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The Shadow Public Service

The swelling ranks of federal
government outsourced workers

David Macdonald



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David Macdonald is an Ottawa-based economist and Research Associate with the Canadian Centre for Policy Alternatives. He heads the Centre's Alternative Federal Budget project that takes a fresh look at how the federal government could build a better Canada. David is a frequent media commentator on national public policy issues.

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List of Acronyms

ATIP Access to Information and Privacy
CBSA Canadian Border Services Agency
CRA Canadian Revenue Agency
CS Computer Systems
DND Department of National Defence
HR Human Resources
HRSDC Human Resources and Service Development Canada
INAC Department of Indian and Northern Affairs Canada
IT Information Technology
IT-SSO Information Technology Shared Services Organization
MERX Public Sector Tendering process hosted at Merx.ca
NAFTA North American Free Trade Agreement
PIPSC Professional Institute of the Public Service of Canada
PWGSC Department of Public Works and Government Services Canada

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Executive Summary

As federal government departments initiate measures to cut expenditures in an age of austerity, they are bucking a very important trend: the escalation of spending on outsourcing federal work.

Since 2005–06, the cost of federal personnel outsourcing of temporary help, IT consultants and management consultants has ballooned by almost 80%, costing taxpayers nearly \$5.5 billion over the past five years. Despite the capping of departmental budgets, personnel outsourcing costs have remained above \$1 billion a year.

The growth in personnel outsourcing isn't widespread — it is concentrated in four large departments — Public Works and Government Services Canada, National Defence and Canadian Forces, Human Resources and Skills Development, and Public Safety and Emergency Preparedness — which together make up half of all federal government outsourcing. Their payrolls increased by only 9% since 2005–06, but their personnel outsourcing costs exploded, rising by 100%.

Not only is reliance on outsourcing concentrated among a handful of departments, but it is also concentrated among a handful of outsourcing companies: the top 10 outsourcing companies reap almost 40 cents of every federal government outsourced dollar.

Interestingly, the amount bid to win outsourcing contracts has been dropping while the final cost of outsourced contracts balloons to several times the original bid. This is mostly due to the use of outsourcing firms as *de facto* HR departments and to contract revisions (sometimes as many as 13).

A handful of outsourcing firms have become parallel HR departments for particular federal government departments. Once a department picks its outsourcing firm, a very exclusive relationship develops. These private companies now receive so much in contracts every year that they have become de-facto wings of government departments. These new “black-box” wings are insulated from government hiring rules. They are also immune from government information requests through processes like Access to Information and Privacy (ATIP).

In essence, they have become a shadow public service without having to meet the same transparency standards of the actual public service. Evidence suggests the federal government is turning to personnel outsourcing, circumventing hiring rules by relying on pre-existing “standing offers” with outsourcing companies. As a result, outsourced contractors are no longer short-term or specialized — they are increasingly employed for years on a single contract.

In short, the growing and concentrated nature of outsourcing has created a shadow public service that works alongside the real public service — but without the same hiring practices or pay requirements. As well as increasing costs, reliance on outsourcing circumvents regular hiring requirements such as bilingualism and geographic and merit considerations. It also reduces institutional knowledge, constrains flexibility, and heightens privacy concerns.

Without prompt corrective action, outsourcing costs will continue to rise. At a time when federal government deficits are growing, it is more important than ever to examine measures that offer potential cost savings while maintaining services. This study makes specific recommendations to help curb rising costs and to make government decision-making more transparent.

Introduction

As government departments follow directions to cut costs as part of a federal government push for austerity measures, the practice of outsourcing jobs merits scrutiny.

This study examines the extent of personnel outsourcing in the federal government. It looks at how much personnel outsourcing costs federal coffers every year, which areas of outsourcing have expanded most, and how the nature of outsourcing has changed over the past five years. The report names the worst offenders for departmental outsourcing, and identifies which companies benefit from this billion-dollar-a-

year practice. Finally, the report estimates how much outsourcing has been affected by austerity measures introduced in the 2010 federal budget, based on how departments have changed their spending patterns.

Four primary sources were employed to examine the extent of federal public service outsourcing: the Merx tendering data¹, Proactive Disclosure of contracts over \$10,000², Public Accounts for “Professional and Special Services,”³ and interviews with union representatives, public service managers, and employees of outsourcing firms working for the federal government.⁴ (*More information about these sources and the methodology can be found in Appendix 1.*)

How Ottawa Makes Use of Outsourcing

Outsourcing conjures up the image of a team of experts deployed for a short period of time to perform a specialized task that is outside of the knowledge of government staff or to service a short-term rush that isn’t required year-round.

In the private sector, outsourcing may lead to layoffs of entire departments while the work is “outsourced” to an outside firm. Sometimes laid-off employees can apply to the firm to which the work has been outsourced, usually at much lower pay.

Public sector personnel outsourcing in Ottawa takes on a different hue. Within the public service, outsourcing has come to be used as a simplified hiring process. As a department requires new workers, it turns to contractors instead of its own HR department to hire those workers.⁵ It is not uncommon for these new contractors who are employed by a private outsourcing firm to work in federal government buildings, have desks in those buildings, have government email addresses and work alongside public service employees doing the exact same work. Federal government teams can be comprised partly of public service employees and partly of contractors do-

ing exactly the same work: for instance, answering phones at a computer help desk.

And yet outsourcing firm contractors often receive very different remuneration. For much professional work involving advanced IT or engineering, contractors are often paid significantly more than their public service colleagues. For less specialized work, such as a computer help desk or administrative support, contractors are often paid less, with few, if any, benefits.

Regardless of the pay various individual contractors may receive, the government is paying an outsourcing firm to manage these workers, even though it could have hired them directly. As for the contractors, in most cases they have little job security — whether they're highly paid or not. And this is emerging as a long-term strategy rather than a short-term solution. Federal government departments have shifted away from temporary outsourcing: In the *temporary help* category, "...nearly one in five contracts were for durations exceeding 52 weeks."⁶

Managers confirm that outsourcing firms provide them with short-term speed and flexibility to address temporary needs.⁷ However, as one interviewed public sector employee put it: "I've never seen a contractor work for only six months on a project." Another employee pointed to a Calian job posting looking for a "full-time contract" as a "Help Desk Specialist" for "2 years, with a possibility of extension" where "work is performed on-site" at the Department of National Defence.⁸ Calian, a major personnel outsourcing firm, makes no effort to hide the fact that this is a two-year contract, if not longer. It is neither a short-term specialized position nor a time-sensitive need for more personnel. Instead, it is clear that Calian is hiring for a job that should probably have been hired directly through the HR department.

While outsourcing may be an option for short-term or specialized projects, it's only one of many. The federal government also has employee categories to cover these contingencies.

For instance, if personnel are needed for short periods once or twice a year, they can be hired as "casual" employees, which enables them to work up to 90 days a year. If more specialized labour is required for a longer-term project, employees can be hired as "specific term" employees for up to three years. If an employee is hired on a project as a "specific term" employee, but it turns out that the need is for a longer term, that employee can be bridged across as an "indeterminate" or permanent member of the public service.

Federal government managers are choosing outsourcing over direct hiring even though both can meet short-term employment needs.

