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The Cuts Behind the Curtain

How federal cutbacks will slash services and increase unemployment

David Macdonald

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Executive Summary

The federal government has embarked on three waves of cuts to federal programs, staff, and operations since coming into office in 2006. The first wave, the Strategic Reviews of 2007–10, totalled $1.82 billion in cuts, with a loss of 6,300 jobs by 2013–14. Like the tip of an iceberg, this was the part we could see — the part with some degree of transparency. Next came the $2-billion Personnel Budget Freeze, announced in 2010, followed by a $4-billion cut announced in 2011 — the Strategic and Operating Review.

In total, the federal government will be slashed by $7.82 billion as of 2014–15, when all the cuts will be in effect. More than 60,000 jobs are guaranteed to disappear somewhere in Canada.

Depending on the scenario the National Capital Region could be hit hard — losing over 22,000 positions — followed by Atlantic Canada with its already-high unemployment.

This report creates three scenarios to explore how the last two waves of cuts will play out, and shows they will affect not only the unemployment rate. The report suggests that these cuts will be hard on the most vulnerable: Aboriginal Peoples, low-income families and individuals, those already out of work — and the environment.

FIGURE 1 Summary Job Losses By 2014–15

	Federal public service job losses	Not-for-profit, Crown corporation and private sector job losses	Total job losses excluding 2007–10 Strategic Reviews	Total job losses including 2007–10 Strategic Reviews
Scenario 1 (staff layoffs)	51,200	10,800	62,000	68,300
Scenario 2 (transfer cuts)	0	53,800	53,800	60,100
Scenario 3 (mix of both)	25,500	28,600	54,100	60,400

Source Departmental Reports on Plans and Priorities and author's calculations. All job loss figures are by 2014–15.

A Backdoor Approach

Which jobs will go and how they will be spread between government, not-for-profit, Crown corporations, and the private sector depends on how the cuts are weighted, as will be explained in this report. But there's also another reason: As each wave gets bigger, the degree of transparency about what will be axed, and why, goes from bad to worse.

Even the Parliamentary Budget Officer was denied information on the Personnel Budget Freeze, as it was declared a "Cabinet Confidence."[1] And early signs show that the final cuts — the $4 billion — will be determined neither with public input nor by public servants, but by a private consulting firm.

This report calls the situation as it sees it: a purposeful and strategic lack of transparency. If you take away the staff or the transfer funds to support a program, it will weaken and may ultimately fold. Debates about its value won't have happened, or fights to save it — because the government didn't come clean with what was going on.

Counting the Jobs

The total count of the last two waves will be between 53,800 and 62,000.

In the first of the three scenarios to be discussed in this report, the entire $6 billion in remaining cuts comes through staff layoffs and associated reductions in office space expenditures. In the second, it is all cut from transfers to Crown corporations and not-for-profits (shifting job losses to them). Scenario 3 — closest to what will probably happen — depicts a balance between staff and transfer cuts, and also includes operational expenditures such as outsourcing.

As *Figure 1* shows, Scenario 1 is the worst for job loss — 68,300 including the 6,300 jobs cut during the 2007–10 Strategic Reviews (which are effective by 2013–14). This also includes the estimated 10,800 private sector jobs that would disappear because the government would need fewer janitors, building managers, and the like.

To provide some scope, if Scenario 1 happened all at one time, the unemployment rate in the National Capital Region would rise from its current 6.2% to 9.2%, and Atlantic Canada's would go from 9.9% to 10.4%.

Scenarios 2 and 3 see job losses that are distributed differently, but are still high in number — 60,100 and 60,400, respectively, after the 6,300 job cuts from the first wave are added in.

Who Stands to Lose

The 2007–10 Strategic Reviews are already forcing cutbacks in specific areas, and are now included in departmental plans. By looking at this first wave, and considering the relative values of transfers, one can paint a preliminary picture of what may come next:

Aboriginal Peoples: Stand to suffer cuts in areas including cultural programs and skills development, due to potential staffing cuts to departments such as Human Resources and Skills Development Canada (HRSDC) and cuts to transfers through Canadian Heritage. Health care and on-reserve housing may also decline further — even in the wake of the Attawapiskat crisis — due to cuts to Health Canada and the Canada Mortgage and Housing Corporation (CMHC).

Low income families, low income seniors, and the unemployed: Programs are generally off the table, with the significant exception of skills development. But staff cuts could make them harder to access, with interminable phone waits, closed regional offices, and more automation.

The environment: May be hit on many fronts, particularly job cuts to Fisheries and Oceans Canada, leading to less protection for endangered species; cuts to Environment Canada's transfers for more-sustainable food production; and fewer transfer funds for projects to reduce emissions or develop alternative energy.

Workplace safety and food safety: Inspectors' jobs have already seen disproportionate cuts, which may mean more are in the works. This despite Canada's still-vivid memory of the 2008 listeriosis outbreak.

Canada's international role: Transfers of aid to countries such as Haiti may prove a tempting target for cuts. So may support for international bodies such as United Nations Peacekeeping.

Who Stands Apart

Initial indications from the 2007–10 Strategic Reviews show two groups that survived those cuts intact. Both represent Conservative political priorities. Both, it is reasonable to assume, may also be protected in the final two waves. They are:

RCMP officers and military personnel: Public servants who support them were cut significantly in the first wave, but military personnel and RCMP officers themselves were largely spared.

The national security establishment: Correctional Service Canada, the Canadian Security Intelligence Service (CSIS), Canada Border Services Agency, Public Safety Canada, and the Department of Justice. As a whole, these have fared very well in the 2007–10 Strategic Reviews — Correctional Service Canada in particular. It plans to add 5,500 full-time employees between 2010–11 and 2013–14, while most departments are undergoing major layoffs.

A Call For Transparency

It remains an open question whether Canadians, if given the choice, would cut Aboriginal health care and housing to pay for more prisons, or cut safety inspectors in order to beef up border security. The government hasn't made efforts to give Canadians the choice.

Such large cuts and significant changes to federal programs deserve to be thoroughly examined and considered. They require debate, instead of being slipped through under cover. This report analyzes three scenarios of cuts as a way to stimulate discussion, even in the face of government opacity. It is also a call for transparency — before the last two waves of cuts are, irrevocably, made.

Background

IN SUCCESSIVE BUDGETS, the federal government has targeted government departments for cutbacks. For each of the four years of Strategic Reviews (2007 through 2010) departments had to submit plans to cut some of their programs. These plans were presented to Treasury Board for approval. In total, the Strategic Reviews cut $1.82 billion from the baseline estimates[2] between 2007 and 2010, removing any fat that may have existed in federal departments. Additional cuts could not help but hit core services.

The second wave of cuts — the Personnel Budget Freeze — was introduced in 2010 and made for a particularly tough year. Some departments, already cutting back due to the 2010 Strategic Review, now saw their personnel expenditures frozen at the same time. Wage increases, already negotiated, had to be met without a corresponding increase in funding. This required the departments to cut 1.5% a year in personnel costs, to maintain the freeze. The Personnel Budget Freeze is projected to cut $2 billion from the baseline by 2014–15[3] similar to the total cuts made in the four years of the Strategic Reviews (which will be fully in effect by 2013–14).

Finally, the 2011 federal budget announced a third wave of government-wide cuts, called the Strategic and Operational Review.[4] In August 2011, Deloitte Canada, the Canadian member firm of a U.K.-based multinational consulting company, was hired at $90,000 a day. Its job: to determine where to cut.[5] This latest wave of cuts is by far the largest — projected to slash an additional $4 billion a year from the baseline by 2014–15.

FIGURE 2 Cuts By Year ($Mil)

	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15
2007 Strategic Reviews	311	386	395	403	403	403
2008 Strategic Reviews	349	449	586	598	604	604
2009 Strategic Reviews		152	248	287	288	288
2010 Strategic Reviews			194	271	569	525
Total–Strategic Reviews	660	987	1,423	1,559	1,864	1,820
2010 Personnel Budget Freeze				1,800	1,800	2,000
2011 Strategic and Operating Review				1,000	2,000	4,000
Total–Freeze and S&O Review				2,800	3,800	6,000
Total–All Cuts	660	987	1,423	4,359	5,664	7,820

Source 2010 & 2011 Federal Budgets[6]

The 2010 Freeze and 2011 Strategic and Operating Review add up to $6 billion in cuts, over and above the strategic review cuts of $1.82 billion. In total, government departments are expected to cut $7.82 by 2014–15.

Unfortunately, as the cuts become larger they also become less transparent. The degree of openness about what is being cut, and why, has gone from bad to worse. The 2007–10 Strategic Reviews provide some information as to the value of cuts broken down by department, although the actual names of axed programs are not known. The Personnel Budget Freeze is purely internal to each department, with no global documentation of what is being cut. There may never be a thorough understanding of which programs have ended and why. Despite the size of the third wave, the Strategic and Operating Review, no details are available, to date, about what will be cut and why.

Figure 2 shows the extent of the cuts from all three waves, broken down by year.

