and other staff in public schools, as they work for local school boards). Only 1 in 8 public sector workers in BC are employed by the federal government (and this includes all RCMP and Border Services personnel).

Figure 2 shows where BC's public sector workers are employed.

About a quarter of all public sector workers (over 110,000 employees in 2011) provide health and social services to British Columbians. They are nurses and social workers, dietitians and hospital cleaners, physiotherapists, care aides in long-term (or residential) care facilities and outreach workers providing community care services. It is important to note that privatization and contracting out of public services have put working conditions, pay and benefits for many workers in public facilities in the hands of private-sector employers. For example, Bill 29, introduced in 2002, resulted in the mass layoff of thousands of



hospital support workers (mostly women, unionized through HEU), many of whom were subsequently rehired by private service providers with lower wages and limited benefits.³

The second largest group of public sector workers are employees of local school boards, mostly teachers but also educational assistants, librarians, school administrators, and maintenance and custodial staff. Local general government, which includes municipal police forces and fire departments, as well as city planners, engineers and community developers, employed 61,647 British Columbians in 2011.

What Statistics Canada refers to as "provincial general government" workers, those directly employed in provincial government ministries, departments and agencies (but not Crown corporations), make up only 9 per cent of all public sector employees or about 38,575 people. This group includes researchers, policy analysts, regulatory and enforcement staff in different ministries, professional foresters, engineers, forensic specialists employed in the Coroner's Office, and many others providing direct services such as correctional workers.

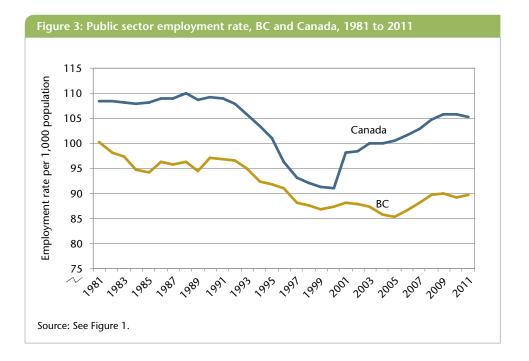
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³ The privatization of health care support services affected not just workers' incomes but also quality of care, as documented by Marc Lee and Marcy Cohen in *The Hidden Costs of Health Care Wage Cuts in BC* (CCPA–BC, 2005). Subsequently, the Supreme Court of Canada found Bill 29 in violation of the Charter of Rights and Freedoms (in June 2007) and health care workers who lost their jobs received some compensation from the provincial government.

BC'S SHRINKING PUBLIC SECTOR

BC has had a smaller public sector than the Canadian average during the entire 30-year period for which Statistics Canada data is available (1981 to 2011), and over most of that period, has ranked lowest of all provinces. Moreover, the gap has grown significantly since 2000, as shown in Figure 3. The public sector employment rate fell steeply in both BC and Canada during the 1990s, as governments in all jurisdictions cut spending in pursuit of deficit reduction. However, since 2000, the public sector employment rate has been slowly returning to its pre-deficit cutting levels in the rest of Canada, while public sector employment in BC has failed to keep pace. Our public sector employment rate continued to fall until 2005, and has only grown slowly since.

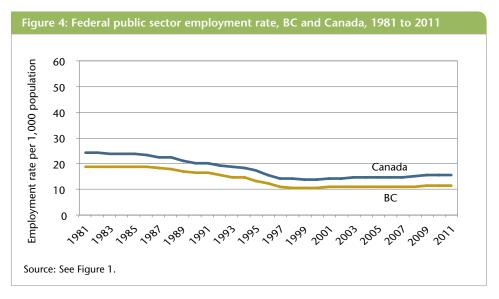
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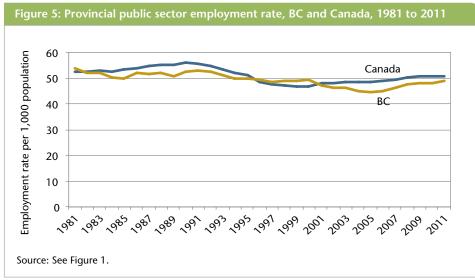


Figures 4, 5 and 6 show that most of the cuts in the broader public sector employment rate in BC between 1990 and 2005 were in federal and provincial government jobs, while the local government employment-population ratio remained relatively stable.

