

# BC's Shrinking Public Sector

THE RECENT GLOBAL RECESSION HIT BRITISH COLUMBIA HARD, wreaking havoc across the economy, including the provincial treasury. Taxation revenues declined sharply while demand for social assistance and other social services increased, resulting in a substantial budget deficit in 2009 after five consecutive years of surpluses. Although the provincial government recognized that deficits were needed to weather the economic storm, it also used the budget challenges as an opportunity to attack the public sector.

Both the February 2009 BC Budget and the September 2009 Budget Update imposed significant "savings in administrative and other discretionary spending" in order to reduce the size of the deficit. These so-called savings, many of which were not specified at budget time, have so far included two rounds of provincial government layoffs (announced in September 2009 and January 2010, respectively), reducing the BC public service by 436 positions. These types of belt-tightening exercises are based on the notion that there is waste to trim from provincial programs and administration.

But is this really the case?

It is a little known fact that BC's public sector has been shrinking both in terms of employees per capita and expenditures relative to GDP (or the size of the economy) since the early 1990s. This is because our public service already went through several comprehensive reviews in recent years that looked for ways to cut costs. Simply put, BC entered the recession with one of the leanest public sectors in the country and there was little room for cuts without compromising much-needed public services. The recent round of cuts has made it even more difficult for the province to deliver important programs and services.

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## BC PUBLIC SECTOR JOBS — ALL LEVELS OF GOVERNMENT

According to data from Statistics Canada, BC’s public sector provided 393,016 jobs in 2008, or 17 per cent of all jobs in the province.<sup>1</sup> This figure includes employees of all three levels of government—federal, provincial and local—as well as members of the RCMP and the Canadian Armed Forces, workers at government-owned business enterprises such as BC Hydro or ICBC, and employees providing government-funded education, health and social services.

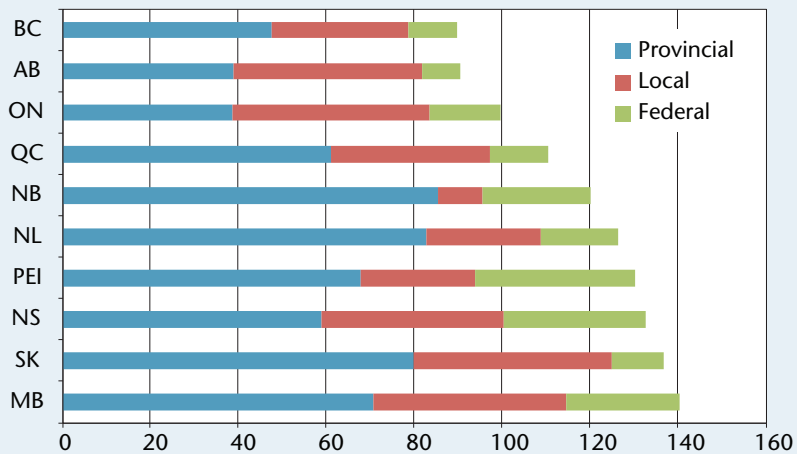
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In 2008, there were about 89.7 public sector employees per 1,000 people in BC, slightly less than Alberta’s 90.4 and Ontario’s 99.6.

Just over half of all public sector workers in BC are employed at the provincial government level, with the majority delivering education, health care and social services. Statistics Canada counts 100 per cent of these jobs as “public sector” even though privatization and contracting-out of public services have put working conditions, pay and benefits for many of these workers into the hands of private-sector employers.

Compared to the rest of Canada, BC has the lowest level of public sector employment relative to population. In 2008, there were 89.7 public sector employees per 1,000 people in BC, slightly less than Alberta’s 90.4 and Ontario’s 99.6. Saskatchewan and Manitoba had the highest public sector employment rates—close to 140 public sector workers for every 1,000 citizens. More than one quarter of all employees in these two provinces worked in the public sector—27 per cent in Saskatchewan and 28 per cent in Manitoba—compared to only 17 per cent in BC (the Canadian average is 20 per cent).

Figure 1: Public sector employment rate (per 1,000 population), 2008



Source: Author’s calculations based on Statistics Canada data on public sector employment (CANSIM 183-0002) and provincial population estimates (CANSIM 051-0001).