A Closer Look

In the Personnel Budget Freeze, individual departments are given the job of cutting where they see fit to keep personnel expenditures flat. For the Strategic and Operating Review, each department is responsible for identifying where it wants to cut and must submit two plans annually for three years.

One plan would see 5% of operational expenditures cut and the other would see 10%. The Treasury Board will decide whether to take the 5% or the 10% plan or to ask for still deeper slashing. Input from Deloitte Canada will inform what departments submit and which cuts are finally chosen.

While the Conservatives have nominally left the actual cuts to individual departments, there are fairly strict constraints on where those cuts can happen. In the Personnel Budget Freeze, expenditures on salaries and benefits are frozen, which will cut approximately $2 billion a year from the baseline once fully ramped up. But money is fungible, and departments have been given discretion as to how to meet that target, besides the obvious layoff option. They can also cut back on other operational expenditures such as outsourcing and certain types of transfers.

The Strategic and Operating Review casts a somewhat larger net, although it is restricted to the operational budget. This restriction means that transfers to other levels of government — and, presumably, to First Nations bands — are effectively off the table. This is in contrast to the cuts made by Paul Martin's Liberals in the mid-1990s, which fell heavily on health and social transfers to the provinces.

Transfers *to individuals* are off the table as well. That means programs such as the Guaranteed Income Supplement that transfers money directly to low-income seniors will be protected. People may have longer delays and increased difficulty accessing these programs, though. And transfers *to organizations* through grants and contributions do fall under the cuts umbrella.

As such, the following areas appear to be on the table for both the Personnel Budget Freeze and the 2011 Strategic and Operating Review: salaries and benefits, professional services, transfers to organizations and Crown corporations, and miscellaneous operational items (e.g., maintenance, rent, utilities).

Operational Budgets: An Inside View

The largest single expense for any department is its salaries and benefits. For 2012, this expense comprises 43% of federal departments' operational budgets — in other words, 43% of the cuts umbrella. Next comes transfers, making up a quarter (26%) of the operational budgets. This 26% includes grants and contributions the federal government makes to non-profits. As noted earlier, transfers to other levels of government and to individuals are not included.

FIGURE 3 Breakdown of Operational Budgets ($Mil 2011–12)

	Salaries & benefits	Transfers	Professional services	Other
Total value	$35,972	$20,947	$9,066	$14,118
Percent of Total	43%	26%	11%	18%

Source 2011–12 Departmental Future-Oriented Financial Statements
Note Percentages are of the total operations budget, not of all federal government program expenditures. For instance, Salaries & benefits only make up 14% of all federal government program expenditures in 2011–12.

The third-largest category is professional services, making up just over a tenth (11%) of the cuts umbrella. This, in plain terms, means the outsourcing of work (e.g., to fill an IT job or manage a team). It has become more frequent, and thus increasingly expensive, over time.[7] In *Figure 3*, all other line items in the operational budgets are aggregated into the "Other" category, making up the remaining 18%. This catch-all category covers everything from office rent to building maintenance. It also includes expenditures on travel, conferences, and hospitality, which have been frozen since 2008.[8]

It should be noted that some departments charge user fees, which generate revenues of approximately $2.7 billion.[9] But the government could triple these user fees and still not have enough to cover the $6 billion slated for the last two waves of cuts. Also, user fees aren't universal. They only help particular departments. For instance, Citizenship and Immigration charges $476 million annually for immigration-related processes, and Parks Canada charges $111 million for entry into national parks. Even for these, ministers have only proposed increases at the rate of inflation — nowhere near the 200% increase that would be required to match the cuts.[10] Given their small role, user fees are not taken into account in this report.

Behind Closed Doors

The delegation to individual departments of where to cut has meant there is essentially no transparency as to what is being cut and why. The Parliamentary Budget Officer (PBO) has been critical of the government's lack of an implementation plan for the 2010 freeze.[11] The PBO was, in fact, unable to obtain information on the freeze because the government declared such information a "Cabinet confidence." The declaration of these cuts as essentially a state secret means that mid-level managers who don't have clearance must try to make rational decisions without adequate information. As

FIGURE 4 Federal Public Service Staffing Changes[13]

	2011–12	2012–13	2013–14	Staff change 2011–12 to 2013–14	Cut value ($mil)
Total full-time equivalents (FTEs)	374,900	370,900	368,600	-6,300	-723

Source 2011–12 Departmental Reports on Plans and Priorities (RPPs)

for the public — Canadians have no idea which federal services are being cut and by how much.

In fact, one of the only ways so far for Canadians to know which services have been cut is to count the lost jobs after they've been announced.[12] This flouts democratic scrutiny, and we may well see more of the same for the final wave of cuts — the $4 billion Strategic and Operating Review.

Piecing It Together

Despite the government's complete lack of transparency, it is possible to piece together parts of the overall picture. On the staffing front, departments publish annual Reports on Plans and Priorities (RPPs) that outline their three-year expenditure and staffing-level expectations. *Figure 4* summarizes the current departmental employment plans. Over the coming three years, the federal public service is planning to shed 6,300 full-time positions. This will reduce aggregate salary and benefit costs by $723 million annually by 2013–14.

Telling Apples From Oranges

Media stories often attribute these already-scheduled cuts (shown above) to the Personnel Budget Freeze or the Strategic and Operating Review.[14] But this is incorrect. These cuts come from the first wave (the 2007–10 Strategic Reviews), and include such factors as the wind-down of military activities in Afghanistan and the wrap-up of the 2011 Census.

Without more careful examination, staffing reductions may be incorrectly attributed. We may lose track of the real picture: the fact that no dent has yet been made in the final two waves, which will total $6 billion — no announcement, publication, or publicly accessible projection of where they will hit.

For a full exposition of how this report has determined that the staffing and spending implications of neither the Personnel Budget Freeze nor the Strategic and Operating Review have yet been included in departmental projections, see Appendix 2.

The Final $6 Billion: Three Scenarios of Cuts

ALTHOUGH THE FEDERAL government has not released details, some of the broad strokes are known and have been noted earlier in this report. The Personnel Budget Freeze is aimed at salaries and benefits, while the Strategic and Operating Review targets departmental operating budgets more broadly, including transfer funds for non-profits and crown corporations.

For this report, three scenarios have been created: one with all the cuts made to personnel, one with all the cuts made to transfers, and one — presumably closest to the truth — a mix of each. They show, in detail, what kinds of changes are on the horizon for Canadians, and show, in turn, the outer boundaries of what could happen.

All three scenarios were created with the following assumptions:

1. Cuts are proportional to size: Larger departments see larger reductions in absolute terms, but the percentage being cut is the same across the board. Proportional cuts also apply geographically; areas with a larger workforce take larger absolute cuts.

2. Some departments receive protection: Several have already done so under the 2007–10 Strategic Reviews, continuing to grow while other departments face cutbacks. Treasury Board President Tony Clement has suggested that this asymmetrical treatment will continue,[15] and all three scenarios assume the same. They assume that the following (all of which represent Conservative priorities) will not see staffing cuts due to either of the two final waves: RCMP officers, military personnel of National Defence and the Canadian Forces, Correctional Service Canada, the Canadian Security Intelligence Service (CSIS), Canada Border Services Agency, the Department of Justice, and Public Safety Canada.

3. All cuts come from departmental operations budgets or transfers: cuts are assumed to come from the operations budget (Personnel costs, Professional services, Other) as well as from transfers to organizations and crown corporations.

4. No departments are unduly targeted: All remaining departments are cut more heavily to make up for those whose protected status is noted above (Assumption 2). But none of these departments in particular will receive more cuts, proportionately, than others.

5. $6 billion remains to be cut from departmental estimates by 2014–15: As shown earlier, the 6,300 jobs lost in the 2007–10 Strategic Reviews predated both of the final two waves, and the $4 billion in Strategic and Operating Review cuts has not yet been included in departmental projections or estimates. In addition, all three scenarios — and this report as a whole — are informed by evidence showing that the $2 billion in Personnel Budget Freeze cuts has not yet been included in projections either. (For a full exposition, see Appendix 2.)

The scenarios that follow attempt to allocate the remaining $6 billion. Given the limited scope of what can be cut (i.e., operational and transfers only), the final breakdown will fall somewhere within the extremes that the first two scenarios provide.

Scenario 1: Taking It Out Against Staff

SCENARIO 1 ASSUMES that the entire cut value is taken out against personnel costs, with transfers remaining untouched. Given that plans prior to the 2010 budget already show staff numbers dropping, additional cuts would have to come out of existing staff. Scenario 1 assumes that operational expenditures related to staff — such as rent, utilities, and internal communications — decline proportionally: If staff is cut by 10%, such expenditures also decrease by 10%.

As noted earlier, Scenario 1 represents an extreme in that it is unlikely that the cuts will be focused entirely in one area. But it allows us to examine the worst case scenario for job losses.

As shown in Assumption 2, several departments are protected. But in the RCMP and in National Defence and the Canadian Forces, only officers and military personnel, respectively, are safe. Civilian staff are still eligible for cuts.