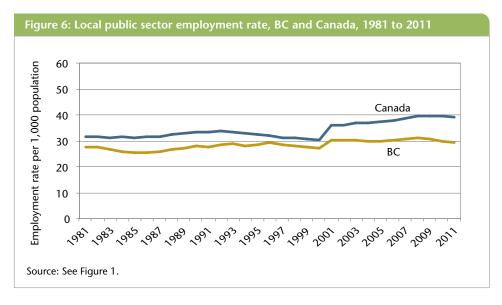
Over the 1990s, the federal government made deep spending cuts in order to eliminate budget deficits, which led to service provision being downloaded to provinces and the loss of many federal government jobs. Federal government employment per 1,000 population decreased almost by half both across the country and among federal government workers located in BC between 1990 and 1998. Since then, the federal government employment rate per population has remained relatively stable both in BC and in other provinces, as Figure 4 shows.⁴

⁴ Unfortunately, Statistics Canada's data on public sector employment ends with the first quarter of 2012 and does not capture the 19,000 federal public service job cuts (over 3 years) announced in the 2012 Federal Budget (through layoffs and attrition, total federal public service jobs in Canada are being cut by 4.8% between April 2012 and March 2015).





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BC provincial government employment patterns since 1990 differ considerably from the rest of Canada. During the 1990s, while many provinces were cutting provincial government jobs, BC maintained a relatively stable provincial government employment rate of 49 to 50 workers per 1,000 population. However, since the turn of the millennium, provincial government employment rates in the rest of the country have slowly recovered and stabilized at 49 workers per 1,000 population. In contrast, BC embarked on deep provincial jobs cuts between 2001 and 2005, in the name of eliminating the deficit (after tax cuts announced at the start of the new BC government's mandate in the summer of 2001, including a 25 per cent personal income tax cut, resulted in a large deficit). Despite increases in provincial government employment since then, we have yet to catch up to 1990s levels.

BC has fewer provincial public sector workers (relative to the size of the population) today than we did in the 1990s. While other provinces have reinvested in public services since the early 2000s, BC has made cuts and failed to keep up with the needs of a growing population. This is precisely why many public services seem overstretched or squeezed.

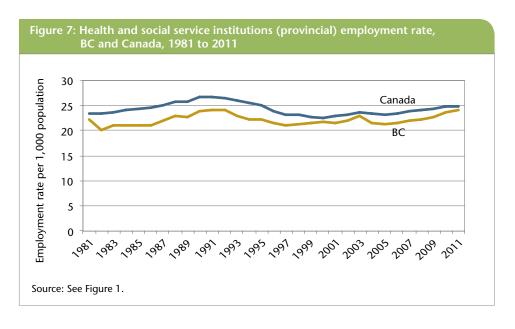
In contrast to provincial and federal public sector employment trends, local government employment rates have fully recovered from cuts during the deficit reduction era of the late 1990s, and are now higher than they were in 1981. But while local employment across Canada has grown significantly since 2000, the BC local government employment rate has seen little change over the past decade.

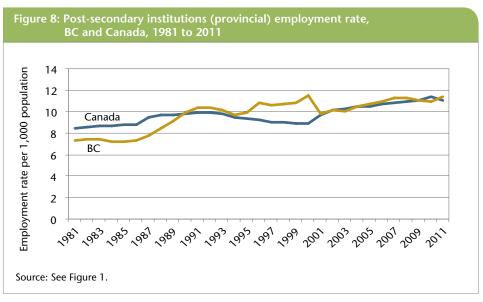
PUBLIC SECTOR EMPLOYMENT CHANGES BY SUBSECTOR

Public sector job losses have not been evenly distributed across government sectors. Figures 7, 8, 9 and 10 allow us to dig a little deeper and see which provincial and local government sectors have kept up with our growing population and which have not. Overall, many of the jobs cut since 2000 were concentrated in provincial employees working directly for ministries and agencies (what Statistics Canada calls "provincial general government") and those employed by local school boards, though deep job cuts were also experienced by institutions of higher learning as well as those providing health and social services between 2001 and 2005.

