Scapegoating Canada's public sector

How the government used the crisis to attack unions, slash the public service and increase privatization

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> "Whether Canada ends up as one national government or two national governments or several national governments, or some other kind of arrangement is, quite frankly, secondary in my opinion…. And whether Canada ends up with one national government or two governments or 10 governments, the Canadian people will require less government no matter what the constitutional status or arrangement of any future country may be."
>
> —*From a speech by Stephen Harper to a National Citizens Coalition dinner in 1994*

THE CONSERVATIVE GOVERNMENT led by Stephen Harper has had two key related goals since ascending to power. One is to hold on to that power. The other is to make government smaller and less important in the lives of Canadian people. Although multifaceted attacks on the Canadian collective are clothed in messages of individual liberty and security, the reality is that a great many Canadians are worse off after a decade of ideological Conservative government.

A 2009 study by the Canadian Centre for Policy Alternatives showed that public services make a significant and unparalleled contribution to standards of living in Canada. The study found that Canadian families benefit from public services worth an average of about $41,000 a year, or 63% of the median family income. Even households earning between $80,000 and $90,000 a year receive a benefit from public services that is equivalent to about half their income. Hugh Mackenzie, the study's author, calls it "the best deal we're ever going to get," and Canada's "quiet bargain."[1]

Public services reduce inequality, provide stability, and promote economic, social and environmental security. They are demonstrably more efficient, less expensive, of higher quality and more accountable than privatized services. If unregulated market forces and private sector incursion into the public sector was as effective as neoliberals contend, the public sector would not have been called upon to manage and organize every major challenge of the last 100 years, from the Great Depression to Second World War mobilization to post-war reconstruction to the recent public "stimulus" measures provided to mitigate the effects of the 2008 recession.

Unfortunately, the Harper government started to cut public sector expansion as soon as it could after the most recent recession had eased, but before a full recovery. As described elsewhere in this book, the government undermined federal revenue streams by introducing massive tax and public service cuts, weakening public interest legislation and regulation, and downloading responsibilities to other levels of government right up until Parliament shut down in June 2015. None of these cuts were essential to maintaining Canada's generally positive fiscal position and some likely contributed to extending the post-crisis recession.

An attack on public services

According to Treasury Board data in March 2015, 25,318 positions have been cut from core public services and agencies since 2011.[2] Statistics Canada estimates 50,000 jobs have been cut over the same period in the broader federal public administration,[3] while departmental spending reports show even more cuts are planned. The government steadfastly refused to be transparent about the real impact of these cuts, assuring the public they were to "backroom" positions within the public sector. But we know, from research done by the Parliamentary Budget Officer and others, the cuts decrease service quality and undermine the ability of public service workers to do their jobs.[4]

Important environmental and human rights protections have been eliminated along with the public service workers who regulate and enforce them. The ability of workers and seniors to collect employment insurance and old age benefits, of statisticians to collect statistics, of veterans to access services to which they are entitled, and of regulators to protect the food supply have all been seriously compromised. So has the ability of future governments to reinvest in these and other areas due to a severely constrained capacity to raise tax revenues. Cuts to the GST and corporate tax rates, as well as boutique tax measures like income splitting, can theoretically stimulate investment and spending, but in practice they deprive Canadians of more valuable economic security.

What is a small taxable child allowance compared to an affordable, universal child care program; an expensive public transit tax credit to increased support for public transit; a children's fitness tax credit to increased funding for sports and recreation programs; tax credits for affordable housing to support for community-based housing and homelessness initiatives? How does one square a tax credit and vouchers for education and training with funding cuts for literacy programs? In virtually all these areas and others, direct program spending has been found to be much more effective, better targeted, less costly and more accountable than tax incentives.