Areas of Focus

The federal government signs contracts for a wide variety of services. Figure 1 summarizes the top 10 areas in which the federal government has spent money on personnel outsourcing since 2005–06. The departments themselves categorize their contracts in these various areas derived from a standardized list.⁹

Several of these areas are for the purchase of goods in the form of computer software and hardware or the purchase of outside services like telephone and voice service. Several of the most contracted-out services include: *other professional services*, *temporary help services*, and *IT consulting*

Other professional services is a catch-all category — a hodgepodge of various professional services that are poorly classified by departments. As such, it is difficult to determine whether contracts coded as *other professional services* are for personnel outsourcing or not. Many of the large *other professional services* contracts appear to be with construction companies, suggesting that many of these contracts should more correctly be classified under Architectural and Engineering Services. Due to these limitations, the *other professional services* category of contracts is not included in outsourcing totals for this study.

FIGURE 1 Top 10 Contract Areas (April 2005 to June 2010)

Description	Total (April 2005 to June 2010)
Other Professional Services	\$ 3,833,835,461
Architectural and Engineering Services	\$ 3,629,932,477
Computer Equipment	\$ 3,319,088,496
Management Consulting	\$ 2,422,039,296
IT	\$ 2,179,246,399
Business Services	\$ 1,329,298,953
Telephone and Voice Services	\$ 1,085,863,138
Software	\$ 988,382,443
Temporary Help	\$ 845,899,781
International Development Goods & Services	\$ 697,115,212

SOURCE Proactive Disclosure

The *architectural and engineering services* category has grown rapidly. It adds up to \$3.6 billion in outsourced contracts since 2005–06. The contracts are dominated by a few of the biggest construction companies in Canada, including SNC Lavalin, PCL Constructors, and the ARCOP Group. The challenge for *architectural and engineering services* is that the cost of sub-contractors and the cost of the managing sub-contractors are lumped together. So, while paying the sub-contractors to hire workers, buy materials, and put up buildings is certainly legitimate contracting-out, relying on large construction companies to manage those sub-contractors instead of utilizing the government’s own architects and engineers could be classified as outsourcing.

Unfortunately, given that construction management is combined with construction materials and labour, it is not possible to assign a cost to the switch from relying on internal engineers and architects to outsourcing external construction firms. For that reason, *architectural and engineering services* figures are excluded from this study.

The three areas that most clearly represent personnel outsourcing in Figure 1 are *management consulting*, *IT consulting* and *temporary help*. In each of these areas, there are already pub-

lic sector workers employed to work on similar tasks. Each of these three areas is tightly linked to personnel costs, unlike *engineering and architectural services*, where personnel outsourcing is blurred with materials outsourcing.

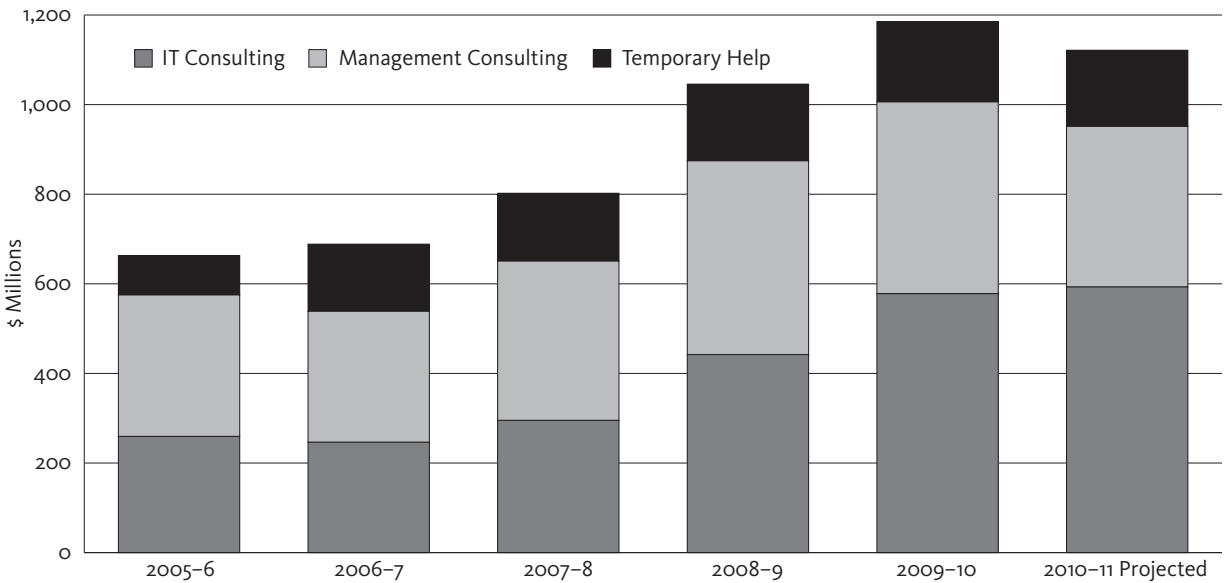
IT consulting has grown rapidly within the federal public service in the past five years. In many instances, IT consultants sit alongside government employees in government offices doing essentially the same job, although the IT consultant is not paid the same. At the lower end, contracted out computer help desk workers, for instance, earn less and receive fewer benefits than those they sit beside while answering the same calls. At the higher end, contracted out specialists can make significantly more than government employees and sometimes used to be government employees.

IT consulting jobs are not necessarily short-term.¹⁰ In certain areas, the tenure of contractors is comparable to long-term government employees. It is hard to distinguish one from the other as they complete the same tasks and have been working in the same area for years.

The federal government has also expanded its use of the *management consulting* category, although less rapidly. Management consultants manage government projects as project managers even though they are not actual government staff. They are brought in by outsourcing firms. Government employees also report that retired public sector employees often return to work under the management consulting banner or as temporary help, even though they may be receiving a government pension.

The *temporary help* category, the third category included in this report, may initially appear to be a legitimate use of outsourcing, but the increased reliance on this practice has already raised eyebrows at the Public Service Commission.¹¹ The Commission concludes in a recent report that temporary help services “... were improperly used to address long-term re-sourcing needs.”¹²

FIGURE 2 The Costs of Outsourcing



SOURCE Proactive Disclosure

In short, while it is difficult in some cases to discern the difference between personnel costs from other outsourcing costs, this isn't an issue for three categories: *management consulting*, *IT consulting*, and *temporary help services*. The figures for personnel outsourcing in this study therefore probably underestimate the real costs of personnel outsourcing. From this point on, the term "outsourcing" will refer specifically to personnel outsourcing unless otherwise specified.

The Costs of Outsourcing

Across all of the three personnel outsourcing categories, expenses have grown dramatically since 2005 as shown in Figure 2. Outsourcing costs in these three areas grew by almost 80% — from \$660 million in 2005–06 to over \$1.2 billion in 2009–10. Projections based on the second quarter of 2010–11 data suggest that despite caps on departmental operations spending, outsourcing costs are projected to remain at \$1.1 billion in the coming year.¹³

Breaking down outsourcing costs by area, there are significant divergences from the average increase of 79% over the past five years. *IT consulting* costs have exploded from \$259 million in 2005–06 to \$578 million in 2009–10, an increase of 123% over five years.

Management consulting rose by 36% between 2005–06 and 2009–10. In fact, the peak of management consulting costs of the past five years was in 2008–09, when it broke \$430 million before falling slightly to \$428 million in 2009–10. Both years were far above the starting value of \$316 million in 2005–06.