## BC PUBLIC SECTOR JOBS — PROVINCIAL LEVEL

Direct comparisons of public sector employment at the provincial level must be made with caution, as social service responsibilities are split differently between provincial and local governments across the country. Provinces like Ontario have chosen to deliver more social services through municipal governments and therefore have smaller provincial government employment rates, while in other regions such as the Maritimes most social services are delivered directly by the province.

Figure 1 shows that in 2008 BC had one of the smallest provincial public sectors in Canada relative to our population, with 47.5 employees per 1,000 people. Only Ontario and Alberta employ fewer people in their provincial-level public sector, 38.6 and 38.9 per 1,000, respectively. Note, however, that their local (or municipal) government employment is higher than BC's.

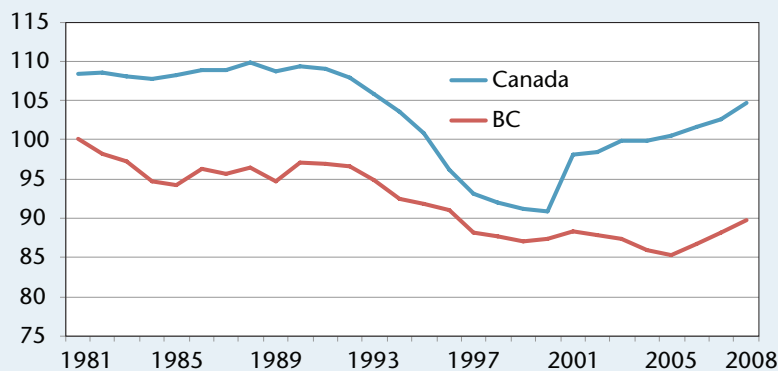
## BC'S SHRINKING PUBLIC SERVICE

For decades, BC's overall public sector has been smaller than the national average, but the disparity between BC and other provinces has grown in the new millennium.

Public sector employment rates fell throughout the 1990s across Canada, as both federal and provincial governments slashed spending in an attempt to eliminate budget deficits and reduce government debt. However, since 2000, public sector employment has been on the rise in most of the country, while the employment rate continued to fall in BC, reaching its lowest point of 85 per 1,000 people in 2005. BC's public sector employment has increased somewhat since then, but we remain the province with the lowest public sector employment rate in the country.

For decades, BC's overall public sector has been smaller than the national average, but the disparity between BC and other provinces has grown in the new millennium.

Figure 2: Public Sector Employment Rate (per 1,000 population), BC and Canada



Source: Author's calculations based on Statistics Canada data on public sector employment (CANSIM 183-0002) and provincial population estimates (obtained from BC Stats, <http://www.bcstats.gov.bc.ca/DATA/pop/pop/dynamic/ProvPop/Query.asp?category=Prov&type=1&topic=Estimates>).

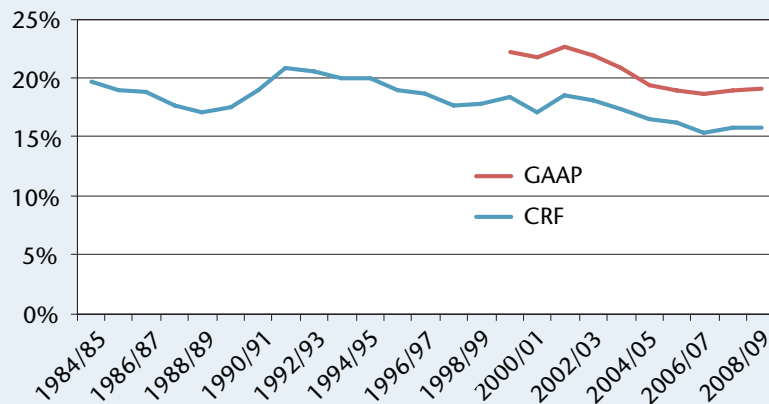
## BC'S FALLING PROVINCIAL EXPENDITURES

Another way to measure the size of the public sector is to track government expenditures over time. There are different ways to measure provincial government expenditures in BC, but the two most common ones—the Consolidated Revenue Fund (CRF) and the operating statement under Generally Accepted Accounting Principles (GAAP)<sup>2</sup>—show that provincial government spending has been shrinking as a share of the economy since the early 1990s.

Consolidated revenue spending, which includes the provincial government's annual direct disbursements, fell from over 20 per cent of provincial GDP in the early 1990s to about 15 per cent in 2008/09.