Given the significant number of staff positions that will be protected due to their importance to Conservative policy (in the departments listed in Assumption 2), the cumulative cut to unprotected departments is much higher. *Figure 5* lists the top 10 departments in terms of the number of full-time equivalent (FTE) cuts under Scenario 1.[16]

In total, affected departments would have to shave 22% from their personnel costs, amounting to a loss of 51,200 positions by 2014–15. This in addition to the 6,300 cuts already scheduled to take place by 2013–14 large-

FIGURE 5 Scenario 1, Top 10 Departmental Cuts

Department or organization	Staffing cuts (FTEs)	Salary and benefit cut value ($000)	Proportionate cuts in administrative costs (rent, etc.) ($000)	Total cut value[17] ($000)
Canada Revenue Agency	9,000	$691,938	$122,463	$814,401
National Defence and the Canadian Forces	5,900	$613,154	$180,822	$793,977
Human Resources and Skills Development Canada	4,700	$399,496	$69,408	$468,903
Public Works and Government Services Canada	3,300	$258,918	$231,273	$490,191
Foreign Affairs and International Trade Canada	3,000	$244,908	$101,944	$346,852
Fisheries and Oceans Canada	2,400	$218,110	$44,005	$262,115
Health Canada	2,200	$210,372	$64,237	$274,609
Royal Canadian Mounted Police	1,700	$182,802	$32,632	$215,434
Statistics Canada	1,600	$135,382	$37,210	$172,592
Canadian Food Inspection Agency	1,500	$130,554	$21,008	$151,562

Source Author's calculations

ly due to the Strategic Reviews of 2007–10 (see *Figure 3*). Under Scenario 1, with the 6,300 included, 57,500 federal government positions would be eliminated by 2014–15.

In addition, the Canadian economy would lose 10,700 private-sector jobs. This is because the proportionate drop in administrative expenditures on items such as rent and utilities would lead to job losses in the private sector. It brings the total — direct and indirect job loss — to 62,000.

Yesterday's Staff, Today's Population

A reduction of this size would be on the scale of the Martin cuts of the mid-1990s. Public service employment (excluding RCMP officers and military personnel) would drop by a fifth, down to 225,600 employees, a level not seen since 2000. (Public service staffing levels hovered around 250,000 from the 1970s through to 1994, when Martin started his cuts, so Scenario 1 would set a second low point in staffing levels since the 70s.)

To sum it up: The staff count would be similar to, or lower than, in the 1970s, but with 30% more Canadians to serve.

As a proportion of Canada's total employment figure, the public service would drop to 0.7% from the 1% level it saw in the 1980s.

The Departments: Blow By Blow

Canada Revenue Agency (CRA) tops the list in Scenario 1, with 9,000 jobs that would be lost. One of the largest employers in the federal government, CRA is actually estimating in its three-year projection that it will increase employment by 600 positions. This plan would be derailed in Scenario 1.

A closer look at CRA's staffing plan yields clues as to where additional cuts might hit hardest. Both Benefit programs and Taxpayer and Business Assistance programs are already sustaining staffing losses under the Strategic Reviews of 2007–10, and future cuts may mirror present ones. This would mean the services Canadians use to deal with any problems in receiving their benefits, or to get help with filing taxes, would be much harder to access.

The main benefit programs CRA administers are the Universal Child Care Benefit for families with children under age six, the Canada Child Tax Benefit (not restricted by child's age, but with an income ceiling), the Working Income Tax Benefit for working families and the GST/HST credit for people with low and modest incomes. Clearly, staff reductions in these programs would affect vulnerable Canadians. The impact could include interminable phone waits, closed regional offices, and more automation.

National Defence and the Canadian Forces (DND/CF) is by far the largest employer in the federal government, with a staff of 97,000 in 2011–12 including 69,000 military personnel. The civilian portion alone — 28,000 jobs — would make it one of the largest. And these jobs (unlike those of military personnel, as discussed earlier) are fair game for cuts.

Civilian DND/CF staff is already slated for significant cuts due to the Strategic Reviews of 2007–10. These, which will be implemented by 2013–14, total 2,000 — making up nearly one-third of the 6,300 jobs lost due to the reviews. The 5,900 job cuts envisioned in *Figure 5* would be on top of these. DND/CF's detailed reporting shows that the first 2,000 jobs cuts are evenly distributed; each division bears its own weight. This trend would presumably continue.

Human Resources and Skills Development Canada (HRSDC) is third on the list, and would face the loss of 4,700 positions by 2014–15 under Scenario 1. Pay levels at HRSDC are relatively low, so more jobs need to go to meet a given dollar target.

For the Strategic Reviews of 2007–10, cuts at HRSDC have targeted three sections: Social Development, Skills and Employment, and Labour Inspectors. The Social Development section is planning to cut 13% of its staff over the next three years (note again that these plans are prior to the final two waves of cuts and don't include them). This is the section that helps not-for-profit organizations to improve their communities. The Skills and Development section provides support for EI recipients. Cuts there are already making it very hard for desperate Canadians who have just lost their jobs to access EI, and increasing the wait times before the first cheque.[18] The third area that has pre-existing staff cutbacks are federal labour inspectors. This, despite rising injury rates for federal employers,[19] may be a target for further job cuts under Scenario 1.

Public Works and Government Services Canada (PWGSC) would see 3,300 positions lost under Scenario 1. PWGSC's Report on Plans and Priorities (RPP) predicts an increase of 300 positions over the next three years. This addition would be swamped by the cuts in Scenario 1. Unfortunately, this department's RPP provides little detail about staffing levels, so potential targets for future can't be determined.

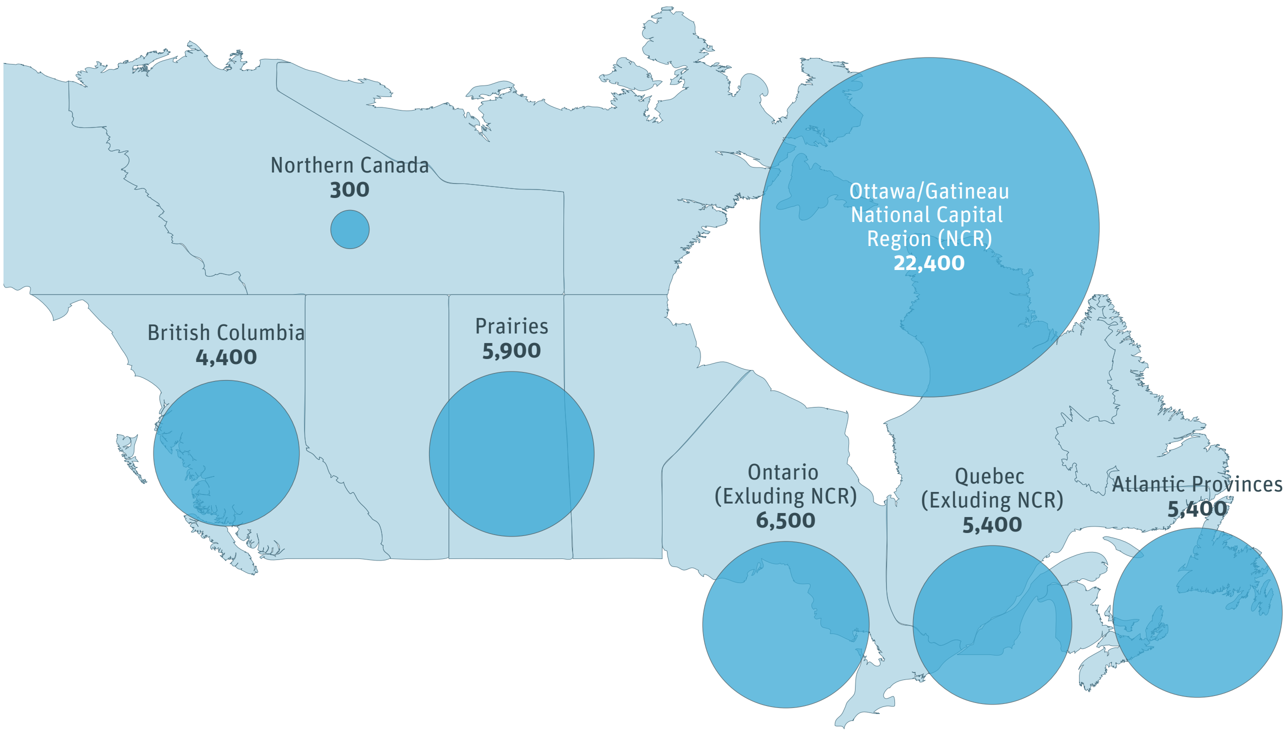
Foreign Affairs and International Trade Canada has 300 job cuts already planned. Scenario 1 would add 2,900 more. The 300 cuts, for the Strategic Reviews of 2007–10, hit Passport Canada hardest. This suggests that additional cuts might do the same, making waits for passports considerably longer.

Fisheries and Oceans Canada would see 2,400 positions cut under Scenario 1. This in addition to the 80 job losses already included in its departmental plans due to the Strategic Reviews of 2007–10. Those 80 lost jobs focused on two sections: the Aboriginal Fisheries Strategy and Aquatic Species at Risk. If further cuts follow the same pattern, it could mean much less support for Aboriginal fishing communities and less protection for endangered species.