Like *IT Consulting*, *Temporary Help* outsourcing has expanded quickly since 2005–06. The cost of contracts for *Temporary Help Services* have grown from \$88 million in 2005–06 to almost \$180 million by 2009–10. That's a cost explosion of just over 100% in five years. Growth has moderated somewhat since 2008–09.

Given that the Proactive Disclosure data is pro-rated over the life of a disclosed contract, it is possible to look forward in time and deter-

FIGURE 3 Public Accounts Cover More Than Just Personnel¹⁵

	2005-06	2006-07	2007-08	2008-09	2009-10
Informatic Services	\$ 534,674,831	\$ 712,917,727	\$ 701,694,381	\$ 667,913,322	\$ 682,367,138
Management Consulting		\$ 442,951,193	\$ 451,660,696	\$ 368,682,609	\$ 461,060,403
Temporary Help		\$ 276,539,411	\$ 309,532,906	\$ 315,613,894	\$ 266,237,587
Total		\$ 1,432,408,331	\$ 1,462,887,983	\$ 1,352,209,825	\$ 1,409,665,128

SOURCE Public Accounts of Canada: Professional and Special Services

mine how much money is allocated to future years. As of the second quarter of 2010–11, already signed contracts commit almost \$700 million in outsourcing costs in 2010–11 and almost \$400 million in outsourcing costs in 2011–12. All this spending is from contracts signed to just the second quarter of 2010–11, and does not include further commitments.

Despite the capping of departmental budgets, projected spending on outsourcing has not been cut from the previous year's total. Outsourcing costs are projected to flat-line at \$1.1 billion in 2010–11. However, *IT consulting* outsourcing costs are projected to increase slightly, from \$578 million to \$592 million. *Management Consulting* outsourcing costs are projected to decline by almost \$70 million due almost exclusively to the Department of National Defence cutting back on its *management consulting* contracts with Calian Ltd. *Temporary help* outsourcing spending is projected to remain relatively unchanged.

As government programs like Strategic Reviews promote job cuts for federal employees, contractors are not under the same pressure. There appears to be a double standard at play within the federal government. The net result will be more outsourcing costs, fewer in-house federal employees and less in-house expertise.

Contracts Signed vs. Amount Spent

Much of this report relies on Proactive Disclosure data of signed contracts, two other data sources are also available for federal government spending on *IT consulting*, *management consulting*, and *temporary help*: Public Accounts and Merx.

The Public Accounts are a broader measure of the purchase of outside services and may include costs that are not, strictly speaking, personnel outsourcing. As such, the yearly totals coming from Public Accounts are higher, as seen in Figure 3.¹⁴

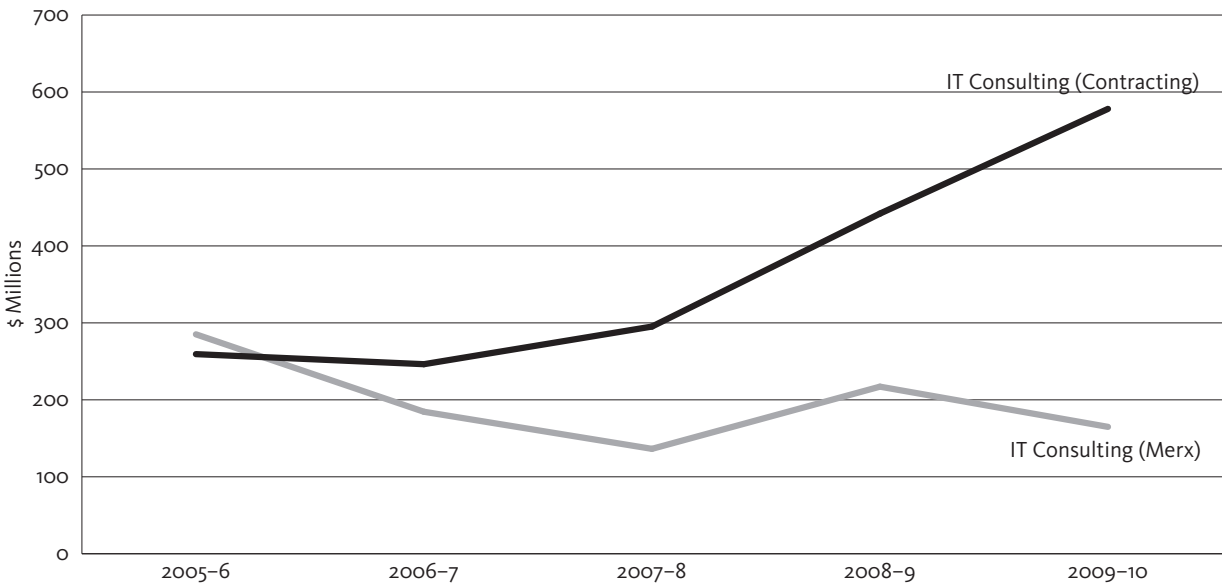
In some cases, Public Accounts total significantly more in a given category. For instance, the 2007–08 *IT consulting* total from signed contracts is only \$295 million, whereas the *informatics services* value in Public Accounts is over twice as much, at \$702 million, in that same year. *Informatics services* is not the same as IT consulting and may include other payments for things like the purchase of cell phone air time. As well, Proactive Disclosure spending is prorated over the life of the contract, whereas the Public Accounts only report how much money was spent. Put succinctly, Public Accounts captures too much information, including spending that is likely outside of pure personnel outsourcing.

As a test on the validity of using Proactive Disclosure data, it is clear that using such Proactive Disclosure produces figures below those of the Public Accounts and as a result, the conclusions based on Proactive Disclosure data may be conservative.

Winning Contract Value vs. Final Contract Value

Comparing Proactive Disclosure spending to Merx winning bids provides an interesting contrast, allowing the winning bid values to be compared to the final contract values. One would imagine that the company that won a contract on Merx

FIGURE 4 Contract Signed Rising While Winning Bids Flatline



SOURCE Proactive Disclosure and Merx

by bidding a certain amount, say \$1 million to provide project management, would then sign a contract worth \$1 million and manage the project. It only makes sense that, after going through a competitive bidding process on Merx, the government would want to hold the winning bidder to the value bid under Merx.

What is interesting is that the total value of winning bids on Merx contracts is consistently and substantially lower than the amount that the government eventually pays. Put another way, the government accepts 10 bids worth \$1 million, but ends up paying \$20 million in total, more than twice the value of the original winning bids.

What is even more interesting, as shown in Figure 4, is that the discrepancy between the winning bids on Merx and the value of contracts signed under Proactive Disclosure is growing. In 2006–07, the total *IT consulting* contracts signed was 33% higher than the total successful *IT consulting* bids on Merx.¹⁶ By 2009–10, that discrepancy had risen to 251% for *IT consulting*, which means that, on average, the total paid

out for outsourcing contracts in 2009–10 was 3.5 times more expensive than the total winning bids in Merx. As noted above, the totals from Public Accounts are even higher than the contracts signed, although the categories may include non-personnel costs.

There are several possible reasons for such a large discrepancy between winning bids and the final value contracted. First of all, Proactive Disclosure requires disclosure of contracts over \$10,000, whereas Merx requires disclosure of contracts over \$25,000. This may lead to the inclusion of small contracts under Proactive Disclosure that would not make the \$25,000 cut-off for Merx. However, the majority of the total value for a year is made up of a small number of relatively large contracts that would not run afoul with these small amounts.

