

The Fog Finally Clears

The Job and Services Impact of Federal Austerity

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OVER THE PAST four budgets, the federal government has implemented successive rounds of austerity-related cutbacks to the public service, ranging from the freezing of operating budgets to outright cuts within various departments.¹ Throughout this period, several analysts, including the Parliamentary Budget Officer², the Canadian Centre for Policy Alternatives³, the Canadian Association of Professional Employees⁴ and the federal government⁵ itself, have tried to estimate the impacts of these cuts on the economy and employment.

Unfortunately, projections by outside groups were necessary, since the federal government itself provided no disaggregated employment impacts of these cuts until November 2012, well after the budget had been passed.⁶ Although Budget 2012 did provide federal government employment impacts, it only included those from Budget 2012 and not the impacts of previous budgets. While a departmental breakdown of job losses was and the subsequent impact on services was not provided. However, there were assurances in Budget 2012 that the cuts would target the “back office”⁷ and avoid cuts to services.



The Parliamentary Budget Officer was prevented from obtaining the departmental plans for cuts despite numerous requests. Without those plans, it was impossible for the PBO to determine if the government was in fact keeping its commitment to maintain service levels despite the cuts.

While the past four austerity budgets have not provided the employment or service level impacts of their cuts, the departments themselves publish three year projections down to the program level of both expenditures and full-time equivalents (FTEs). These are contained in their annual Reports on Plans and Priorities (RPP). By adding up the three-year plans from each of the departments, aggregate employment figures for the entire federal government can be calculated.⁸ This bottom-up approach reflects the actual departmental plans for the future and reflects the best available information for future government employment.

It should be noted that the employment changes in this analysis reflect just changes in federal government employment, including the military and the RCMP. Employment effects in the private sector due to spending cuts generally — for instance the cancellation of private sector contracts — are not included. As well, this analysis focuses exclusively on employment and not changes to federal expenditures, which are also an important indicator of service levels.

The RPPs, which are made public at approximately the same time as the budget, have lagged budget cuts by a year. With no significant new cuts in Budget 2013, the RPPs from April 2013 have now finally caught up with the cuts in previous budgets. The 2013–14 RPPs released in April 2013 will, for the first time, allow a departmental examination of where cuts hit the hardest. They also include an additional year of data going out to 2015–16.

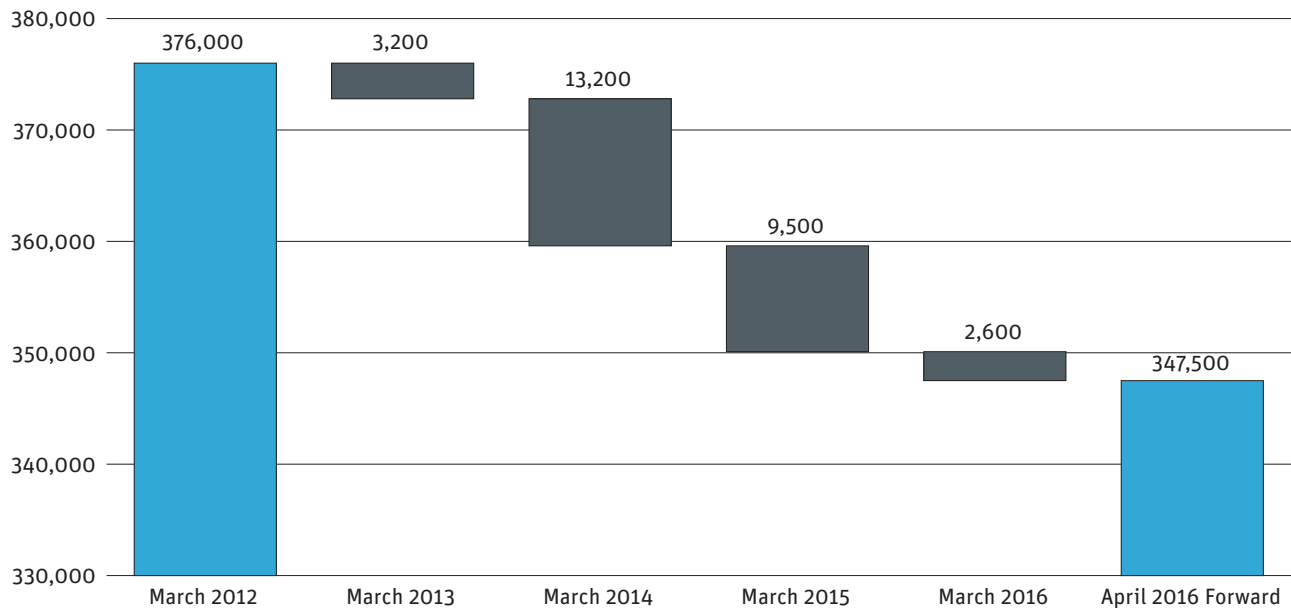
Although austerity cuts were initially announced in Budget 2010, they were not incorporated into the departmental RPPs until 2012–13.⁹ As such, this analysis uses the 2011–12 RPPs as the baseline for comparison unless otherwise stated.