Health Canada would see a cut of 2,200 employees under Scenario 1. This would be on top of 200 positions already slated for termination by 2013–14. The pre-existing cuts hit First Nations and Inuit communities particularly hard. The largest ones focus on First Nations health infrastructure and support for First Nations primary health care. If Scenario 1 cuts followed this pattern, it would stand to exacerbate the already-abysmal health conditions on Canada's reserves.

In total, the **RCMP** employs 30,500 people — 22,900 RCMP officers and 7,600 civilians. As with DND/CF, only the civilian portion is liable for cuts.

FIGURE 6 Geographic Breakdown of Public Service Cuts



Source Public Service Commission Annual Report,[21] 2010–11 and author's calculations[22]

Under Scenario 1, it would lose 1,700 positions, in addition to the 1,800 in first-wave (Strategic Reviews of 2007–10) cuts, which are already planned.

As noted earlier, **Statistics Canada** is winding down census operations. Its pre-existing plan is to shed 1,100 positions. Scenario 1 would force an additional staff cut of 1,600 at the statistics agency.

The **Canadian Food Inspection Agency**, for its part, would axe 1,500 positions in Scenario 1, on top of the 200 already included in departmental plans. Those first-wave staff cuts focus specifically on the food safety program that issues food recalls, assures the safety of food that is crossing borders, and—raising echoes of Maple Leaf Foods and listeriosis—inspects meat-packing plants. If Scenario 1 followed the pre-existing pattern, Canada's ability to ensure that its food is safe to eat might be seriously compromised.

Cross-Country Report

The geographic breakdown, as noted earlier, assumes that cuts are proportional to where federal government employment is concentrated. Also note that the positions counted in *Figure 6* are (as in *Figure 5*) public service positions only. The 10,700 jobs that would be lost in the private sector cannot be broken down in this fashion.

Immediately evident from *Figure 6* is the impact Scenario 1 would have on employment in the National Capital Region (NCR), which includes Ottawa and Gatineau — over 22,400 jobs lost. This does not include the cuts from the Strategic Reviews of 2007–10. Given the NCR's labour force of 738,000, Scenario 1 would increase its unemployment rate from 6.2% (as of October 2011) to 9.2%[20] — a significant blow to the region's economy.

Despite its relatively small population, Atlantic Canada would be hard hit under Scenario 1, losing over 5,400 full-time positions. Both the civilian portion of DND/CF and Fisheries and Oceans Canada have a significant presence there. Since both are on the top-10 list for cuts (*Figure 5*), this region would be hit hard. As of October 2011, the unemployment rate in the Atlantic provinces stood at 9.9%[23] — already high. If Scenario 1 were implemented, it would jump to 10.4%.

The job losses in other regions of Canada fall more or less in proportion to their population.

Scenario 1 in Summary

If the government decided to extract the remaining $6 billion in cuts purely through staff layoffs, the effects would be dramatic. Many of Canada's most vulnerable would be hit first: The Aboriginal health situation would decline even further; the recently unemployed would be waiting longer for their first EI cheques; and not-for-profit organizations working in communities would suffer too. With fewer government inspectors in federal workplaces and in food safety, people's risks would go up. At the same time, getting help with taxes would be increasingly difficult. Correcting problems with benefits — or accessing them in the first place — would get harder and more frustrating for low-income families and might well be prohibitive for some.

While Ottawa and Gatineau would take nearly half the staff cuts, Atlantic Canada would also be hit hard. In short, Scenario 1 would see wide-ranging effects on services for vulnerable Canadians, as well as increased unemployment in a region that scarcely needs more bad news.

Scenario 2: Taking It Out Against Transfers

SCENARIO 1 LOOKED at one extreme, with the entire $6 billion taken from the largest category in the departmental operating budgets — personnel expenditures. Scenario 2 envisions another extreme, where all cuts are taken out against the second-largest category — transfers.

As noted earlier, transfers to other levels of government and First Nations bands are excluded, as are transfers to individuals. Scenario 2 looks only at transfers to organizations that are separate from the government (for example, a not-for-profit that receives federal grants to operate) or a Crown corporation supported by government, such as the CBC. Despite these restrictions, the transfers which are on the table for cuts total almost $21 billion a year (see *Figure 3*).

Departments representing key Conservative priorities (DND/CF, Correctional Service Canada, etc.) are again assumed to be protected from the cuts. But this stipulation is much less important in Scenario 2, as the protected departments pay out relatively little in transfers.

FIGURE 7 Top 10 Cuts In Transfers ($Mil)

Department or organization	2012 transfers (mil)	Cut value (mil)
Canadian International Development Agency	$ 3,235	$ 971
Canadian Mortgage and Housing Corporation	$1,907	$ 572
Health Canada	$1,420	$ 426
Canadian Broadcasting Corporation	$1,074	$ 323
Agriculture and Agri-Food Canada	$ 1,065	$ 320
Canadian Heritage	$ 969	$ 291
Canadian Institutes of Health Research	$ 928	$ 278
Natural Resources Canada	$ 896	$ 269
Foreign Affairs and International Trade Canada	$ 886	$ 266
Human Resources and Skills Development Canada	$ 884	$ 265

Source Future Oriented Financial Statements, Main Estimates, & author's calculations

30% Losses in Key Areas

Eligible transfers would see a hit of 30% in order to fully cover the remaining $6 billion in cuts. Since not all departments provide transfers to Crown corporations or non-profits, Scenario 2 is focused on certain key areas.

The most tempting target on the transfer side would be the **Canadian International Development Agency (CIDA)**. This funding agency for international aid sends Canadian dollars bilaterally to poor countries' governments and multilaterally through organizations such as the World Bank. To a much lesser extent, it also funds international projects by NGOs including CARE Canada and the Red Cross.

Scenario 2 would cut almost a billion dollars from CIDA's budget. It would significantly reduce Canada's help to countries such as Haiti.

The second largest cut would be to the **Canadian Mortgage and Housing Corporation (CMHC)**. Many Canadians know CMHC for its mortgage insurance, but it is also heavily involved in affordable and on-reserve housing. Scenario 2 would likely have no effect on the mortgage insurance wing, which is self-financing. Instead, cuts would be levied against affordable housing grants and on-reserve housing upgrades. This would be on top of an already-massive cut that was made to funds for affordable housing in the lead-up to the 2010 budget.

Third would come **Health Canada** with a cut of $426 million to its transfers. Its largest transfers are almost entirely to improve the abysmal state of health care in First Nations and Inuit communities. In particular, Health Canada funds First Nations primary health care, health infrastructure, and programs to combat communicable diseases. Scenario 2 would see funding for these efforts significantly reduced, likely leading to a further deterioration of people's health — including children's — and making an untenable situation even worse.

The **CBC** would be fourth in line for cuts, worth $323 million a year. About two-thirds of its funding comes from the federal government and the remainder from ad revenue. A cut of this magnitude would require a variety of coping mechanisms on the part of the national broadcaster. It would almost certainly mean the further closure of smaller radio and tv stations. It might also mean more advertising, less money for Canadian content, and a further reduction in regional programming.

Scenario 2 would see a $320-million hit to transfers from **Agriculture and Agri-Food Canada**. Many of its transfers are to support crop insurance and loans, but these have been excluded from the analysis. After the excluded programs, the major cuts would fall on the next-largest programs — those which help farmers adapt to new technology, gain business training, and learn more environmentally friendly farming practices. Agriculture and Agri-Food Canada also provides significant aid to organizations that trace food and try to reduce the environmental impact of packing plants.

The Department of Canadian Heritage funds a variety of arts and cultural programs. If Scenario 2 were implemented, $291 million worth of these would have to be cut. In order of magnitude, the department's Official Languages Support Programs which enables sharing between French and English cultures. Sport, including the development of young athletes, receives major grants from Canadian Heritage. Canadian magazines get support in the form of reduced postage rates, paid for by the department. And Aboriginal Canadians' funding would be on the table once again; their arts and cultural activities receive a major boost through the Aboriginal Peoples' Program.

Following these larger programs are a variety of smaller ones that support artistic and cultural expression in Canada. All would face cutbacks under Scenario 2.

The Canadian Institutes of Health Research (CIHR) is one of the largest funders of health research in Canada. Scenario 2 would see the axing of $278 million in support that it provides to universities and hospitals involved in health research. A cut of that magnitude would have ripple effects on everything from the management of chronic diseases in Canada to the quality of primary care. All in the midst of a growing health care crisis.

The major transfers from **Natural Resources Canada** support the development of renewable and clean energy. These would be under threat to the tune of $269 million a year in Scenario 2. The department's large transfer programs include ecoENERGY for Biofuels, which encourages renewable alternatives to diesel and gasoline. Second, its Clean Energy Fund supports pilot projects to reduce GHG emissions through carbon capture and storage. The department's third major transfer is to the ecoENERGY for Renewable Power program, which supports the development of non-polluting energy sources including geothermal, solar, and wind energy.