Another possibility may involve the significant discretion that departments have when it comes to modifying terms between a winning bid on Merx and the final contract value. Contracts can be tendered for a short period, a year

FIGURE 5 How Much Can Contracts Be Modified?

Position	Original Contract Value Approval	Contract Amendment Approval
Minister	10M	5M
ADM	5M	2.5M
DG's, RDG's	5M	1M
Senior Directors	3.5M	750K
RD's	2.5M	400K
Directors	2.5M	400K
Managers	1M	200K
Chiefs	400K	100K
Sr. CMO's	300K	50K
CMO's	200K	25K
Contract Officers	100K	15K
Buyers	70K	10K
SPAs	40K	5K
Buying Clerks	10K	2K

SOURCE PWGSC "Supply Manual"¹⁷

for instance, but can then be renewed for more periods afterwards. The winning bid value will only reflect the first year but the contract value will represent all the renewals of the original winning bid.

The value of a contract can also be increased by significant amounts without going back to tender, as shown in Figure 5. At the higher levels, contract values can be increased by 50% without requiring the department to go back to Treasury Board to seek approval and possibly have the changes be re-tendered on Merx. Such flexibility may allow Merx winning bids to be a “foot in the door” for outsourcing companies. Managers then have considerable leeway to increase the final contract values from their winning bid in the Merx tendering process.

Indian and Northern Affairs Canada, for example, is one the worst offenders for repeatedly revising contracts. In one notable case, a *management consulting* contract was originally slated to last two months — April to May 2007 — at a cost of only \$29,000.¹⁸ After 13 revisions to the contract, it ended up costing \$243,000 and spanning almost three years. In another nota-

ble case, Transport Canada made six modifications to a \$580,000 *IT consulting* contract that was to last one year.¹⁹ By the time they finished, the contract spanned three years and cost just under \$3 million.

The above examples represent extreme cases of contract revisions. The majority of revised contracts are changed once or twice, although those revisions almost always make the contracts more expensive. Of all the eligible contracts in the Proactive Disclosure sample covering *IT consulting, management consulting* and *temporary help*, a little less than 10% of them were revised (although this may underestimate the number of revisions).²⁰

What this trend is likely revealing is a shift towards using consulting contracts as an alternative to hiring. It is well documented that hiring within the public service is a cumbersome and time-consuming process.²¹ Job competitions drag on for six months, on average.²² In the best case, hiring can occur within 1.5 months, but this is only if everything proceeds exactly as planned and everyone is committed to a short hiring time.²³ Concurrently, Public Works and

Government Services Canada has been working to make contracting for personnel even easier, with increasing numbers of “standing offers.”²⁴ No doubt these changing incentives have driven managers to outsource.

Within Merx, standing offers do not have a defined winning bid value because they are not project based. Instead, companies win a standing offer by offering the lowest rate for certain types of contractors. When a contract is awarded based on rates, the winning bid’s total value is unknown and, as such, cannot be included. In this way, the total Merx winning bids on projects can remain much lower than the actual skyrocketing costs of contracts.

This may also explain why the winning bids vs. contract cost disparities for *temporary help* and *management consulting* are dramatically higher than for *IT consulting*. *Temporary help* winning bids in 2008–09 totalled a mere \$9 million dollars, although \$171 million worth of contracts were signed. Both of these areas are more likely to be accessed through standing offers and not on a project basis, as is more likely the case for *IT consulting*.

The shift away from contracting out of personnel based on discrete projects and towards contracting out based on standing offers should be of concern to policy makers. The standing offer process, particularly for personnel, acts as a simplified HR department that circumvents the transparency, geographical, bilingual and nepotism checks of the government’s actual HR process. Interviews with public service employees reveal that managers can more easily hire specific people by calling outsourcing firms and requesting those people be hired through existing standing offers. Although Public Works and Government Services Canada has recently banned this practice (otherwise known as “pay-rolling”)²⁵ it isn’t clear that appropriate guidance is being given to managers.²⁶

The federal accounting system provides further incentives for managers to prefer outsourc-

ing over hiring. When a manager transfers funds to the “Salary and Wages” budget line from the “Other Operating Expenditures” line, a “Transfer Price” of 20% of the actual salary must be set aside to cover pension, EI and CPP contributions.²⁷ Managers who transfer funds to outsourcing essentially receive a 20% bonus in their operating budget.

The checks in the actual government HR process are meant to ensure that a certain number of public service employees are hired geographically across the country, not just in large urban centres.²⁸ In the case of *temporary help* services, for instance, 85% of the contracts are in the National Capital Region.²⁹

As well, the government HR process is meant to be transparent, making it harder for managers to hire whomever they want and assuring a certain level of merit when one candidate is chosen over others. By making more extensive use of standing offers and outsourcing, government managers are effectively circumventing these restrictions.

Biggest Outsourcing Departments

When outsourcing *management consulting*, *IT consulting* and *temporary help* is broken down by department, it is clear that outsourcing practices are concentrated in a few large departments. Out of a little more than 30 government departments, the top eight outsourcing departments make up almost 70% of all outsourcing since 2005–06. The top four outsourcing departments make up half of all personnel outsourcing.

As shown in Figure 6, the four largest outsourcing departments are Public Works and Government Services Canada, National Defence and Canadian Forces, Human Resources and Skills Development and Public Safety and Emergency Preparedness. The latter is made up of several agencies, such as the Canada Border Services Agency and the RCMP, which alone rank highly among outsourcing departments.

FIGURE 6 What Grew More: Payroll or Outsourcing? (\$ Millions)³⁰

Department	Total Outsourcing in 3 focus areas since 2005-06	2005-06 Outsourcing for 3 focus areas	2009-10 Outsourcing for 3 focus areas	Outsourcing Growth	2005-06 total of all Personnel costs	2009-10 total of all Personnel costs	Personnel Growth 05-06 to 09-10
PUBLIC WORKS AND GOVERNMENT SERVICES	\$ 1,066.2	\$ 176.3	\$ 230.4	31%	\$ 1,044.2	\$ 1,008.3	-3%
NATIONAL DEFENCE	\$ 681.5	\$ 98.7	\$ 149.1	51%	\$ 7,202.9	\$ 8,784.0	22%
HUMAN RESOURCES AND SKILLS DEVELOPMENT	\$ 600.0	\$ 35.1	\$ 120.0	242%	\$ 1,733.2	\$ 1,656.4	-4%
Human Resources and Social Development Canada (HRSDC)	\$ 442.6						
Service Canada	\$ 157.0						
PUBLIC SAFETY AND EMERGENCY PREPAREDNESS	\$ 376.1	\$ 46.0	\$ 83.8	82%	\$ 4,514.9	\$ 5,523.4	22%
Canada Border Services Agency (CBSA)	\$ 137.9						
Correctional Service of Canada	\$ 120.7						
Royal Canadian Mounted Police (RCMP)	\$ 77.2						
Public Safety Canada and Emergency Preparedness Canada	\$ 34.1						
CANADA REVENUE AGENCY	\$ 345.4	\$ 52.3	\$ 95.3	82%	\$ 2,629.7	\$ 2,845.4	8%
TRANSPORT	\$ 302.6	\$ 20.5	\$ 57.2	179%	\$ 469.3	\$ 502.7	7%
Transport Canada	\$ 281.8						
Infrastructure Canada	\$ 18.3						
HEALTH	\$ 264.0	\$ 31.3	\$ 57.8	85%	\$ 901.0	\$ 1,057.4	17%
Health Canada	\$ 178.5						
Public Health Agency of Canada	\$ 75.2						
INDUSTRY	\$ 258.0	\$ 43.4	\$ 49.7	15%	\$ 1,415.1	\$ 1,297.7	-8%
Industry Canada	\$ 155.9						
National Research Council Canada	\$ 48.1						
Statistics Canada	\$ 21.6						
Canadian Space Agency	\$ 18.3						
Average				96%			8%

SOURCE Proactive Disclosure, Public Accounts (Volume II) and Main Estimates (Part II)

Figure 6 also includes personnel costs in the top outsourcing departments between 2005-06 and 2009-10. It may seem logical that departments with larger payrolls, and therefore more employees, might make more use of outsourcing by virtue of their size. However, the data does not appear to bear that out. The size of a department's payroll appears to have little connection to its outsourcing practices.