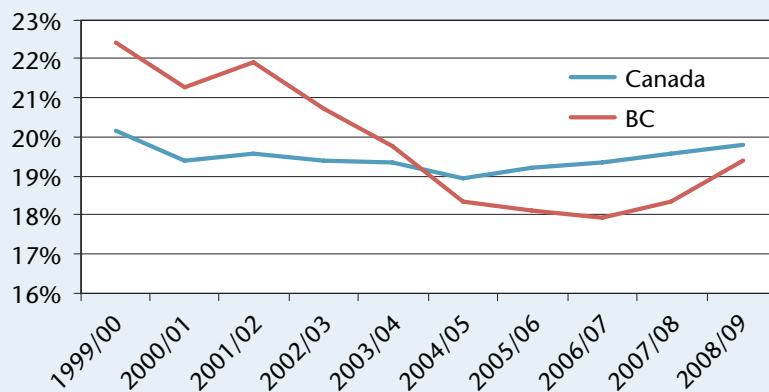
Consolidated revenue spending, which includes the provincial government's annual direct disbursements, fell from over 20 per cent of provincial GDP in the early 1990s to about 15 per cent in 2008/09. The results are similar when provincial spending is measured under the GAAP—the new system of accounts the government intro-

Figure 3: BC Provincial Expenditure as a Percentage of GDP



Source: BC Ministry of Finance, 2009 *British Columbia Financial and Economic Review*, (Sept. 2009) Tables A2.8 and A3.6.

Figure 4: Provincial Expenditures as a Percentage of GDP, BC and Canada



Source: Author's calculations based on Statistics Canada data on provincial and territorial general government expenditures on a Financial Management System (FMS) basis (CANSIM 385-0002) and provincial GDP (CANSIM 384-0001).

duced in 2004/05, which includes the expenditures of public schools, universities and hospitals, as well as various service delivery agencies and the net financial results for provincial crown corporations. GAAP expenditures were 22 per cent of GDP at the start of the new millennium, but fell to 19 per cent of GDP in 2008/09.

BC's provincial spending pattern has differed considerably from the national average since 2000 (see Figure 4). While provincial government expenditures remained flat (on average) across Canada, BC's provincial spending fell relative to GDP in the early 2000s and only started to recover in 2007/08.

## CONCLUSION

The last 20 years have seen a deliberate reduction in the size and scope of BC's public sector. We have increasingly shifted away from using tax revenues to fund collectively-provided services and toward increased pressure on individuals and their families to pay for education, seniors' care and other needed programs. The results have been lower economic security and increased hardship for the most vulnerable British Columbians, well documented in a number of CCPA studies (the Economic Security Project in particular).

Proponents of small government continue to claim that our public sector is bloated and inefficient, but in reality BC's public sector is the leanest in Canada. Now that public sector budgets have come under pressure from the recession and there is talk of additional belt-tightening after the Olympics, it is more important than ever to go back to the facts.

Cutting public sector jobs and/or reducing public sector wages would reduce incomes for a large number of hard-working British Columbians and put a drag on the economy precisely at the wrong time, as the province enters what is likely to be a slow and weak recovery from the recession. The provincial government has many avenues to address its current fiscal challenges—further cuts to BC's public service should not be one of them. Over the long-term, British Columbians will be better served by strategic public investments in BC's social infrastructure, such as building a high quality early child care and education system and improving the accessibility of post-secondary education.

The provincial government has many avenues to address its current fiscal challenges—further cuts to BC's public service should not be one of them.

## NOTES

<sup>1</sup> Note that Statistics Canada's employment figures count jobs rather than full-time equivalents (FTEs) and as such they do not distinguish between full-time and part-time positions.

<sup>2</sup> The Consolidated Revenue Fund (CRF) is the province's main operating account, which captures BC's annual receipts and disbursements and has been in use since BC entered Confederation. The BC government introduced a new system of accounts in 2004/05, based on Generally Accepted Accounting Principles (GAAP), which includes the revenues and expenditures of public schools, universities and hospitals, as well as various service delivery agencies (such as BC Transportation Financing Authority and Community Living BC) and the net financial results for provincial crown corporations. As a result, government spending measured by the GAAP is considerably higher than that measured by the CRF.

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