The first cuts to public sector jobs were announced in the 2010 budget, but not implemented until 2012. Although most cuts have been completed, the Parliamentary Budget Officer has determined that another 8,900 jobs will be eliminated by 2017, bringing the total to 35,000.[5] The government initially maintained that only administrative and "backroom" jobs would be cut, but that has not been the case. The ability of the public service to meet the requirements of the Canadian public and Indigenous communities has been clearly compromised.[6] In addition, correctional, health care and other regulatory costs and burdens are being shifted to provinces and municipalities.[7]

The reality is, while there are now fewer public employees, and these workers are over-extended, Canadian demands for the services they provide are increasing.[8] A demographic snapshot of the public service released by the government in 2013 shows that between 1983 and 2013, the Canadian population expanded by almost 38.4%, while the size of the public service over this period only increased by 4.8%. The federal public service now comprises 0.75% of the Canadian population.[9]

In addition, the aura of austerity is so prevalent that departments are not spending the money they have been allotted by Treasury Board. Lapsed spending — money that is returned to government coffers — has grown considerably in some cases. The Public Accounts of Canada show that across all of government, departments lapsed $7.3 billion in 2013–14 and $10.1 billion in 2012–13. That is money that could have been used to provide much need programs.[10] The Parliamentary Budget Officer has said that year-end results show the government is cutting more deeply than announced without a clear explanation of the consequences.[11]

Federal program spending has also not kept up with growth in gross domestic product (GDP). Real GDP has increased by almost 110.6% since 1983, while federal program spending has only increased by 52.4%. In 2013, there was an increase of 1.7% in real GDP and a decrease of 0.6% in federal program spending, which decreased as a proportion of GDP from 18.8% in 1983 to 14% in 2011–12.[12] The 2012 federal budget forecasted a further drop to 12.7% by 2016–17.

Some cuts have been very noticeable. Staff at Veterans Affairs has been cut by 24%, with an additional 1% cut planned by 2016–17.[13] Departmental performance reports show that about 900 positions have been eliminated across Veterans Affairs, with 33% coming out of the section that administers pensions and awards, and 372 positions cut from the health and rehabilitation branches. These are not "backroom" positions — a term implying the jobs are unnecessary to begin with. For comparison, Internal Services lost only 71 positions during the same period.[14]

Employment insurance (EI) services have also been deteriorating because of the cuts. Funds to operate Citizen Centred Service, a business line within Employment and Social Development Canada, will have been cut in half from their 2011 levels by 2017, with staff cuts of 2,100 positions to that business line alone. Department reports show that between 2011 and 2013 there were over 26 million blocked calls where citizens couldn't get through to the EI helpline and over a million instances of people hanging up.[15] The government hired additional staff in the past year, but it is not nearly enough to repair the damage caused by the cuts.[16]

Canada Post has started eliminating home delivery to over five million Canadians and plans to eliminate 6,000 to 8,000 postal worker jobs in the next few years. The cut in service was justified on the basis that Canada Post had experienced continued financial losses. Yet over the last 17 years, the Crown corporation has created revenue for the government every year except two. By December 2013, losses were $110 million on annual revenues of $5.8 billion.[17] The 2014 Canada Post budget figures showed a $194 million profit. In the first quarter of 2015, the corporation posted a pre-tax profit of $24 million.[18]

If money were truly an issue for Canada Post or this government, the corporation could have acted on its four years of intensive research and study into offering financial services, which concluded that postal banking was a "proven moneymaker." The Harper government refused to entertain the concept; the government supported Canada Post's plan to increase postal fees and eliminate door-to-door delivery instead.[19] Canadians, especially persons with disabilities and restricted mobility, should not be forced to go further than they need to for their mail when it is not necessary.

Changes to federal labour legislation are making it more difficult for public service unions to protect their members' rights and bargain on their behalf. Bill C–59, for example, gives the government the power to unilaterally amend provisions in collective agreements, as Treasury Board President Tony Clement did to eliminate the current sick leave system in the federal public service. Although the unions were willing to bargain changes to better protect recent hires, the Harper government wants to impose a system that will make workers either go to work sick or not be paid for potentially long periods of time. The government announced, as it tabled the 2015 federal budget, that these changes to sick leave benefits would save $900 million, though no one really knows where this number comes from. We do know that without it the government would not have been able to declare the deficit had been eliminated as planned, and on the backs of workers, by 2016.