The modest provincial public sector employment rate increases since 2005 are largely due to job growth in BC's health and social service institutions and our post-secondary education system (Figures 7 and 8). However, post-secondary institutions have barely recouped employment rates from the late 1990s, despite a substantial increase in the number of "seats" in higher education programs. This explains why today's students find themselves in much larger classes than those who went to school in the 1990s. Staffing levels in BC's health and social service system, while growing, are also still lower than the Canadian average (per population).

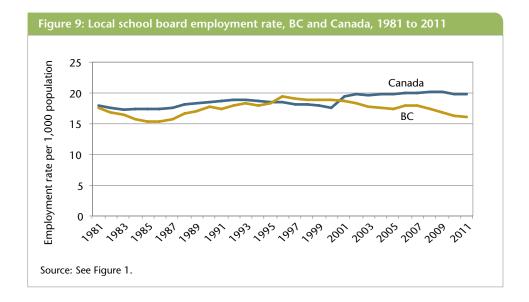
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In contrast, BC school boards' employment rate has been on a steady decline since the mid-1990s (Figure 9). These are mostly teachers' jobs, which helps to explain why so many BC children are in crowded classrooms, why there are fewer services and supports for children who need extra help to learn well, and why school libraries are being understaffed or closed.⁵ In 2010/11, the latest year for which data is available, BC ranks worst in Canada on student-educator ratio.⁶

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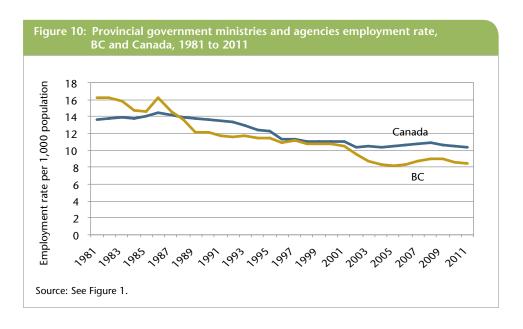


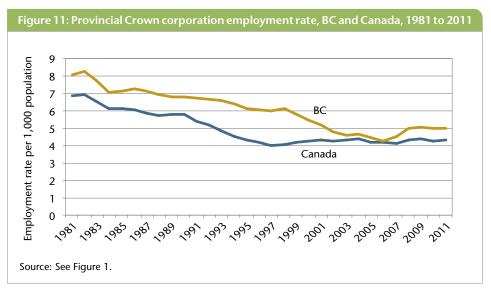
Public servants working directly in BC ministries and government agencies make up a very small share of total public sector employment. However, it is public administration, or "provincial general government" as Statistics Canada classifies it, that saw some of the largest declines over the last decade. Since 2000, BC's general government employment has shrunk, with a deep round of cuts between 2001 and 2005, and another round after the 2008 recession (Figure 10).

Crown corporations (which Statistics Canada calls "government business enterprises") in BC have also seen large employment losses, particularly since the late 1990s, as seen in Figure 11.

BC Ministry of Education data shows there was a reduction in teacher FTEs by close to 2,700 or 8 per cent between 2000/01 and 2011/12, much larger than the reduction in principals and other clerical staff. See John Malcolmson, CUPE BC Region K-12 Statistics Manual, version 2 (November 30, 2012).

⁶ Statistics Canada, Summary Elementary and Secondary School Indicators for Canada, the Provinces and Territories, 2006/07 to 2010/11, Table 13: Student-educator ratio in public elementary and secondary schools, Canada, provinces and territories, 2006/07 and 2010/11 (Statistics Canada 2013).



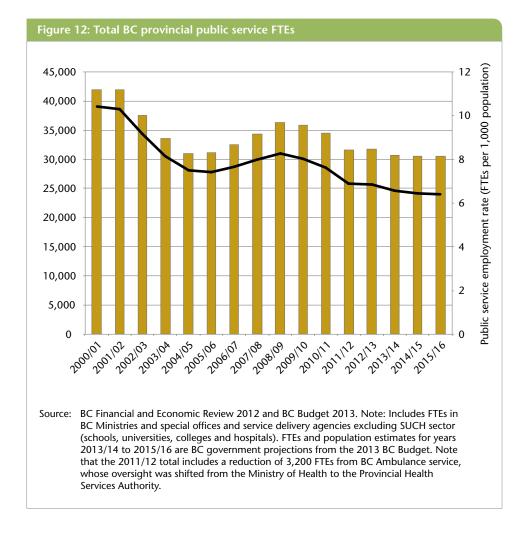


BC'S SHRINKING PUBLIC SERVICE

The BC government provides annual employment statistics for the provincial public service in full-time equivalent (FTE) positions in its provincial budget. The numbers paint a bleak picture of job cuts, which helps explain serious gaps in BC's regulatory and enforcement capacity to protect the public interest, be it through proactively enforcing employment standards, managing our forests or protecting our environment.