Top Line Numbers

The total reduction in federal employment as reported by the departments over the entire austerity period from March 2012 to March 2016 will be 28,600 positions. Total employment will fall from 376,000 to 347,500 positions over a five-year period starting in 2012. By 2016, the total number of people working for the federal government will have fallen by 8%, almost double the 4.8% figure reported in Budget 2012.¹⁰

The majority of the job losses will be in 2013–14 and 2014–15, with losses of 13,200 positions and 9,500 positions respectively. Given this breakdown, the largest year of cuts, 2013–14, has just begun, with 13,200 positions to be eliminated

FIGURE 1 Federal Employment Cuts



Source Reports on Plans and Priorities 2011–12, 2013–14 & author's calculations

this coming year. The following year, 2014–15, will see an almost equivalent level of cuts, with employment to fall by an additional 9,500 positions.

Both the year just concluded, 2012–13, and the final year, 2015–16, will see losses of 3,200 and 2,600 positions respectively. Interestingly, the cuts in employment will continue after 2014–15 into the 2015–16 fiscal year. Expenditure cuts detailed in Budget 2013 appear to, more or less, reach their peak by 2014–15.¹¹ However, departments appear to be bleeding over some of the employment cuts into the following fiscal year.

Top 5 Departmental Cuts by Number of Losses

One of the benefits of using the RPPs as a basis for estimating overall employment cuts is that the impact on individual departments, and sometimes programs within those departments, can be determined.

One proviso for departmental changes is that they may overstate the actual job losses due to the creation of the new Shared Services department in 2012–13, which consolidates IT services across all departments. Departments have transferred almost 7,000 positions to the new Shared Services department. As such, department

TABLE 1 Top 5 Departments by Absolute FTE Cuts

	FTEs 3/31/2012	FTEs 3/31/2016	Total Change 2012–16	% Change 2012–16
Human Resources and Skills Development Canada	23,955	18,239	- 5,716	-24%
National Defence	96,991	93,414	- 3,577	-4%
Canada Revenue Agency	40,700	38,209	- 2,491	-6%
Statistics Canada	6,461	4,231	- 2,230	-35%
Correctional Service of Canada	20,408	18,200	- 2,208	-11%

Source Reports on Plans and Priorities 2011–12, 2013–14 & author's calculations

totals are lower in the aggregate by 7,000 positions; but those employees still provide the same services, only they will do it from the Shared Services department. This new department does not impact the aggregate job loss figures shown in *Figure 1*.

HRSDC will experience the largest loss of positions, totalling over 5,700 by 2016. While HRSDC is a large department, this cut is still significant and will reduce the department's workforce by one-quarter. Drilling down to the program level, the largest proportional cut by far is to the Social Development program supporting homelessness initiatives, which suffers a 62% cut. The largest cut in absolute terms is to the Citizen-Centered Services program, which helps Canadians access government services by phone and online. This program will lose 2,100 employees by 2016.