Bill C–4, a previous budget implementation bill in 2013, similarly undermined the collective bargaining process. The bill changes the *Canada Labour Code* regarding health and safety and the definition of "immediate danger," undermining the rights that workers in federal jurisdictions have to refuse unsafe work. Given a number of Supreme Court decisions, starting in 2007, in support of collective bargaining, there is a good chance these changes are also unconstitutional and violate the Canadian Charter of Rights and Freedoms. Federal unions have already mounted court challenges against C–4 and C–59, but such cases take years to pursue and considerable damage to workers' rights and labour relations is done in the meantime.

The current government has also made use of private member's bills to change federal labour legislation. Bill C–525, which was sponsored by Conservative backbencher Blaine Calkins and supported publicly by anti-labour groups like LabourWatch, makes it harder for workers to organize federally. Even an employer group (FETCO) complained about this backdoor lawmaking tactic, saying the standard tripartite consultation process was a much more successful means of introducing new labour legislation.

Even though new university graduates maintain they would still like to work in the public service their actual ranks are shrinking.[20] The number of employees under the age of 35 has declined to 17% of the public service as of March 2014, compared to 21.4% in March 2010.[21] This is at a time when youth unemployment is at about 14% and underemployment levels are worse.

Across-the-board budget cuts mean the use of contractors and temporary service agencies has decreased across government as a whole. However, contracting costs are still high and some federal government departments like Shared Services Canada and the Department of Defence have become overly dependent on contractors.[22] The 2014–15 Main Estimates show the government plans to spend $9.84 billion on contracting out for professional and special services in the 2014–15 fiscal year.[23] Temporary contracting costs the government more money. It also undermines the federal public service staffing goals of prioritizing value and merit.[24] Contracting out marginalizes workers, leaving them disillusioned, with little opportunity for job security, advancement or equitable wages and benefits.[25]

Social impact financing

On November 8, 2012, the federal government elaborated on a 2012 budget promise to implement social impact bonds (SIBs).[26] They are a process of privatizing funding of public social services similar to the way public-private partnerships privatize public infrastructure. SIBs allow banks and private finance to profit from the delivery of public services. Private investors pay social agencies to deliver services. In turn, the government agrees to pay the investor back, with a profit, regardless of whether or not the services are delivered or program objectives are met.[27]

On October 3, 2013, the government announced a social impact financing initiative for literacy programs worth $6 million, arguing the private sector must play a major role in delivering social programs.[28] Large financial institutions like the Royal Bank of Canada, which has invested $20 million, would like to see increasing investor opportunities for social financing.[29] They are convinced it will be profitable. The first social impact bond in Australia returned investor profits of 15% a year. Investors in social impact initiatives in the U.K. have seen returns as high as 68% and 225%, demonstrating that the projects were either cutting corners on the services they were supposed to provide or were just an inefficient use of taxpayer dollars from the start.[30]

All this is happening despite recent polling showing 82% of Canadians agree that "when private companies get contracts to provide government programs, the public loses control over services people depend on," and 69% agree that "allowing a few people to profit from services meant for all of us weakens our country's principles and core values of caring and sharing."[31] Donald Savoie, one of Canada's foremost experts on how government operates, puts it this way:

> The notion that public administration could be made to look like private-sector management has been ill conceived, misguided and costly to taxpayers. Management in the private sector has everything to do with the bottom line and market share. Administration in the public sector is a matter of opinion, debate and blame avoidance in a politically charged environment.[32]

Diminished regulations

We find another prong of the government plan to undermine the public sector in its threefold attack on the ability of Canada's regulatory regime to protect the public interest. In the first (if possibly least obvious) case, corporate free trade deals undermine public services in general and in particular the ability of governments to legislate and regulate on behalf of their population.[33] Second, government cuts have diminished the ability of public service workers to enforce existing regulations. And thirdly, the government's own ideological war on regulatory capacity is creating unrealistic and arbitrary criteria around the creation of regulations.