Total FTEs were cut by a quarter between 2000/01 and 2004/05 (from 42,029 to 31,074), and despite four consecutive years of large budget surpluses, the provincial public service had regained only about half of the jobs lost by 2008/09 when the recession hit. More job cuts were announced in September 2009 and January 2010 to meet the September 2009 BC Budget mandate of "savings in administrative and other discretionary spending." The 2013 BC Budget projects further cuts of 1,000 full-time public sector jobs over the next three years (mainly through attrition) to reduce the public service to 30,504 FTEs in 2015/16, fewer than after the deep cuts in 2004/05 despite considerable increases in BC's population since (the black line in Figure 12 shows the decline in FTEs per 1,000 BC residents).

The numbers paint a bleak picture of job cuts, which helps explain serious gaps in BC's regulatory and enforcement capacity to protect the public interest.



What these figures clearly show is that cuts in public sector jobs in the early 2000s were very deep and that BC has still not recovered from them. Despite the rhetoric of the government at the time, these cuts were not just "trimming the excess" and resulted in the scaling back or termination of many services that marginalized and vulnerable British Columbians relied on. These cuts had far-reaching impacts on legal aid, welfare, child protection services, programs that assisted victims of violence, programs that supported people with disabilities to live independently in the community, and the enforcement of employment standards. A number of CCPA studies at the time documented these cuts and the hardship they caused, in particular to the most vulnerable in our province.⁷

PUBLIC SECTOR JOB CUTS PART OF BIGGER PICTURE OF SHRINKING GOVERNMENT

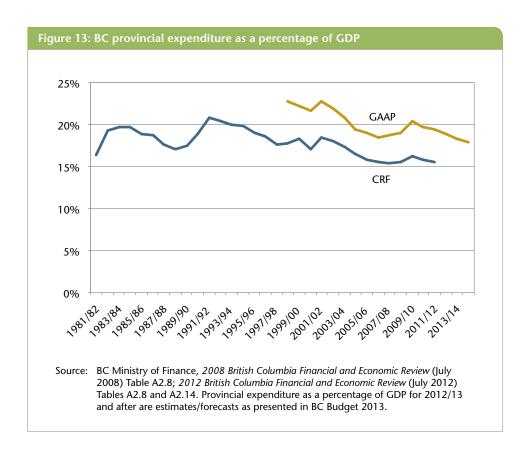
Another way to track how our provincial government is keeping up with the needs of a growing population (or failing to do so) is to examine provincial expenditure levels over time. There are several ways to measure provincial government expenditures, but the most common ones—the Consolidated Revenue Fund (CRF) and the operating statement under generally accepted accounting principles (GAAP)—document a significant decline in provincial spending as a share of the economy since the late 1990s.⁸

Contrary to the popular rhetoric, the BC NDP government of the 1990s largely followed the national trend of public sector spending cuts, as Figure 13 shows. Provincial spending as a percentage of GDP fell from over 20 per cent in the early 1990s to 18.3 per cent in 1999/2000 (measured by CRF, as the GAAP numbers do not extend that far back). The BC Liberal government elected in 2001 continued the trend of cuts in spending, with the exception of a small stimulus spending package in 2009/10. By 2011/12, consolidated revenue spending, which captures direct government expenditures, was down to 15.5 per cent. If the BC government today spent the same proportion of our economy on providing programs and services as it did in 2000/01, we'd be spending 1.6 per cent of GDP or \$3.5 billion more this year.