In the wake of Canada's withdrawal from the Kyoto Accord, cuts to these programs could be seen as alarmingly consistent. They could not help but further slow Canada's response to climate change.

Transfers from **Foreign Affairs and International Trade Canada (DFAIT)** are all directed toward international organizations. These transfers include everything from payments to the World Trade Organization to United Nations dues. The largest transfer is for a UN peacekeeping fund that partially funds other countries' soldiers when they engage in UN peacekeeping missions. (This is in addition to any contributions of DND/CF or RCMP personnel.) Funding for these international initiatives would be threatened in Scenario 2, potentially reducing Canada's influence and role abroad.

The 10th victim of cuts under Scenario 2 is **Human Resources and Skills Development Canada (HRSDC)**. It, like Canadian Heritage, provides transfers to a wide variety of programs. The largest programs focus on skills training and employment for groups including Aboriginal Canadians, youth, older workers, workers with disabilities, and skilled tradespeople. HRSDC also provides Canada Student Loans and Canada Student Grants, and supports programs to reduce homelessness. These programs would be cut to the tune of $265 million under Scenario 2.

Scenario 2: The Employment Impact

The employment effects of Scenario 2 are somewhat less than those of Scenario 1—a total of 53,800 jobs lost to the Canadian economy.

These job losses can be estimated with less specificity than those of the first scenario, due to less data. But economic multipliers focusing on employment can provide a rough estimate of their Canada-wide impact.[24] The cuts in transfers at CIDA and DFAIT are assumed to have no such impact, being international in nature. The other cuts would affect Canadian jobs, but not in the federal public service. Instead, they would hit Crown corporations and not-for-profits. In those areas, an estimated 53,800 positions would be cut. In job-loss terms, the effects of Scenario 2 can be summed up quite succinctly: the government passing the buck.

Scenario 2 in Summary

This, like the previous scenario, would have far-reaching effects both at home and abroad. Everything from health care to culture to affordable housing to our international contribution would be significantly affected if the cutbacks were targeted solely at transfers.

Scenario 3: Middle of the Road

SCENARIOS 1 AND 2 are extremes on the spectrum. They represent worst case scenarios in one direction or the other — public service staffing, or transfers. Scenario 3, on the other hand, is more balanced and more realistic (i.e., likely). It allocates the $6 billion from the final two waves of cuts proportionally among staff, transfers, professional services, and other items in the departmental operating budgets. Unlike the first two scenarios, it includes the "Other" and "Professional services" categories (see *Figure 3*), which are, like everything else in the operating budgets, on the table for cuts.

The "Shadow Public Service"

Professional services makes up 11% of departmental operating budgets (see *Figure 2*), and serves as a potential target for Scenario 3 cuts. In many ways it should be one of the most appealing, since it doesn't affect current staff or transfers. Cuts in this area would increase the workload on government staff, since much of today's professional services means contractors working at government desks doing government jobs. Initial results after the Personnel Budget Freeze was announced in 2010 showed that managers were very reluctant to cut their contractors.[25]

FIGURE 8 Middle-of-the-Road Cut Distribution ($Mil)

Public service employees cut	Employee cut Value	Professional services	Transfers	Other	Total cut
25,500	$ 2,358	$ 566	$ 2,192	$ 868	$ 5,985

Source Author's calculations

FIGURE 9 Top 10 Middle-of-the-Road Cuts ($000s)

Department or organization	Employees cut	Employee cut value	Professional services	Transfers	Other	Total cut
Public Works and Government Services Canada	1,640	$ 129,459	$ 88,814	$ 572	$ 236,973	$ 455,818
Canada Revenue Agency	4,476	$ 345,969	$ 21,254	$ -	$ 77,938	$ 445,160
Human Resources and Skills Development Canada	2,337	$ 199,748	$ 55,380	$ 97,291	$ 38,904	$ 391,324
Health Canada	1,076	$ 105,186	$ 43,537	$ 156,248	$ 84,157	$ 389,129
Canadian International Development Agency	210	$ 21,538	$ 3,719	$ 355,905	$ 3,956	$ 385,118
Foreign Affairs and International Trade Canada	1,469	$ 122,454	$ 30,002	$ 97,427	$ 61,675	$ 311,557
National Defence and the Canadian Forces	2,932	$ 306,577	$ -	$ -	$ -	$ 306,577
Agriculture and Agri-Food Canada	625	$ 66,197	$ 17,411	$ 117,199	$ 19,985	$ 220,793
Canadian Mortgage and Housing Corporation		$ -	$ -	$ 209,817	$ -	$ 209,817
Fisheries and Oceans Canada	1,215	$ 109,055	$ 26,160	$ 14,042	$ 36,332	$ 185,589

Source Author's calculations

The cuts that are estimated for professional services in Scenario 3 may not be realized. However, for the sake of a balanced scenario exploring all possibilities, professional services is considered to be as viable a target as any other.

Distribution of Cuts: Totals

As with the previous scenarios, some departments gain protection from all cuts. The non-civilian portions of DND/CF and the RCMP are protected, for example, although their civilian branches are not. Transfers are once again limited to those going to organizations or Crown corporations. And the 6,300 jobs that are already scheduled for termination due to the Strategic Reviews of 2007–10 would be *on top* of all estimates in Scenario 3.

Figure 8 shows the distribution of the 11% across-the-board cut that would be required to reach the government's $6-billion goal by 2014–15. Despite its middle-of-the-road approach, Scenario 3 still requires significant staff and transfer cuts. The federal public service would need to shrink by 25,500 employees — a cut of about 7%. Transfers would be cut by $2.2 billion. The effects would be similar to those of Scenarios 1 and 2, but to a lesser degree. Both the "Other" operating expenditures and professional services would also be hit, but given their smaller size in most departments, they don't contribute as much as to the full scenario.

Figure 9 shows cuts, by category, for the top 10 departments. They are in order according to the total cut value across all operational expenditure categories. Because Scenario 3 is likely closest to what will actually play out, an expanded version of *Figure 9* is included as an appendix to this report (Appendix 1). It shows all departments and Crown corporations with over 100 full-time equivalents.

Public Works and Government Services Canada (PWGSC) tops the list for Scenario 3, largely due to a massive cut in repairs and maintenance, which falls under the "Other" category. PWGSC is responsible for maintaining the government's large portfolio of buildings. Scenario 3 envisions a significant drop in how much maintenance gets done. This may not be wise — as it may lead to increased costs down the road — but is assumed to be something that might happen.

Professional services and staffing levels also see significant cuts. Professional services is a particularly large category at PWGSC because this is the department that administers much of the government's outsourcing.

Canada Revenue Agency takes its cut largely in staff, at about half the rate as in Scenario 1. Large office rental costs and phone and mailing costs would also be cut, although it is unclear if they could be cut as deeply as Scenario 3 demands.

Human Resources and Skills Development Canada (HRSDC) is hit hard on both the staffing and transfer sides. For this department, Scenario 3 is the worst of both Scenario 1 and 2 with cuts hitting both staffing levels and transfers.

Health Canada is hit on both the transfer and staffing sides.

CIDA is affected squarely on the transfer side, with the largest transfer cut of any department. As noted in Scenario 2, cuts to CIDA would reduce Canada's bilateral and multilateral aid to impoverished countries.

Foreign Affairs and International Trade Canada (DFAIT) would see its staff and transfers heavily affected in Scenario 3. For DFAIT, as for HRSDC, Scenario 3 is a combination of the first two scenarios.

National Defence and the Canadian Forces would see a significant cut to its civilian staff, but, as discussed earlier, no effect in other areas.

The cuts to **Agriculture and Agri-Food Canada** would be primarily on the transfers side, affecting programs that help farmers improve their agricultural practices and business skills, and become more environmentally friendly.

As a Crown corporation, **CMHC** can only have its transfer cut. The likely effect would be a significant reduction in support for a range of affordable housing projects and for on-reserve housing.

Fisheries and Oceans Canada, with its large payroll, would take its cuts through staff. That staff works disproportionately in Atlantic Canada.

Scenario 3: The Employment Impact

Scenario 3 would cut 54,100 jobs from the Canadian economy, 25,500 in the federal government and an estimated 28,600 outside it. This is less than Scenario 1's job-loss total of 62,000, but with a very different distribution, since Scenario 1's job losses were mainly within the public service. In Scenario 3 — much closer to what will probably happen — not-for-profits and the private sector will see much more of an employment drop.

Calculating government staff cuts is relatively simple; but the employment effects of cutbacks in transfers, professional services, and other operational expenditures are harder to gauge. With less funding, not-for-profits would cut staff, outsourcing agencies would lay employees off, and repair contractors for PWGSC would be out of work.

The geographical breakdown of these additional effects cannot be calculated with the available data. However, economic multipliers were used to estimate the employment loss to the Canadian economy,[26] arriving at the 28,600 figure. (This excluded any job losses from CIDA and DFAIT transfers, as those jobs wouldn't be Canadian.)