The *Red Tape Reduction Act*, the centerpiece of the government's broader Red Tape Reduction Plan, enshrines a one-for-one rule in law. The act received royal assent and passed into law on April 23, 2015. The one-for-one rule means that for every new regulation that imposes an administrative burden on business one must be removed. The government boasts that it is the only country in the world to legislate against the growth of regulations.[34] But most people do not share the government's ideological aversion to regulations, which generally respond to a public need. Polls have shown that 90% of Canadians believe the government should do more to protect the environment and public health and safety.[35] This means creating more regulations. Although the one-for-one rule has to date only been used for small administrative adjustments it has the capacity to undermine the public interest.

A far more important problem than proliferating rules is that regulations that already exist are not being properly enforced. Government cuts have left the public sector with too few employees to make sure rules are being followed. For example, between 2010 and 2017, Environment Canada will have cut or plans to cut 21% of its staff, and 338 employees from the climate change division alone**.** A further 30% of the staff at Fisheries and Oceans Canada that were responsible for the *Species at Risk Act* — and the recovery and protection of all aquatic species in Canada — were cut.[36]

In February 2014, the Federal Court declared that the ministers of environment and of fisheries and oceans acted unlawfully in delaying for several years the production of recovery strategies for four at-risk species threatened by industrial development including the proposed Northern Gateway pipeline and tanker route. The departments' reasons for not meeting their legal obligations included staff shortages and not enough capacity.[37] More than $100 million in cuts were made at Fisheries and Oceans Canada for water protection despite recommendations from public service experts that spending should be increased for both environmental and economic reasons.[38]

The Canadian Food Inspection Agency (CFIA) will have lost 1,407 full-time staff positions between 2012 and 2016. That's 20% of the regulator's workforce. Cuts of 720 positions came from programs that mitigate the risks to human health from animals, fruit and vegetables. Programs that regulate food packaging and production facilities as well as food product regulation saw staff cuts of 429 positions.[39] In 2014, there were 60% fewer ground meat inspections than there were in 2013. That means less checking for fat content, filler and fraudulent species claims. There will be no inspection of cooking oils. Fewer than half of the independent food retailers inspected in 2013 were slated for inspection in 2014.[40]

The Harper government dismantled Canada's wheat marketing board and its world-class grain regulatory system, which ensured Canadian grain quality commanded "international respect." Now international buyers complain of diminished quality resulting in a loss of business for Canadian farmers.[41] Staff at the Grain Commission has been cut from 680 regulators in 2012 to 408 in 2015 — about a 40% cut.[42] (See Slater chapter.)

The consequences of poor or absentee regulation were exposed on a terrifying scale in the 2013 train derailment at Lac-Mégantic, which could have been avoided.[43] In a 2013 report, Canada's auditor general found that "despite the fact that federal railways were required 12 years ago to implement safety management systems for managing safety risks and complying with safety requirements, Transport Canada has yet to establish an audit approach that provides a minimum level of assurance that federal railways have done so."[44] Transport Canada is not able to provide the kind of oversight and enforcement to ensure that existing regulations are adhered to.[45]

A recent analysis by the Department of Transportation's Pipeline and Hazardous Materials Safety Administration estimated that a failure to upgrade existing regulations would lead to the equivalent of 10 major accidents, costing more than US$18 billion ($24 billion) in damages and including fatalities, over the next 20 years.[46] Proper enforcement means having public service workers on the ground examining what is really happening and ensuring that companies do not cut corners.