For instance, while Public Works is the largest outsourcing department, it doesn't have the largest payroll among the top outsourcing departments. The Department of National Defence has the largest payroll by far and yet it ranks second in outsourcing contracts. Public Safety and Emergency Preparedness has the second biggest payroll yet it ranks fourth in terms of the value of outsourced contracts signed. Comparatively,

FIGURE 7 Top 10 Outsourcing Companies (\$ Millions)

Company Name	Total FY2005–	IT	Management	Temporary Help	Departmental Focus (% of outsourcing)
CGI Information Systems	\$ 549.5	\$ 531.3	\$ 16.5	\$ 1.7	CRA (45.2%)
Calian Ltd.	\$ 450.0	\$ 11.5	\$ 427.8	\$ 10.7	DND (95.5%)
Resolve Corporation	\$ 270.4	-	\$ 270.4	-	HRSDC (100%)
IBM Canada	\$ 230.7	\$ 202.3	\$ 27.9	\$ 470.5	PWGSC (45%)
Altis Human Resources Inc.	\$ 120.6	\$ 2.0	\$ 5.7	\$ 112.8	Transport Canada (39.5%)
Brainhunter Ottawa	\$ 116.8	\$ 96.2	\$ 13.5	\$ 7.1	
Excel Human Resources	\$ 111.4	\$ 18.3	\$ 7.2	\$ 85.9	
Coradix Technology Consulting Ltd.	\$ 86.7	\$ 68.9	\$ 11.5	\$ 6.4	
Oracle Corporation Canada	\$ 85.0	\$ 84.7	\$ 200.2	-	PWGSC (88.9%)
Ajilon Canada	\$ 83.0	\$ 66.4	\$ 12.0	\$ 4.6	

SOURCE Proactive Disclosure

Transport Canada has a substantially smaller payroll yet ranks sixth among the top outsourcing departments.

The growth of outsourcing costs has far outstripped the growth in payroll. In an extreme example, the cost of outsourcing contracts for Human Resources and Skills Development (HRSDC) skyrocketed by 242%, from \$35 million in 2005–06 to almost \$120 million five years later. Over the same period, HRSDC personnel costs shrank by 4%. Some departments, like Public Works, saw more moderate growth in outsourcing costs, rising by 31% over five years although personnel costs have declined slightly.

On average, the top outsourcing departments in the federal government increased their payroll costs by only 8% over the last five years, or slightly less than inflation, but they doubled their contract spending on outsourcing. This discrepancy highlights the changing nature of hiring within the public service. Costs for actual employees are staying relatively constant. The growth in costs is being driven by dramatically increased outsourcing.

Top Outsourcing Companies

In the same way that outsourcing is concentrated in several departments, Figure 7 shows that only

a few companies are receiving those contracts. The top 10 outsourcing companies received almost 40 cents of every outsourced dollar from the federal government. There are over 2,000 contractors who have delivered IT, management or temporary help services for the federal government since 2005–06, but the top 10 companies overshadow the smaller players often because increasingly complex standing offers simply cannot be provided by smaller firms.

Each of the top 10 outsourcing companies specializes in a service that represents the lion's share of its contract revenues. For instance, although CGI is by far the top outsourcer, it dominates *IT consulting*. In fact, it does over 200% more business than its nearest competitor, IBM Canada. Approximately 22 cents of every dollar spent by the federal government on *IT consulting* since 2005–06 went to CGI. In the past five years alone, that company has received more than half a billion dollars in revenues from the federal government.

The IT-SSO Initiative

In what appears to be a new way to consolidate IT resources, Public Works — one of the biggest outsourcing departments — created an IT Shared Services Organization (IT-SSO) in 2006, pooling IT resources among five departments. Shared

FIGURE 8 The IT-SSO Initiative

Year	IT Resources Transferred to PWGSC	IT Outsourcing to CGI
2009	\$ 99,322,687	\$ 118,542,990
2008	\$ 94,792,838	\$ 129,797,855
2007	\$ 51,966,942	\$ 86,233,217
2006	\$ 52,721,804	\$ 50,866,122
2005	\$ 23,040,552	\$ 33,903,427
2004	\$ 18,799,862	\$ 74,056,531
2003	\$ 14,756,498	\$ 84,254,114

SOURCE Public Accounts: Professional and Special Services

services means that smaller departments pool their resources and maintain a common group of Computer Systems employees. Public Works sees this approach as the way forward and wants to sign up more departments.

This practice can create efficiencies by reducing duplication of specialized staff. But since Public Works is one of the biggest outsourcers, shifting resources to this department without constraints on further outsourcing may be a shell game that sets the federal government up for more outsourcing instead of consolidating resources and creating new internal efficiencies in service delivery.

As shown in Figure 8, significant amounts of IT resources have been transferred from other departments to Public Works in the past few years. However, in no year since its inception in 2003 has the IT-SSO initiative topped spending on CGI's for IT consultants.

Unfortunately, while the IT-SSO initiative may provide departments with more flexibility in their IT needs, support for it has grown in parallel with spending on outsourcing agencies providing IT Consultants. As such, departments seem perfectly willing to participate in internal consolidation at the same time as they continue increasing their own outsourcing costs.

If we return to Figure 7, it shows that the companies involved in *management consulting* are even more concentrated than those in *IT con-*

sulting, with the top two companies receiving 32 cents of every *management consulting* dollar. Calian Ltd., through its dominance of *management consulting*, has received the second largest number of contracts from the federal government, reaping almost a half billion dollars since 2005–06. Resolve Corp. takes third place overall, but received the second biggest amount of management consulting dollars. It does 63% of the business its competitor Calian Ltd does.

Turning to *temporary help*, the concentration is less evident, with the top two companies — Altis Human Resources Inc and Excel Human Resources — reaping a quarter of every dollar spent in this area.

Not only do outsourcing firms specialize in the type of contracting they do, some also enjoy seemingly exclusive departmental affiliations. The second largest outsourcer, Calian, does almost all of its federal government business with National Defence — 96%, to be exact. Resolve Corporation appears to have an exclusive relationship with Human Resources and Skills Development, where it does every penny of its business. Oracle Corporation does 88% of its business with Public Works.

It seems a few outsourcing firms have become the parallel HR departments for particular federal government departments, and that, once a federal department picks its outsourcing firm, an exclusive relationship can develop. Indeed, these private companies now receive so much in federal contracts every year that they have become *de facto* wings of government departments. The spending on a single company — CGI, for instance — can be larger than a significant government initiative to centralize IT services (IT Shared Services Initiative). These new “black-box” wings are immune from government hiring rules and they are also insulated from government information requests through processes like Access to Information and Privacy (ATIP). In essence, they have become a shadow public service.