Scenario 3 in Summary

Scenario 3 spreads the cuts in a more balanced way — across staff, transfers, and other operational expenses — but certain areas of certain departments would still be hit especially hard. Also, it may not be possible to fully implement some of the cuts demanded by Scenario 3, particularly in the office rent and communication areas. This may mean that other areas, namely staffing and transfers, will be forced to take up the slack.

However, Scenario 3 likely best approximates the actual cuts that will happen in the coming years. As the government decides not to cut in some areas, bigger cuts will need to happen in others to reach the $6-million total.

Conclusion

WITH NO INFORMATION from the government about the distribution of cuts from the final two waves — the Personnel Budget Freeze and the Strategic and Operating Review (2011) — it is impossible to know just where the axe will fall. Logically, it must fall somewhere within the bounds set by the three scenarios, probably closest to Scenario 3.

The Debate That Hasn't Happened

The rich public policy debate that should be happening around these successive waves of cuts is simply not happening. Discussion is seriously constrained by the almost complete lack of information from the federal government. Without facts about what Canadians are losing through these cuts, it is very difficult to weigh the positives and negatives. Given the potentially far-reaching nature of the cuts, as described in this report, the lack of transparency is very concerning.

In terms of employment, the National Capital Region will be disproportionately affected by any staffing cuts, given its concentration of federal government workers. But cuts to government staff will also affect Atlantic Canada disproportionately. This is due to that region's relatively small population and the fact that many of the largest government employers have a significant present there.

FIGURE 10 Employment Effects By Scenario

	Federal public service job losses	Not-for-profit, Crown corporation, and private-sector job losses	Total job losses
Scenario 1	51,200	10,800	62,000
Scenario 2	0	53,800	53,800
Scenario 3	25,500	28,600	54,100
Strategic Reviews of 2007–10	6,300	Unknown	6,300

Civilian jobs with both the RCMP and National Defence and the Canadian Forces (DND/CF) are already being slashed due to the Strategic Reviews of 2007–10. Given their large numbers, there may be more cuts to come. These employees don't receive the same protection as the soldiers and officers their work supports (who are protected from cuts, as are all staff of certain other departments, including CSIS and Correctional Service Canada).

No matter what scenario takes shape, the job losses will be significant. They will be biggest if cuts are focused exclusively on the federal public service. But if they're more broadly spread, it will mean, essentially, that the federal government is passing the buck — to not-for-profit agencies, Crown corporations, and private sector firms who do business with the government. Note that all totals in *Figure 10* are in addition to the 6,300 jobs that are already scheduled to be cut by 2013–14 due to the Strategic Reviews of 2007–10.

Any Way They Turn

Given the distribution of federal government spending, several key areas are likely to be affected no matter how the cuts fall. These areas, or themes, cross between the different large operational expenditure categories and between different departments. Because they are affected by a larger range of factors, they are increasingly likely to be hit by cuts, no matter which way they turn.

Aboriginal Peoples are a prime example. First Nations and Inuit communities' health care is heavily funded by Health Canada. Transfer funds and staffing in these areas are unlikely to escape further cuts, despite significant cuts already in the works. First Nations on-reserve housing will lose funding if CHMC transfers are affected — this in the wake of the Attawapiskat crisis. Special skills training programs for Aboriginal communities are already under threat at Human Resources and Skills Development Canada

(HRSDC), and Aboriginal cultural programs may find their way to the chopping block at Canadian Heritage.

Low-income Canadians cannot help but be hurt as community non-profits are already being cut under HRSDC. These provide programs for low-income families and individuals. Benefits and tax credit programs will likely become harder to access through Revenue Canada, even if the benefit levels remain the same. There will simply be fewer staff to pick up the phone and deal with issues. The same problem will affect EI recipients calling HRSDC. There, the results of cutbacks are already being felt — longer waits for the initial cheque, diminished access to staff, and, for the first time, no overtime hours to help staff process cheques in time for Christmas.[27] All of this before the final two waves of cuts are even implemented.

Government inspectors may drop in number, as indicated by existing trends. Labour inspectors for federal workplaces may see an increased workload with decreased resources, likely resulting in more injured workers. And food safety may become a bigger issue for Canadians. This is due to anticipated cuts to food safety inspection jobs, but also to potential cuts to Agriculture and Agri-Food Canada. It provides transfer funds to help farmers and meat-packers use better food-tracking mechanisms.

Agriculture and Agri-Food Canada also funds programs to help farmers develop more environmentally friendly practices. **The environment** is another area that could be hit in a variety of ways, including cuts from Natural Resources Canada for programs that reduce GHG emissions and support non-polluting energy sources including solar and wind energy.

Finally, **Canada's international standing** is likely to suffer no matter what scenario is played out. Transfers through CIDA as well as support for UN peacekeeping and other international organizations obviously cost money. Given their lack of domestic impact, these targets may prove too tempting to resist.

The likely winners — or, perhaps more accurately, the ones who will stand apart — are the departments that will not suffer significant cuts. Some departments that represent Conservative political priorities have been "protected" in the three scenarios of this report. This is because they have, in fact, been protected from the first wave of cuts. And it seems likely that this pattern will continue. Some of them have even seen significant growth. Correctional Service Canada, notably, is planning to add 5,500 positions between 2010 and 2014. Canadian Border Services Agency and the Department of Justice plan to add 300 and 400 jobs, respectively, this while most other departments are seeing significant cutbacks.

The Debate That Hasn't Happened — Yet

It remains an open question as to whether Canadians, if given the choice, would cut Aboriginal health care, housing, and cultural programs to pay for more prisons or whether they would cut government safety inspectors in order to beef up border security. Transparency is needed, so that meaningful engagement and discussion can begin. Without government disclosure on where and how the cuts are being made, it is essentially impossible for Canadians to determine if any of the cuts are appropriate. Canadians need to know exactly what they stand to lose and what the trade-offs are.

Appendix 1

Scenario 3: A Full Listing

FIGURE 11 Scenario 3: A Full Listing*

Department or organization	Employees Cut (FTEs)	Employee-cut value ($000s)	Professional Services ($000s)	Transfers ($000s)	Other ($000s)	Total Cut ($000s)
Public Works and Government Services Canada	1,640	$ 129,459	$ 88,814	$ 572	$ 236,973	$ 455,818
Canada Revenue Agency	4,476	$ 345,969	$ 21,254	$ -	$ 77,938	$ 445,160
Human Resources and Skills Development Canada	2,337	$ 199,748	$ 55,380	$ 97,291	$ 38,904	$ 391,324
Health Canada	1,076	$ 105,186	$ 43,537	$ 156,248	$ 84,157	$ 389,129
Canadian International Development Agency	210	$ 21,538	$ 3,719	$ 355,905	$ 3,956	$ 385,118
Foreign Affairs and International Trade Canada	1,469	$ 122,454	$ 30,002	$ 97,427	$ 61,675	$ 311,557
National Defence and the Canadian Forces	2,932	$ 306,577	$ -	$ -	$ -	$ 306,577
Agriculture and Agri-Food Canada	625	$ 66,197	$ 17,411	$ 117,199	$ 19,985	$ 220,793
Canadian Mortgage and Housing Corporation		$ -	$ -	$ 209,817	$ -	$ 209,817
Fisheries and Oceans Canada	1,215	$ 109,055	$ 26,160	$ 14,042	$ 36,332	$ 185,589
Natural Resources Canada	460	$ 46,688	$ 19,507	$ 98,505	$ 12,055	$ 176,755
Citizenship and Immigration Canada	534	$ 60,444	$ 23,649	$ 53,915	$ 13,803	$ 151,810
Industry Canada	618	$ 58,089	$ 13,230	$ 61,335	$ 15,884	$ 148,538
Transport Canada	578	$ 58,373	$ 17,229	$ 45,522	$ 19,694	$ 140,819
Canadian Heritage	192	$ 14,976	$ 4,375	$ 106,602	$ 5,965	$ 131,917
Aboriginal Affairs and Northern Development Canada	542	$ 55,644	$ 40,423	$ 6,329	$ 25,066	$ 127,462
Canadian Broadcasting Corporation		$ -	$ -	$ 118,175	$ -	$ 118,175
Veterans Affairs Canada	403	$ 32,818	$ 41,460	$ 2,590	$ 36,856	$ 113,724
Environment Canada	586	$ 65,474	$ 13,300	$ 14,307	$ 20,452	$ 113,533
Canadian Institutes of Health Research	47	$ 3,816	$ 1,203	$ 102,087	$ 1,064	$ 108,170
Statistics Canada	801	$ 67,691	$ 14,922	$ 62	$ 17,988	$ 100,663
Finance Canada (Department of)	86	$ 9,231	$ 1,540	$ 70,126	$ 17,295	$ 98,192