Privatization and P3s

Privatization is "the transfer of responsibility and control from the public sector to the corporate and voluntary sectors, or to families and individuals."[47] Public-private partnerships (P3s) — multi-decade contracts that include private sector financing, management, and ownership of vital public services and infrastructure — are a cloaked form of privatization, and successive governments have a long history of supporting their growth. The Harper government committed to P3s in a big way for infrastructure renewal.[48]

The $14 billion New Building Canada Fund (NCBF) demands that all provinces, territories and municipalities seeking money for infrastructure projects over $100 million participate in a P3 screening process. This can take anywhere from six to 18 months to complete — a significant and unnecessary delay for a community in need of new water infrastructure today. The government also created the $1.25 billion P3 Canada Fund, which subsidizes the development of P3 projects for water and wastewater, green energy, public transit and post-secondary education in provinces, territories, municipalities and First Nations communities. This fund and the P3 screening for the NBCF are managed by PPP Canada, a government organization created to support the growth of P3 projects.

The value-for-money celebrated by P3 advocates is an illusion. P3s result in higher costs, lower quality and a loss of public control.[49] P3s are riskier and frequently less innovative, with costs handed down over many years.[50] Public sector accounting processes create the illusion that P3s are paid for by the private sector, when the debt is only postponed to another time, another government, and a future generation. For instance, the British Columbia government estimates its current contractual obligations to P3 partners to be more than $50 billion.[51] P3 consortiums borrow money from international investment banks at higher interest rates than governments can. The Ontario auditor general found that P3s cost Ontario taxpayers $8 billion more than traditional public financing would have cost on projects since 2003. About $6.5 billion is due to higher private sector financing costs.[52]

Over the average 25- to 30-year lifespan of a P3 contract, the public pays much more than it would have if the government borrowed the money directly to finance a traditional design/build contract.[53] This privatized, hidden debt erodes the government's flexibility to provide public services, as more and more public money becomes tied up paying private providers, guaranteeing private profits, and institutionalizing private, for-profit monopolies.[54]

Because private-sector contracts become the property of the contractor, the public is not allowed to view the books of their P3 partner, even though the public ultimately bears responsibility for the costs. At the same time, the public rightly expects governments to deliver services, regardless of whether P3 projects or their funders meet their obligations.

Citizens and their governments bear the ultimate risk for the provision of public services. P3s fail regularly and must be bailed out by the public.[55] Businesses must make money for their shareholders and, as recent experience shows, will not hesitate to take quick action, including filing for bankruptcy and liquidation, to protect investor interests.

Conclusion

The Harper government's attack on the public sector and its workers clearly has little to do with cost savings, efficiency or better value for money. The track record shows that public services outcompete their privatized versions, that regulations are by and large developed for good reasons, often to do with public safety, and that undermining collective bargaining rights is not only unconstitutional, but also undesirable from the employer's perspective.

Legislative and regulatory changes ushered in after the 2008 crisis were more likely based on ideological motivations than any inherent need for public sector reform. The goal was to shrink the government under the guise of responding to economic necessity. The government's actions in that respect have left the country poorer and much more poorly protected from an environmental or public health standpoint.

Public services and the legislation that governs them have been substantially weakened by this government, compromising our ability to help unemployed workers, provide services to Indigenous communities and veterans, or to slow climate change and protect the environment. The list of those who have been harmed is much longer.

The ranks of the public service have been decimated, sometimes arbitrarily, and sometimes as a corollary to the de-legislation and deregulation of government obligations. At the same time, revenue has been slashed through the implementation of tax cuts that primarily benefit the wealthy, and designer tax breaks that provide very little stimulus in the form of relief to families.

The policies described above cut to the very nature of our democracy, which begins to look very much like what Sheldon Wolin calls "managed democracy and the specter of inverted totalitarianism." It's a society where a reverence for free markets creates the very antithesis to government focussed on collectivist goals and the welfare of all its citizens.[56] As the prime minister once said, the constitutional shape of this society, the number of governments there are to administer it, are redundant as long as there is less government overall.

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