Why Outsourcing is Expanding

There are several reasons why outsourcing is expanding. Many are broad issues affecting HR within the federal public service, but they are finding an outlet in outsourcing. Without addressing these underlying issues, outsourcing or some other expensive variant have become mainstream options as managers and departments attempt to circumvent personnel bottlenecks.

Outsourcing Makes Management Easier... for Managers...and at a cost

Without constraints being imposed and enforced by policy-makers such as the Treasury Board Secretariat, the outsourcing trend has been allowed to continue at ever increasing cost.

The managers interviewed for this report say they often prefer outsourcing because it decreases their workload: they outsource the managing portion of their job. Instead of having to worry about an employee being sick at the computer help desk and having to find a replacement, they rely on the outsourcing firm to handle this and other employee problems for them.

It should come as no surprise that managers often prefer and advocate for outsourcing because it eases the stress that comes with directly managing employees. Such staff flexibility, however, comes at a cost.

Outsourcing entails its own managerial requirements. Constant supervision and a vigilant control of change fees and “scope creep” are critical to containing costs. The evidence in this study suggests that outsourcing and contract revision costs have been steadily mounting. It may be that managers wishing to escape their managerial duties have turned to outsourcing companies, but have insufficiently managed these new contracts. This is a lapse that often leads to cost overruns.

It is unfair, however, to heap blame solely on managers who are coping with capped budgets but rising demands. A recent study suggests that

they receive “little formal guidance” on how to gauge when outsourcing is appropriate.³¹ They have a certain amount of work to be done, the internally hiring process is cumbersome, and so the outsourcing option appears faster and less stressful.

Federal Government Hiring is Cumbersome

It is well known within the federal public service that the hiring process for government positions is beset with serious problems. With an average hiring time of 5.5 months for permanent public service positions,³² the actual work is taking, on average, an additional six months to perform.

Managers report the need to justify the creation of new full-time positions involving extensive paperwork and approval from higher up. Simply outsourcing for these new positions is often much easier, although it may circumvent hiring rules. Much less paperwork is involved, particularly if tendering through Merx is bypassed via a pre-existing standing offer.

Outsourcing for a new position instead of hiring for it allows managers to skip the paperwork and the cumbersome hiring process. They can also skip any bilingual, geographic, or transparency requirements as well. They can get a contractor much more quickly, and one who can start immediately (if a standing offer is in place), something that is much harder to do when hiring government employees.

At the same time as the hiring process remains cumbersome, Public Works is making it easier for departments to utilize standing offers to bring in contractors even more quickly.³³ On the other hand, standing offers are also narrowing the list of eligible outsourcing companies. Increasingly complex requirements for standing offers mean that only large outsourcing firms can compete. Once an outsourcing company wins over a department, it becomes its only source of outsourcing, with little or no competition as shown in Figure 7. If you are a manager at HRSDC, for example, and you want

a management consultant, you have one choice: Resolve Corporation.

Bilingualism and Meritocracy

One of the major constraints for hiring, as expressed by managers, is the requirement that applicants be bilingual. For many positions in the public service, bilingualism is a requirement so that both anglophone and francophone Canadians can receive services in their first language. But, although it may be a requirement for official public service jobs, many positions are being filled with outsourcing firm employees who are not bilingual.

Beyond bilingualism, evading government hiring procedures through outsourcing also circumvents transparency requirements meant to insure fairness in the hiring process. By hiring contractors instead of employees, federal departments are making it more difficult to ensure that taxpayers' dollars are being used to hire those with the required merit and ability, not those with "connections." Without a transparent hiring process, it becomes much easier for managers to hire for reasons other than on the basis of who is the most qualified. Simplifying the process for managers with standing offers merely accelerates this trend.

Hidden Costs of Outsourcing

In addition to higher costs, outsourcing has other adverse effects that have longer-term impacts.

Institutional Knowledge

As employees become more familiar with government departments, they work better with government systems and provide services more efficiently to Canadians. Managers become better leaders and supervisors if they have worked for some time in the public service. IT personnel will better understand government computer systems the longer they operate within them. Even contractors in lower-level positions generally defined

as *temporary help* gain knowledge about how to streamline their work. As contracts stretch out for longer and become an alternative to hiring, significant amounts of institutional knowledge become invested in contractors who are outside the public service. Managers aware of this development see it as one of the disadvantages of using contractors instead of employees.³⁴

As more of the work in a department is done by a private firm rather than by employees of the government, future management of projects becomes increasingly difficult: the expertise is no longer within a department, residing instead with an outsourcing firm.

As more IT services are handed over to private companies, it is they who gain and retain the institutional knowledge, not the federal government. As training dollars are spent on outsourcing instead of on government employees, departments fall further behind and become unable to manage their own systems without the help of outside contractors. In thus concentrating institutional knowledge and experience in private contractors, it becomes much harder in the next round of bidding to award contracts to different contractors, and even harder or to bring it back in-house.

For instance, the Canadian Revenue Agency relies on CGI for its IT consultants. Almost half of CGI's business with the federal government is with CRA. If, in the next round of standing offer bidding, another IT outsourcing agency — say, IBM Canada — wins the contract, a significant amount of institutional knowledge about CRA that is held by CGI will not be transferred to IBM. In fact, it is in CRA's competitive interest to keep this knowledge to itself. This suggests that the government or IBM (or both) will have to struggle to get the new IBM contractors up to speed on CRA's IT needs.

Change Fees and Future Needs

Contracts with outsourcing firms are signed for particular types of services. If future service needs

change, then the contract and payment schedule must be amended to reflect the new services.

Several public service employees and managers interviewed for this report revealed that changing contract terms incurs significant re-adjustment fees. Approximately 10% of all contracts in the areas of *management consulting*, *IT consulting*, and *temporary help services* are revised at least once.³⁵ As government departments are rarely fully cognizant of their complete needs in advance, contract changes are inevitable. Unfortunately, they can be quite costly. In contrast, public service employees are able to take on new demands or adjust their approach without incurring such change fees.

The federal government's hands are tied to the rigid outsourcing contract structure, which imbeds new costs in the process of changing contracts, but there is also a built-in inertia that grows in a contractual relationship. The flexibility to address future needs may be constrained by a pre-existing contract. Departments may wish to allow an outsourcing contract to expire before attempting to update it and incur change fees, thereby delaying new project implementation.

Privacy, Security and Transparency

Controversy involving the outsourcing of IT work by British Columbia in 2003 raised the issue of privacy in the age of the U.S. Patriot Act.³⁶ This Act allows American investigators to compel American organizations and companies, wherever they reside, to disclose personal information. The fact that this information was disclosed must then be concealed.

A review by the B.C. Privacy Commissioner in 2004³⁷ prompted British Columbia to amend its privacy legislation.³⁸ Nova Scotia followed with its own Privacy Act in 2006 to counter potential U.S. Patriot act data breaches.³⁹ The federal government, however, has yet to enact similar protective legislation or insert protective clauses in contracts to address concerns over potential NAFTA reprisals by the United States.⁴⁰

As services are outsourced, more of Canadians' personal data is at risk of privacy breaches, particularly if the outsourcing companies are American-owned. Of the top 10 outsourcing firms operating in Canada, both IBM and Oracle are controlled by parent companies in the U.S.