Department or organization	Employees Cut (FTEs)	Employee-cut value ($000s)	Professional Services ($000s)	Transfers ($000s)	Other ($000s)	Total Cut ($000s)
Royal Canadian Mounted Police	841	$ 91,401	$ -	$ -	$ -	$ 91,401
Canadian Space Agency	78	$ 8,802	$ 17,914	$ 53,428	$ 8,274	$ 88,418
Canadian Food Inspection Agency	730	$ 65,277	$ 7,986	$ -	$ 11,630	$ 84,892
National Research Council Canada	371	$ 48,993	$ 5,706	$ 15,494	$ 14,442	$ 84,634
Public Health Agency of Canada	300	$ 25,908	$ 10,621	$ 21,612	$ 15,364	$ 73,506
Parks Canada	486	$ 40,839	$ 8,339	$ 1,422	$ 18,652	$ 69,252
Canadian Air Transport Security Authority		$ -	$ -	$ 64,100	$ -	$ 64,100
VIA Rail Canada		$ -	$ -	$ 50,414	$ -	$ 50,414
Treasury Board of Canada Secretariat	237	$ 23,316	$ 6,997	$ -	$ 3,993	$ 34,306
PPP Canada		$ -	$ -	$ 31,647	$ -	$ 31,647
Atlantic Canada Opportunities Agency	78	$ 8,579	$ 1,372	$ 18,040	$ 1,691	$ 29,682
Canada Economic Development for Quebec Regions	41	$ 4,455	$ 717	$ 17,907	$ 979	$ 24,058
International Development Research Centre		$ -	$ -	$ 22,784	$ -	$ 22,784
Marine Atlantic		$ -	$ -	$ 22,064	$ -	$ 22,064
Western Economic Diversification Canada	44	$ 3,885	$ 946	$ 15,722	$ 1,295	$ 21,848
Public Prosecution Service of Canada	110	$ 13,475	$ 4,450	$ -	$ 2,510	$ 20,434
Canada Council for the Arts		$ -	$ -	$ 19,994	$ -	$ 19,994
Chief Electoral Officer of Canada	56	$ 5,399	$ 3,521	$ -	$ 10,178	$ 19,099
Immigration and Refugee Board of Canada	128	$ 12,706	$ 2,735	$ -	$ 2,913	$ 18,354
Library and Archives Canada	123	$ 9,735	$ 774	$ 192	$ 5,611	$ 16,312
Canadian Nuclear Safety Commission	85	$ 11,160	$ 1,606	$ 195	$ 2,465	$ 15,426
Privy Council Office	109	$ 12,345	$ 1,652	$ -	$ 230	$ 14,226
Office of the Superintendent of Financial Institutions Canada	62	$ 10,038	$ 107	$ -	$ 3,608	$ 13,753
Public Service Commission of Canada	107	$ 10,462	$ 1,320	$ -	$ 1,921	$ 13,704
Canada School of Public Service	103	$ 9,732	$ 2,112	$ 30	$ 1,403	$ 13,277
National Capital Commission		$ -	$ -	$ 11,756	$ -	$ 11,756
Telefilm Canada		$ -	$ -	$ 11,623	$ -	$ 11,623
Atomic Energy of Canada Limited		$ -	$ -	$ 11,236	$ -	$ 11,236
Canadian Tourism Commission		$ -	$ -	$ 11,071	$ -	$ 11,071
Jacques Cartier and Champlain Bridges Inc		$ -	$ -	$ 10,884	$ -	$ 10,884
Courts Administration Service	68	$ 5,667	$ 1,075	$ -	$ 3,721	$ 10,463
Office of the Auditor General of Canada	70	$ 7,528	$ 926	$ -	$ 963	$ 9,417
Canadian Grain Commission	41	$ 7,134	$ 268	$ -	$ 1,401	$ 8,802
National Energy Board	43	$ 5,855	$ 715	$ -	$ 1,403	$ 7,973
National Film Board	49	$ 4,419	$ 1,201	$ -	$ 2,316	$ 7,935
Canadian Museum of Civilization		$ -	$ -	$ 7,186	$ -	$ 7,186

Department or organization	Employees Cut (FTEs)	Employee-cut value ($000s)	Professional Services ($000s)	Transfers ($000s)	Other ($000s)	Total Cut ($000s)
Enterprise Cape Breton Corporation		$ -	$ -	$ 7,153	$ -	$ 7,153
Infrastructure Canada	35	$ 3,730	$ 1,517	$ -	$ 1,898	$ 7,145
Federal Bridge Corporation Limited		$ -	$ -	$ 7,117	$ -	$ 7,117
Canadian Radio-television and Telecommunications Commission	49	$ 5,326	$ 616	$ -	$ 974	$ 6,916
Parole Board of Canada	53	$ 4,632	$ 379	$ -	$ 1,046	$ 6,058
National Gallery of Canada		$ -	$ -	$ 5,419	$ -	$ 5,419
Canadian Northern Economic Development Agency		$ -	$ -	$ 4,860	$ -	$ 4,860
Offices of the Information and Privacy Commissioners of Canada	31	$ 3,246	$ 524	$ -	$ 464	$ 4,234
National Arts Centre Corporation		$ -	$ -	$ 3,919	$ -	$ 3,919
Supreme Court of Canada	24	$ 2,912	$ 663	$ -	$ -	$ 3,576
Canadian Museum for Human Rights		$ -	$ -	$ 3,487	$ -	$ 3,487
Canada Science and Technology Museum		$ -	$ -	$ 3,375	$ -	$ 3,375
Canadian Environmental Assessment Agency	18	$ 2,514	$ 797	$ 55	$ -	$ 3,367
Canadian Museum of Nature		$ -	$ -	$ 3,340	$ -	$ 3,340
Canadian Transportation Agency	29	$ 2,607	$ 263	$ -	$ 459	$ 3,329
Transportation Safety Board of Canada	26	$ 2,860	$ 302	$ -	$ -	$ 3,162
Old Port of Montréal Corporation		$ -	$ -	$ 3,121	$ -	$ 3,121
Canadian Human Rights Commission	22	$ 2,141	$ 394	$ -	$ -	$ 2,535
Office of the Commissioner of Official Languages	20	$ 1,783	$ 367	$ -	$ -	$ 2,150
Canadian Commercial Corporation		$ -	$ -	$ 1,711	$ -	$ 1,711
Standards Council of Canada		$ -	$ -	$ 784	$ -	$ 784
First Nations Statistical Institute		$ -	$ -	$ 550	$ -	$ 550
Canadian Dairy Commission		$ -	$ -	$ 432	$ -	$ 432
Office of the Commissioner for Federal Judicial Affairs Canada			$ 363			$ 363
Canadian Security Intelligence Service**	-	$ -	$ -	$ -	$ -	$ -
Public Safety Canada **	-	$ -	$ -	$ -	$ -	$ -
Canada Border Services Agency **	-	$ -	$ -	$ -	$ -	$ -
Justice (Department of) **	-	$ -	$ -	$ -	$ -	$ -
Correctional Service Canada **	-	$ -	$ -	$ -	$ -	$ -

* Includes all departments with over 100 FTEs. All cuts are as of 2014–15 and do not include the 6,300 worth of position cuts included in the 2010–11 RPPs which had not yet incorporated the cuts from Budget 2010 or Budget 2011.

** By design these departments are protected from cuts.

Appendix 2

What Has Been Included In Departmental Estimates

TO FERRET OUT the staffing changes due to the 2010 budget freeze, we need to turn to the 2010–11 Reports on Plans and Priorities (RPPs) that were published just prior to the 2010 federal budget. They represent what departments thought was going to happen before they got word that they'd have to freeze their salary and benefits line. By comparing the 2010–11 plans (before publication of the budget freeze) and the 2011–12 plans (after word of the budget freeze) we get an idea of what changed.

A good example of this is in Statistics Canada. In their pre-budget freeze plan (2010–11), they have 6,115 FTEs in 2010–11. That number drops to 5,795 FTEs by 2012–13. The drop of 320 employees was already in place prior to the 2010 budget freeze, it was largely due to the wind-down from the 2011 Census. In *Figure 3*, the drop in employment at Statistics Canada is attributed to the 2010 budget freeze, whereas in reality it should be attributed to the end of the 2011 Census. By adjusting for the pre-budget-freeze plans of 2010–11, this erroneous attribution is corrected.

As such, to arrive at a more appropriate attribution, departmental totals should be adjusted for the staffing changes already in place prior to the 2010 budget freeze. This would include all of the strategic reviews from 2007 through 2010 and other unrelated issues like the end of the census. That way any change between the 2010–11 RPPs and the 2011–12 RPPs is attributable to the 2010 budget freeze and not to other unrelated factors.