National Defence will experience the second largest cut in absolute terms, losing almost 3,600 positions. However, given its large size, the proportional impact is a drop of only 4%, much smaller than that of HRSDC. The biggest cut by far is to the military portion of the Recruitment and Training program, which is scheduled to lose 7,600 positions. This is somewhat offset by large gains in military jobs in both the Land Readiness (ie. army) and Joint & Common Readiness programs. Each will see increases of approximately 2,500 positions

The Canada Revenue Agency will see the third largest absolute cut, losing 2,500 positions, although like National Defence, its workforce is large and the cut proportionally will reduce employment by 6%. The most significant programs affected are the Assessment of Returns and Internal Service programs, each taking a cut of about 10%.

Statistics Canada is planning to cut 2,200 positions by 2016. Given the smaller size of the department, this loss will slash over one-third of its workforce. Unfortunately, RPP reporting changes between the different years make it difficult to identify the program level impacts. Of those 2,200 positions, 1,711 are related to the census. Those positions are cyclical in nature and ramp up and down with each census. The census related decline in positions at Statscan is likely unrelated to austerity

budget cuts. Excluding the effect of cyclical census workers, Statscan will see a decline in employment of 11% or 519 FTEs still slightly above the average cut of 8%.

Finally, Correctional Service Canada will experience the fifth largest employment loss at 2,200 positions. This cut represents one-tenth of its workforce. At the program level, the largest proportional cut will be to Community Supervision, which will see a whopping 44% decline in employment. The largest absolute employment drop will be in the Custody program line, i.e. prison operations, which will suffer a loss of 1,400 positions.

Interestingly, it is only at Canada Revenue Agency, that “Internal Services”, the quintessential “back office” program line, has either the largest proportional or largest absolute employment cut. In the other top five departments, the largest program, either in proportional or absolute terms, are for programs providing direct services.

Top 5 Proportional Cuts in Large Departments

Since some departments are larger than others, it is also important to examine the proportional cuts, in percentage terms. In this section, only departments with over 3,000 employees at the outset of the austerity measures are included, thus excluding some smaller departments that have seen larger proportional cuts. However, a listing of all of the departments is provided in Appendix 1.

Statistics Canada and HRSDC are at the top of the list, losing the most proportionally of the large federal departments. They lose one-third and one-quarter of their staff respectively. The absolute number of positions lost in these departments also places them on the *Table 1* ranking of the top five departments by absolute employment cuts. Although in the case of Statistics Canada about $\frac{2}{3}$ of its loss of staff was due to the census wind-down and not austerity cuts.

Veterans Affairs is scheduled to eliminate 870 positions, although given its small size, this is equivalent to one-quarter of its staff. The largest proportional cut will be to the program that supports disability, death and financial benefits for veterans, where 32% of the positions will be cut. The largest absolute cut will be to Veterans Health Care, where 380 positions will be eliminated, or 20% of the program’s staff.

Aboriginal Affairs and Northern Development Canada will see the fourth largest proportional cut, losing one-in-five of its employees, or 1,100 positions by 2016. Unfortunately, changes in the RPP reporting makes program level comparisons difficult to calculate.

The Canadian Food Inspection Agency is also expected to eliminate 20% of its staff, or 1,400 positions. The largest cuts, both proportionally and in absolute terms, will come from the Animal Health and Zoonotics program, which will be cut in half,

TABLE 2 Top Large Departments by Proportional Cuts¹²

	FTEs 3/31/2012	FTEs 3/31/2016	Total Change 2012–16	% Change 2012–16
Statistics Canada	6,461	4,231	- 2,230	-35%
Human Resources and Skills Development Canada	23,955	18,239	- 5,716	-24%
Veterans Affairs	3,665	2,793	- 872	-24%
Aboriginal Affairs and Northern Development Canada	5,353	4,259	- 1,094	-20%
Canadian Food Inspection Agency	6,914	5,507	- 1,407	-20%

Source Reports on Plans and Priorities 2011–12, 2013–14 & author's calculations

losing 720 positions. This program mitigates risks transmitted from animals, fruit and vegetables to people through food in areas such as the study of bovine spongiform encephalopathy, or mad-cow disease.