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⁷ See, for example: Marcy Cohen, Jeremy Tate and Jennifer Baumbusch, An Uncertain Future for Seniors: BC's Restructuring of Home and Community Care, 2001-2008 (CCPA–BC, 2009); Seth Klein and Jane Pulkingham, Living on Welfare in BC: Experiences of Longer-Term "Expected to Work" Recipients (CCPA–BC, 2008); Bruce Wallace, Seth Klein and Marge Reitsma-Street, Denied Assistance: Closing the Front Door on Welfare in BC (CCPA–BC, 2006); and Marc Lee, Stuart Murray and Ben Parfitt, BC's Regional Divide: How Tax and Spending Policies Affect BC Communities (CCPA–BC, 2005).

The Consolidated Revenue Fund (CRF) is BC government's main operating account, capturing annual receipts and outlays, or income and expenditures, and has been in use since BC entered Confederation. In 2004/05, the BC government introduced a new system of accounts, based on generally accepted accounting principles (GAAP) for governments, which includes the income and expenditures of public school, post-secondary institutions, hospitals and other social service delivery agencies (such as Community Living BC) and the net financial results for provincial Crown corporations. The BC government operating statements based on GAAP are available only back to 1998/99.



The results are even more striking when provincial spending is measured based on GAAP, which also captures the expenditures of public school, post-secondary institutions, hospitals and other social service delivery agencies (such as Community Living BC) and the net financial results for provincial Crown corporations (which is why they are higher than the CRF measure of government spending). BC's provincial expenditures under GAAP were 21.7 per cent of GDP in 2000/01, but this was cut to 19.4 per cent in 2011/12 and projected to decline further to 17.9 per cent by 2014/15. This represents a spending cut of 2.3 per cent of GDP (or \$5 billion) by 2011/12 alone and a further 1.5 per cent of GDP (or \$3.3 billion) by 2014/15.

CONCLUSION

The data presented in this report shows that BC's public sector has been fundamentally weakened over the last 20 years and particularly after 2000. We have increasingly shifted away from paying for much-needed programs and services together, through taxes, and toward paying individually, through user fees or by purchasing education, seniors' care and other social services in the private market. This has resulted in job losses in the public sector as well as in lower quality (under-resourced and overstretched) services, reduced access to social, educational and health programs, and higher out-of-pocket costs for BC families.

This has only increased affordability pressures on families, whose modest tax "savings" after a decade of tax cuts have been all but consumed by increased spending on services that used to be provided publicly. Vulnerable, low-income British Columbians have been the hardest hit (including seniors and people with disabilities who rely on community health and social services), but this shift has also reduced economic security for middle class families who increasingly find themselves having to pay school arts and sports fees, higher tuition and steeper fees for seniors' care.⁹

The reality is that BC's public sector cuts have compromised the provincial government's mandate to protect the public interest through oversight, regulation and enforcement, and its ability to deliver public services. Public sector jobs tend to pay family-supporting wages and provide decent benefits, and when they are replaced by lower-wage, no-benefit jobs through privatization and contracting out, many BC families find themselves with reduced incomes and considerably worse working conditions. This has had significant income and gender inequality implications. Women bear the brunt of public sector austerity both as workers (as they are overrepresented in many areas of the public sector, and enjoy better pay equity provisions than in the rest of the labour market), as users of services (women tend to have lower incomes and rely on public programs and services more than men), and as (typically) the primary care-givers in their families who take over caring for children, elderly and their sick family members when public services are scaled back.

BC's current fiscal challenges stem from a revenue problem, brought about by a decade of tax cuts followed by a slow economy, not from government overspending. It is time for BC to raise taxes and pool our resources together to make strategic public investments in our society by enhancing our public services and providing all British Columbians with the education, social services and supports they need to have a high quality of life and fully participate in and contribute to their communities. There is no shortage of options and the public support is there, as outlined in a recent CCPA–BC report *Progressive Tax Options for BC*. All that is needed is the political will to act.

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⁹ Refer to CCPA–BC's Economic Security Project studies, which documented the links between cuts in public sector jobs and services and increased hardship for BC families. www.policyalternatives.ca/ projects/economic-security-project

¹⁰ Iglika Ivanova and Seth Klein, *Progressive Tax Options for BC: Reform Ideas for Raising New Revenues and Enhancing Fairness* (CCPA–BC, 2013).



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