FIGURE 12 Job Cuts From the 2010–11 Baseline

	2012–13 (2010–11 RPP)	2013–14 (2011–12 RPP)	Staff Change adjusted to 2010–11 baseline	Cut Value ($000s)
Total Full Time Equivalents	368,400	368,600	200	-35,000[28]

Source 2011–12 Departmental Reports on Plans and Priorities, 2010–11 Departmental Reports on Plans and Priorities

FIGURE 13 Federal Government Personnel Costs ($000s)

	Personnel Costs	Change from Previous Year	% Change from Previous Year	Expenditure change based pre-freeze FTEs[29]
	1	2	3	4
2012–13e[30]	36,781,204	101,275	0%	43,000
2011–12	36,679,929	1,055,701	3%	693,000
2010–11	35,624,228	2,493,460	7%	
2009–10	33,130,768	1,563,462	5%	
2008–09	31,567,306	1,916,063	6%	
2007–08	29,651,243	1,458,072	5%	
2006–07	28,193,171			

Source 2011–12 Main Estimates (Standard Objects of Expenditure), Departmental 2012 Future Oriented Financial Statements

There was one final wave of Strategic Reviews that arrived in the 2010 budget (see *Figure 2*). However, unlike the 2010 freeze, the 2010 Strategic Reviews were something departments were well aware of in advance and likely incorporated into their 2010–11 RPPs. The 2010 budget freeze on the other hand was a new development. Therefore any FTE impact of the 2010 Strategic Review would have been incorporated into the 2010–11 RPPs while the FTE impact of the 2010 budget freeze as it was a surprise would not have been.

Figure 12 presents the adjusted figures if pre-existing changes in employment are removed. Interestingly, it shows essentially no change in planned FTEs between the 2010–11 RPPs and the 2011–12 ones. This scenario is likely the most accurate as it excludes pre-existing staffing changes (including 2007–10 Strategic Reviews) that were already in place prior to the 2010 budget freeze. It suggests first of all that given the disorganized implementation of the budget freeze, departmental RPPs have not yet been updated. Staffing cuts that are happening today are the result of strategic reviews and other factor and have nothing to do with the 2010 budget freeze.

To further examine the possibility that department FTE estimates have yet to incorporate the impact of the 2010 budget freeze, *Figure 13* presents the personnel expenditures as reported in the Main Estimates and projected expenditures based on 2011–12 departmental Future-Oriented Financial Statements. It then estimates what the personnel costs would be in 2011–12 and 2012–13 given the pre-freeze FTE changes.

It is clear from *Figure 13* that the growth in the personnel budget line has been dropping from an average of 5.7% prior to 2011–12. In 2011–12 the growth is only 3%, half of the 5.7% growth rate of the previous 4 years. However, this could be foreseen from the 2010–11 RPPs that were published prior to the 2010 budget freeze. The RPPs plan for a 1,500 person increase in 2011–12 plus the 1.5% wage increase totals an estimated increase in personnel costs of $693 million (column 4). The actual value spent on personnel was 1.1 billion (column 3) for that year. As such, the decline in growth seen in 2011–12 was already baked into the 2010–11 RPP prior to the 2010 budget freeze.

Growth in personnel expenditures are estimated to essentially stop in 2012–13 rising only $101 million (column 2). This drop off in expenditures is entirely due to Strategic Review staffing cuts of 4,000 positions by 2012–13. If personnel costs are adjusted for this drop and the 1.5% wage increase the total is a similar $43 million for 2012–13 (column 4).

As such, the estimates in *Figure 13* are entirely explained by Strategic Review staffing adjustments from 2007 through 2010. The budget freeze of 2010 was estimated to save $1.8 billion in 2012–13, however, there is no evidence in the future-oriented financial statements that departments are yet booking anything near that level of cuts.

In summary, departmental reports that project both FTEs and expenditures for future years have included all rounds of the Strategic Reviews from 2007 through 2010. However, they have not yet included either the 2010 budget freeze or the 2011 Strategic and Operating Reviews. This additional $6 billion in cuts by 2014–15 has yet to be included in FTE estimates.

Notes

1 Jason Jacques, monitoring the government's Personnel Budget Freeze, November 2010, Office of the Parliamentary Budget Officer.

2 All figures denoted as "cuts" in this report are cuts to the government baseline. That is to say changes from the government's previous plan. For example, if the government's previous plan was for expenditure growth of 6% and the new plan is for expenditure growth of only 3%, this would present a cut even though expenditures are still growing. A cut from the baseline may mean only that a certain budget line continues to expand, it just does so at a reduced rate. However, if baseline expenditures are flat or declining, then a cut to the baseline does mean a decline in expenditures. The situation, particularly for staffing, shows declining numbers prior to the budget freeze and as such, any cuts to the baseline also mean cuts in actual numbers.

In budget categories other than staffing, professional services for instance, no future projections beyond 2012 exist. It isn't clear whether the Strategic Reviews of 2007 through 2010 trimmed growth in these areas. Given that employment is expected to decline, it is hard to see how these areas have managed to continue to grow. The report assumes that expenditures in these other budget categories is flat after the 2007–2010 Strategic Reviews. As such, cuts to the baseline in these areas mean actual declines in spending.

Future expenditures on transfers, largely international aid and crown corporations, are also not published. However, expenditures on the international aid budget has been frozen since Budget 2010 at $5 billion a year. The crown corporations have also been subject to the 2007–2010 Strategic Reviews. Presumably their experience has been similar to that of government departments showing either flat or declining FTEs. In this case again, cuts mean actual dollar reductions in expenditures instead of just restrained growth.

3 2010 Federal Budget, pg 161.

4 2011 Federal Budget, pg 182.

5 http://www.cbc.ca/news/politics/story/2011/09/20/harper-cuts-consultant.html

6 2011 Federal Budget, Pg 219

7 For an examination of the temporary help portion of Professional Services see Public Service Commission of Canada, "Use of Temporary Help Services in Public Service Organizations", October 2010, Government of Canada.

8 2010 Federal Budget, pg 161.

9 Note that revenues totaled here only include user fees and not all revenues. Many of the large revenue generators cannot be easily increased or are politically sensitive. For instance, one of the largest revenue generators is payments for RCMP services, another is interest on student loans.

10 Bill Curry, "Ottawa embraces higher user fees, holds to no tax hikes", June 8th, 2011, The Globe and Mail (http://www.theglobeandmail.com/news/politics/ottawa-embraces-higher-user-fees-holds-to-no-tax-hikes/article2052045/)

11 Jason Jacques, Monitoring the Government's Operational Budget Freeze, November 2010, Office of the Parliamentary Budget Officer.

12 As stated on CBC News in its ongoing tally of cuts, "Federal government job cuts: the story so far," October 24, 2011 (http://www.cbc.ca/news/politics/story/2011/08/05/pol-public-job-losses.html).

13 Employment figures throughout this report include federal public service workers, members of the armed forces, RCMP officers, and federal judges.

14 See for instance Jessica Bruno, "More than 6,000 public service jobs to be lost over next three years: PBO report," November 7, 2011, The Hill Times (http://www.hilltimes.com/civil-circles/2011/11/07/more-than-6000-public-service-jobs-to-be-lost-over-next-three-years-pbo-report/28738)

15 Elizabeth Thompson, "Spending review may see the end of some programs, others left unscathed: Clement," Ipolitics, November 24, 2011 (http://www.ipolitics.ca/2011/11/24/spending-review-may-see-the-end-of-some-programs-others-left-unscathed-clement/ accessed on November 25th, 2011)

16 Throughout this report a "job" will refer to a Full Time Equivalent position.

17 Numbers may not add due to rounding

18 Gloria Galloway, "Government job cuts mean jobless waiting weeks for EI cheques," November 8, 2011, The Globe and Mail (http://www.theglobeandmail.com/news/politics/government-job-cuts-mean-jobless-waiting-weeks-for-ei-cheques/article2228669/).

19 David Macdonald, "Success is no Accident: Declining Workplace Safety Among Federal Jurisdiction Employers," April 2010, Canadian Centre for Policy Alternatives.

20 Based on October 2011 figures (http://www40.statcan.ca/l01/cst01/lfss04d-eng.htm). This calculation also assumes that laid-off personnel would continue to seek employment.

21 Public Service Commission, 2010–11 Annual Report, Table 10: Public Service Employment Act Population Changes by Organization (http://www.psc-cfp.gc.ca/arp-rpa/2011/st-ts/tbl10/tbl01-eng.htm).

22 Geographic lost job totals do not add to total jobs lost due to some jobs lost outside of Canada, particularly at DFAIT, CIDA and Citizenship & Immigration Canada.

23 Based on author's calculations from http://www40.statcan.ca/l01/cst01/lfss01a-eng.htm.

24 Using economic multipliers calculated by Informetrica Ltd.

25 David Macdonald, "The Shadow Public Service: The swelling ranks of federal government outsourced workers," March 2011, Canadian Centre for Policy Alternatives.

26 Using economic multipliers calculated by Informetrica Ltd.

27 Gloria Galloway, "NDP blames Tory 'Grinch' as EI office buckle under overtime cuts', The Globe and Mail, December 9th, 2011 (http://www.theglobeandmail.com/news/politics/ottawa-notebook/ndp-blames-tory-grinch-as-ei-offices-buckle-under-overtime-cuts/article2266198/)

28 While overall employment increases by 200 FTE positions, the resulting savings are $35 million due to the distribution of cuts. Lower paying positions were added while higher paying ones were cut leading to a net savings of $35 million.

29 Incorporates FTE changes from the RPPS as well as assuming an increase of 1.5% increase in the personnel costs due to wage increases.

30 Based on Departmental Future-Oriented Financial Statements

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