The only large department (of over 1,000 positions) that is planning staff increases is Environment Canada, which is reporting an increase from 6,000 positions to 6,200 positions from March 2012 through March 2016. However, there may be some question as to how accurate the March 2012 estimate is given that the March 2013 estimate in the following year's RPP is 6,500 positions.

Conclusion

At long last, the bottom-up approach of adding up the RPPs has provided a reasonably complete estimate of employment cuts down to the program level that have resulted from austerity measures since Budget 2010. As such, the initial projections of various analysts can be compared to the actual departmental plans as published in April 2013.

The most widely cited job-loss figure is from Budget 2012 — 19,200 positions. This projection is for the period 2012–13 to 2014–15. However, adjusting for the time period, the departmental plans differ from the Budget 2012 projection. The departments are planning to eliminate 22,700 positions over the same period, not 19,200.

Two earlier CCPA reports also attempted to estimate the employment impacts of, not just Budget 2012, but of all austerity measures since 2010. The first report, *The Cuts Behind the Curtain*, projected job losses of 25,500 from 2012 to 2015. This estimate corresponds almost exactly to what the departments are planning to cut over the same time period.

TABLE 3 Reconciliation With Previous Projections¹³

Source	Projection date range	Projection FTE loss	Department planned FTE loss (over same date range)
Budget 2012	March 2013–March 2015	19,200	22,700
The Cuts Behind the Curtain (Scenario 3)	March 2012–March 2015	25,500	25,900
Clearing Away the Fog	March 2012–March 2015	29,600	25,900
Reports on Plans and Priorities	March 2012–March 2016		28,600

The follow-up to the first report, *Clearing Away the Fog*, increased the estimate to 29,600 which appears to overstate the actual job losses over the same time period by 4,100 positions (29,600 compared to the actual 25,900). However, while *Clearing Away the Fog* projected cuts only until 2014–15, it now appears from departmental plans that employment cuts will bleed over into 2015–16, making the entire impact of austerity on government employment a loss of 28,600 positions. The estimate over this longer period is much closer to the 29,600 job loss figure estimated in *Clearing Away the Fog*.

After four successive budgets, there are finally some emerging answers to pressing questions such as, “Where will the cuts fall?”; and “How will services be affected?” However, even at this point those answers were obtained only by wading through over 180 departmental reports. Canadians deserve greater transparency in terms of what is being cut, where, and how services will be affected.

Examining which programs are being cut the most within departments, one finds that the cuts within the large departments are not coming from the “back office,” which is generally represented by the “Internal Services” program line. Instead, most of the employment cuts are coming from program lines that deliver services. Examining the top five departments in either proportional or absolute terms, only at Canada Revenue Agency (CRA), is the Internal Services program line the hardest hit. In all other instances, the hardest hit programs are those delivering services, despite assurances in Budget 2012 to the contrary.

A thorough accounting of the employment cuts across all budgets, not just the 2012 one, would have revealed this fact in time for parliamentarians to consider it. It is only with this information that parliamentarians and Canadians could have decided whether these cuts to vital public services were worth the “benefit” of eliminating the deficit a year or two earlier. Unfortunately, this information has been made available too late for it to influence the decisions that were responsible for these services cuts.