Data content doesn't have to be directly managed by an American company in order to have a privacy breach. As more outside contractors work in government facilities, managing equipment, the probability of a personal data breach increases. If data — and the personnel managing Canadians' data — are kept in-house, Patriot Act-style data breaches become effectively impossible.

Conducting departmental functions outside of the federal government makes it harder for Canadians and MPs to know what private contractors are doing. Beyond concerns for Canadians' privacy and the security of their data in a digital age, private companies are outside the reach of government transparency processes such as Access to Information and Privacy (ATIP) requests. It is possible, of course, to query departments about specific decisions, but ATIP requests do not extend to private contractors. With an increasing number of contractors running projects, the decision-making process documented through emails, for instance, would not necessarily be available to an ATIP request if those emails were not sent through government addresses. Contractors working for IBM, for example, may not be sending their emails through a government address.

In short, the privatization of federal public services is increasingly making government less transparent to the public.

Recommendations

Without prompt corrective action, outsourcing costs will continue to soar. At a time when federal government deficits are rising, it is more important than ever to examine measures that offer potential cost savings while maintaining services.

1. HR Reform

The hiring mechanism for the federal public service is begging to be reformed. The time lag in hiring for critically needed personnel frustrates managers and makes the relatively simpler and faster option of outsourcing such work difficult to resist.

It's time for the federal government to identify and break down the roadblocks to timely hiring in the public service. Bottlenecks in the hiring process can be addressed without sacrificing fairness and transparency. This can be done in conjunction with the Public Service Commission of Canada, which has been studying this issue, with the unions that represent the employees, and with the HR sections of each department. The government should set clear goals, such as cutting the average hiring time in half, from six months to three.

At the same time, the government should make hiring contractors an option of last resort, rather than the go-to alternative promoted by Public Works. Limits need to be placed on standing offers so that they are used to meet legitimate short-term and specialized needs rather than as a way to circumvent hiring rules.

2. Expenditure Cuts Should be Directed at Outsourcing Spending

The federal government has announced its intention to cap departments' operational budgets. Projections of outsourcing spending in 2010–11, based on early indications, show that departments have not cut outsourcing spending at all. On the contrary, such spending is projected to be at about the same level as it was in 2009–10: \$1.1 billion. The estimated savings from the departmental caps amount to only \$300 million by the end of the first year and \$900 million by the end of the second year, still less than the “easy to identify” areas.

There are likely significant savings to be made in other personnel outsourcing areas not highlighted in this report. For instance: Other

Professional Services, Business Services and Architectural and Engineering Services, which add up on average to an additional \$1.8 billion a year on top of the \$1.1 billion a year highlighted in this report.

Reduced outsourcing spending should be pursued by the federal government as an ideal way to contain costs while maintaining services. However, significant cost savings through the reduction of outsourcing are only possible with top-down direction from Parliament or the Treasury Board of Canada Secretariat. Only hard upper limits on outsourcing expenditures will force recalcitrant managers to work with the resources they have instead of turning to outside firms and driving up outsourcing costs.

Conclusion

Although austerity measures are being felt by federal employees, the most recent data suggest that outsourcing firms providing personnel services to the federal government continue to do a brisk business. Over the past five years, personnel outsourcing costs have risen 79%. Even the austerity measures of the 2010 federal Budget have not cut spending significantly in this area.

In certain instances, outsourcing of personnel may be appropriate. It would be justified, for instance, if a project needs a number of additional people for a short time to complete a project, or if specific outside specialties are required. However, with rapidly increasing personnel outsourcing costs, it is becoming increasingly clear that it isn't the number of specialized tasks that are increasing, but rather that government departments are changing how they are resorting to outsourcing.

If the government wants to get serious about spending controls, it needs to look critically at why outsourcing costs are ballooning and what can be done to contain them. It is not only cost containment that is at risk, but also fair and

transparent hiring, long-term flexibility, and Canadians' privacy and institutional knowledge.

Bringing formerly outsourced services back in house can have ancillary benefits including retained institutional knowledge, more flexibility for future needs and stronger privacy protection for Canadians' personal data. In many cases, these benefits are forgone as managers turn to outsourcing to circumvent the cumbersome public service hiring process, to reduce their own

supervisory responsibilities, or just to get the job done given the limited tools at their disposal.

However, a concerted effort by the Treasury Board Secretariat could offer the right incentives for managers to spend less on outsourcing and instead provide the same services internally. Such a shift would only be possible if personnel outsourcing had defined compulsory cuts and if necessary reforms to the public service hiring process were implemented.

Data Sources & Methodology

Four primary sources were employed to examine the extent of federal public service outsourcing: the Merx tendering data⁴¹, Proactive Disclosure of contracts over \$10,000⁴², Public Accounts for “Professional and Special Services”⁴³ and interviews with union representatives, Public Service managers and employees of outsourcing firms working for the federal government.⁴⁴

The Merx database is a public tendering forum created primarily for the federal government but also used by other public sector actors. As part of the North American Free Trade Agreement (NAFTA) the federal government is required to provide a transparent tendering process through which companies, whether Canadian or foreign, can bid on any contract for goods or services required by the federal government over \$25,000 CDN. As such, all contracts for goods or services over \$25,000 that are publically tendered by any federal government department are tendered through Merx.

Merx acts as the clearinghouse for all federal government contracts over \$25,000 recording the date, winning bidder, winning amount (for non-Standing Offers), the nature of the contract and the federal department involved. Contract defini-

tions are comparable in some cases to the “proactive disclosure” codes. The awarded contracts are archived on the Merx website and they create a record of all outsourcing over \$25,000 that was publicly tendered by the federal government.

One significant limit to the utility of the Merx database in terms of ascertaining the overall size of the personnel outsourcing phenomenon, is that while some contracts are won based on their overall cost, others are won based on the rate the government will pay for a particular type of contractor. In the latter case, the winning bid of the contract is expressed as the best rate for a given type of work instead of a total value. As such, Merx data is not a reliable source for overall spending on personnel outsourcing.

As part of a policy enacted by the Treasury Board in 2004, all government departments and agencies are required to publish all contracts that they have signed over \$10,000. This “Proactive Disclosure” of signed contracts contains the date, period of the contract, amount, department/agency involved, contractor and nature of the contract. Subsequent revisions to the original contracts are also included. The codes that de-

fine the nature of each contract are specific and are comparable in some cases to the Merx codes.

Although the proactive disclosure data is scattered across all departments and agencies, for the purpose of this report, it has been aggregated into a single database. As well, spending on a particular project is pro-rated over the life of the contract by the author in contrast to Public Accounts and Merx data which simply records when payments were made or bids were won.

The Public Accounts of Canada are published by the Department of Public Works and Government Services Canada (PWGSC) on a yearly basis. Section 3 of the Public Accounts details how much federal departments spent on “Professional and Special Services.” The latter is separate from spending on grants and spending on the acquisition of land, equipment, buildings and construction projects. The public accounts are exhaustive in terms of tracking actual spending on outsourcing. By contrast, Merx only tracks tendered contracts over \$25,000 and Proactive Disclosure only tracks contracts over \$10,000.

The Public Accounts are published yearly and report spending over the government’s accounting year from April 1st to March 31st. The Merx tenders and Proactive Disclosures are adjusted to

fit the accounting year. Public Account spending on “Professional and Special Services” is broken up into sub-categories. In many cases the sub-categories of Public Accounts are not as detailed as those in Proactive Disclosure. Given this limitation, it can be difficult under Public Accounts to separate out personnel outsourcing from contracting for more legitimate services. However, if the categories do match up the amount of a contract with all subsequent revisions reported in Proactive Disclosure should equal the amount paid as recorded in Public Accounts. The Public Accounts represent the government’s official spending record.