TABLE 4 All Department FTE Cuts

	March 31, 2012	March 31, 2016	Total Change 2012-16	% Change 2012-16
Human Resources and Skills Development Canada	23,955	18,239	- 5,716	-24%
National Defence	96,991	93,414	- 3,577	-4%
Canada Revenue Agency	40,700	38,209	- 2,491	-6%
Statistics Canada	6,461	4,231	- 2,230	-35%
Correctional Service of Canada	20,408	18,200	- 2,208	-11%
Public Works and Government Services Canada	14,244	12,261	- 1,983	-14%
Foreign Affairs and International Trade Canada	13,453	11,733	- 1,720	-13%
Royal Canadian Mounted Police	30,525	28,997	- 1,528	-5%
Canadian Food Inspection Agency	6,914	5,507	- 1,407	-20%
Fisheries and Oceans Canada	11,163	9,999	- 1,164	-10%
Aboriginal Affairs and Northern Development Canada	5,353	4,259	- 1,094	-20%
Health Canada	9,988	8,915	- 1,073	-11%
Veterans Affairs	3,665	2,793	- 872	-24%
Canada Border Services Agency	13,975	13,168	- 807	-6%
Agriculture and Agri-Food Canada	6,223	5,425	- 798	-13%
Industry Canada	5,649	4,867	- 782	-14%
Justice Canada	5,272	4,643	- 629	-12%
Treasury Board of Canada Secretariat	2,216	1,738	- 478	-22%
Citizenship and Immigration Canada	4,759	4,304	- 455	-10%
Canadian Heritage	1,753	1,392	- 361	-21%
Public Health Agency	2,768	2,436	- 332	-12%
Natural Resources Canada	4,389	4,066	- 323	-7%
Canadian Grain Commission	725	404	- 321	-44%
Canadian International Development Agency	1,911	1,615	- 296	-15%
Canada School of Public Service	940	662	- 278	-30%
National Research Council	3,743	3,486	- 257	-7%
Library and Archives Canada	1,115	860	- 255	-23%
Transport Canada	5,346	5,093	- 253	-5%
Parks Canada	4,422	4,193	- 229	-5%
Atlantic Canada Opportunities Agency	711	547	- 164	-23%
Privy Council Office	1,020	859	- 161	-16%
Immigration and Refugee Board of Canada	1,186	1,035	- 151	-13%
Public Service Commission of Canada	985	871	- 114	-12%
Economic Development Agency of Canada for the Regions of Quebec	399	300	- 99	-25%
Canadian Space Agency	710	613	- 97	-14%
Canadian Environmental Assessment Agency	242	160	- 82	-34%
Western Economic Diversification	407	325	- 82	-20%
Public Safety Canada	1,085	1,015	- 70	-6%
National Film Board	452	384	- 68	-15%
Office of the Auditor General	633	576	- 57	-9%
Canadian Northern Economic Development Agency	105	54	- 51	-49%
Office of the Chief Electoral Officer	506	458	- 48	-9%
Finance Canada	787	743	- 44	-6%
Canadian Institute of Health Research	428	390	- 38	-9%
Canadian Transportation Agency	264	239	- 25	-9%
Canadian International Trade Tribunal	91	69	- 22	-24%

	March 31, 2012	March 31, 2016	Total Change 2012–16	% Change 2012–16
Financial Transactions and Reports Analysis Centre of Canada	367	345	- 22	-6%
Courts Administration Service	635	614	- 21	-3%
Social Sciences and Humanities Research Council	208	192	- 16	-8%
Office of the Commissioner of Official Languages	178	163	- 15	-8%
Office of the Information Commissioner of Canada	106	93	- 13	-12%
Transportation Safety Board of Canada	235	225	- 10	-4%
Canadian Radio-television and Telecommunications Commission	448	438	- 10	-2%
Veterans Review and Appeal Board	121	113	- 8	-7%
Office of the Public Sector Integrity Commissioner of Canada	39	32	- 7	-18%
Office of the Commissioner for Federal Judicial Affairs	73	66	- 7	-10%
Canadian Intergovernmental Conference Secretariat	36	32	- 4	-11%
Canadian Human Rights Commission	202	198	- 4	-2%
Security Intelligence Review Committee	21	18	- 3	-14%
Patented Medicine Prices Review Board	76	73	- 3	-4%
RCMP External Review Committee	8	6	- 2	-25%
Natural Sciences and Engineering Research Council	376	374	- 2	-1%
Military Police Complaints Commission	22	21	- 1	-5%
The National Battlefields Commission	60	59	- 1	-2%
Canadian Polar Commission	-	9	-	
Canadian Industrial Relations Board	-	97	-	
Canadian Security Intelligence Service	3,285	3,285	-	
Canadian Centre for Occupational Health & Safety	96	96	-	
Canadian Forces Grievance Board	46	46	-	
Canadian Human Rights Tribunal	26	26	-	
Commission for Public Complaints Against the RCMP	40	40	-	
Office of the Commissioner of Lobbying	28	28	-	
Public Prosecution Service of Canada	1,000	1,000	-	
Public Servants Disclosure Protection Tribunal Canada	12	12	-	
Public Service Labour Relations Board	93	93	-	
The Registry of the Competition Tribunal	-	10	-	
The Registry of the Specific Claims Tribunal	-	-	-	
Transportation Appeal Tribunal of Canada	12	12	-	
Infrastructure Canada	330	331	1	0%
Public Service Staffing Tribunal	37	38	1	3%
Office of the Communications Security Establishment Commissioner	10	12	2	15%
Status of Women Canada	94	96	2	2%
Office of the Correctional Investigator	34	36	2	6%
Northern Pipeline Agency	5	9	4	80%
Office of the Privacy Commissioner of Canada	176	181	5	3%
Supreme Court of Canada	215	221	6	3%
Parole Board of Canada	481	497	16	3%
Canadian Nuclear Safety Commission	775	804	29	4%
National Energy Board	394	424	30	8%
Office of the Superintendent of Financial Institutions	563	639	76	13%
Environment Canada	6,038	6,221	183	3%
Shared Services Canada	-	6,400	6,400	
Total	376,038	347,471	- 28,568	

Sources For March 31, 2012 figures: 2011–12 RPP; for March 31, 2016 figures: 2013–14 RPP

Notes

- 1 These cuts are detailed in table 4.2.7 of Budget 2012, pg. 298
- 2 Parliamentary Budget Officer, PBO Economic and Fiscal Outlook, Office of the Parliamentary Budget Officer, April 24, 2012
- 3 David Macdonald, *The Cuts Behind the Curtain*, Canadian Centre for Policy Alternatives, January 2012 and David Macdonald, *Clearing Away the Fog: Government Estimates of Job Losses*, Canadian Centre for Policy Alternatives, May 2012.
- 4 Canadian Association of Professional Employees, *Press Release: Conservative Government Budget Cuts Could Push Canada into Recession*, February 21, 2012
- 5 Budget 2012, pg 221.
- 6 Treasury Board secretariat, Harper government announces 10,980 public sector positions eliminated in the past six months, November 16, 2012 <http://www.tbs-sct.gc.ca/media/nr-cp/2012/1116-eng.asp#backgrounder>
- 7 Budget 2012, pg 220.
- 8 The figures published in this report include the military portion of National Defence and the officer portion of the RCMP. Although the Canadian Security Intelligence Service (CSIS) does not publish RPPs, they do publish their FTE count in their annual report. In this report, their 2010 annual report FTE count is included and is assumed to remain constant for all years.
- 9 For a discussion and examination of this delay see David Macdonald, *The Cuts Behind the Curtain*, Canadian Centre for Policy Alternatives, January 2012, Appendix 2.
- 10 Budget 2012, pg 221.
- 11 These cuts are detailed in table 4.2.7 of Budget 2012, pg. 298
- 12 Top 5 departments with over 3,000 FTEs in 2011–12
- 13 The PBO and CAPE estimated real GDP and economy-wide employment impacts, but neither estimated federal government employment impacts which Table 3 examines.



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