Much of the totals reported in Public Accounts are actually internal transfers between government departments as well as between the federal government and other levels of government. In this report, those inter-governmental transfers are removed.

The most recent Public Accounts data is for the 2009–10 fiscal year. The Proactive Disclosure of signed contracts data reliably starts in the 2005–06 fiscal year and continues to the second quarter of 2010 (September 2010). The Merx data of winning bids is updated daily and was most recently downloaded on November 25th, 2010.

Notes

¹ www.merx.ca

² The Treasury Board Secretariat maintains a list of all departments and agencies with links to their contracts disclosures at <http://www.tbs-sct.gc.ca/pd-dp/gr-rg/index-eng.asp>

³ The Department of Public Works and Government Services Canada Maintains the Public Accounts for the latest fiscal year at <http://www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html> (Latest Fiscal Year: 2008–09). Similar reports are available for past fiscal years through Library and Archives Canada at http://epe.lac-bac.gc.ca/100/201/301/public_accounts_can/index.html

⁴ The interviews were conducted between May and June 2009. Computer Systems stewards from PIPSC were interviewed. Computer systems managers and employees of outsourcing firms were also interviewed. However, contacts with them were arranged through union contacts.

⁵ See for instance the conclusions of Public Service Commission of Canada, *Use of Temporary Help Services in Public Service Organizations*, October 2010, pg 3 which examines one category of personnel outsourcing: Temporary Help Services

⁶ Public Service Commission of Canada, *Use of Temporary Help Services in Public Service Organizations*, October 2010, pg 14.

⁷ Public Service Commission of Canada, *Use of Temporary Help Services in Public Service Organizations*, October 2010, pg 26.

⁸ http://bts.calian.com/en/career_jobs/JobDescriptionMutiple.asp?WebJobPostingsID=5340 Accessed on Sept 22, 2010.

⁹ The primary means of coding contracts is by using P W G S C Object Codes as found on <http://www.tpsgc-pwgsc.gc.ca/recgen/pceaf-gwcoa/0910/txt/rg-d-7-a-eng.html#id-A-o>. However some departments, primarily the Department of National Defense uses Goods and Services Information Number (GSIN) codes.

¹⁰ See for instance http://bts.calian.com/en/career_jobs/JobDescriptionMutiple.asp?WebJobPostingsID=5340 (Accessed Sept. 22, 2010) where the outsourcing firm Calian is advertising a minimum of 2 year IT consultant job which would be onsite with DND.

¹¹ See <http://www.ottawacitizen.com/Federal+departments+using+temps+circumvent+hiring+rules+Watchdog/3552313/story.html> (Accessed Sept 22, 2010)

- 12 Public Service Commission of Canada, *Use of Temporary Help Services in Public Service Organizations*, October 2010, pg. 28
- 13 Projections rely on historical ratios of first quarter spending to total year spending by department.
- 14 There is only one instance where Proactive Disclosure totals are higher than Public Account totals and that is for Management Consulting in 2008–09. The difference is \$63 million and may be the result of Proactive Disclosure recording a contract as being completed in 2008–09 even though it may have been paid for under Public Accounts in a previous year.
- 15 Note that Management Consulting and Temporary Help Services were only introduced as separate spending categories in the 2006–07 Public Accounts.
- 16 It should be noted that IT consulting is being used as the exemplar in this case because the coding for IT consulting makes it much easier to compare Merx and Proactive Disclosure data.
- 17 Reproduced from table “Contract Entry and Amendment Approval Limits-SERVICES” in PWGSC “Supply Manual: Chapter 6-Annex 1 Conditions Imposed on the Approval Authority Limits for Departmental Personnel” pg. Annex 6.1.2-2
- 18 Under INAC Contract Reference Number 20-04-6004/7
- 19 Under Transport Canada Contract Reference Number T8080-07-0413
- 20 Temporary Help Services is reported to have 71% of contracts having one or more revisions: Public Service Commission of Canada, *Use of Temporary Help Services in Public Service Organizations*, October 2010, pg. 12.
- 21 For instance see Office of the Auditor General of Canada, *Recruiting for Canada’s Future Public Service: Changing the Practices*, 2001.
- 22 Public Service Commission of Canada, *Time to Staff in the Federal Public Service: Some Contributing Factors*, May 2006, pg2
- 23 Maria Barrados, President of the Public Service Commission of Canada, Comments from National Joint Council Annual Conference in Victoria (Sept 28–Oct 1 2010)
- 24 Office of the Procurement Ombudsman, *2009–10 Annual Report*, pg 39–45.
- 25 Public Service Commission of Canada, *Use of Temporary Help Services in Public Service Organizations*, October 2010, pg 37.
- 26 Public Service Commission of Canada, *Use of Temporary Help Services in Public Service Organizations*, October 2010, pg 26.
- 27 Treasury Board Secretariat, *Manager’s Guide to Operating Budgets*, pg 6.
- 28 See for instance, the Mission statement of the Public Service Commission that espouses these values at <http://www.psc-cfp.gc.ca/arp-rpa/2010/mission-eng.htm>
- 29 Public Service Commission of Canada, *Use of Temporary Help Services in Public Service Organizations*, October 2010, pg 12.
- 30 Outsourcing costs include the three areas common to this report namely: Management Consulting, IT Consulting and Temporary Help. Government documents do not allow easy differentiation of personnel costs by type of work as it possible with government contracts. As such, personnel costs in Figure 6 are for the entire department.
- 31 Public Service Commission of Canada, *Use of Temporary Help Services in Public Service Organizations*, October 2010, pg. 5.
- 32 Public Service Commission of Canada, *Time to Staff in the Federal Public Service: Some Contributing Factors*, May 2006
- 33 See for instance: Office of the Procurement Ombudsman, *Annual Report 2009–10*, pg. 49–54.
- 34 Public Service Commission of Canada, *Use of Temporary Help Services in Public Service Organizations*, October 2010, pg 26.
- 35 Source: Proactive Disclosure.

36 Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism

37 Information & Privacy Commissioner of British Columbia, Privacy and the USA Patriot Act: Implications for British Columbia Public Sector Outsourcing, October 2004.

38 Freedom of Information and Protection of Privacy Amendment Act, October 21, 2004.

39 Personal Information International Disclosure Protection Act, 2006.

40 Treasury Board of Canada Secretariat, Privacy Matters: The Federal Strategy to Address Concerns about the USA PATRIOT act and Transborder Data Flows, pg 3.

41 www.merx.ca

42 The Treasury Board Secretariat maintains a list of all departments and agencies with links to their contracts disclosures at <http://www.tbs-sct.gc.ca/pd-dp/gr-rg/index-eng.asp>

43 The Department of Public Works and Government Services Canada Maintains the Public Accounts for the latest fiscal year at <http://www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html> (Latest Fiscal Year: 2008–09). Similar reports are available for past fiscal years through Library and Archives Canada at http://epe.lac-bac.gc.ca/100/201/301/public_accounts_can/index.html

44 The interviews were conducted between May and June 2009. Computer Systems stewards from PIPSC were interviewed. Computer systems managers and employees of outsourcing firms were also interviewed. However, contacts with them were arranged through union contacts.

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