

Public Services

Background

Public services are more efficient, less expensive, of higher quality, and more accountable than privatized services. They reduce inequality and promote economic, social, and environmental security. Strong public services are crucial to addressing the challenges facing Canada today.

The federal government continued to implement budget cuts even while announcing massive tax cuts in advance of this year's election. According to Treasury Board data, as of March 2014, 25,214 positions have been cut since 2011.¹ Departmental spending reports show that more cuts are planned.

The government has steadfastly refused to be transparent about the real impact of cuts, but we know they have undermined the ability of public service workers to do their jobs. 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, of regulators to protect the food supply (to name a few examples) has been seriously compromised.

Current Issues

Attacks on Public Services

Federal cuts to public sector funding and jobs over the last five years were unnecessary, prompted by a deficit that was largely orchestrated by the government itself.² The first cuts were announced in the 2010 budget, but not implemented until 2012. Although most cuts have been completed, the parliamentary budget officer (PBO) has determined that another 8,900 jobs will be eliminated by 2017, bringing the total job cuts to 35,000.³ The government initially maintained that only administrative and “back-room” jobs would be cut, but that has not been the case.

The PBO has challenged the government in court, and has appealed repeatedly to department heads to obtain the data required to determine how \$5 billion in annual spending reductions will be implemented, and whether services and programs used by Canadians and Indigenous communities will be reduced. These requests have been routinely ignored.⁴ In addition, correctional, health care, and other regulatory costs and burdens are being shifted to provincial governments and municipalities.⁵

While Canadians require increased services there are fewer employees to provide them, and those employees are over-extended.⁶ A demographic snapshot of the public service released by the government

in 2013 shows that between 1983 and 2013, the Canadian population expanded by 38%, while the size of the public service over this period only increased by 5%.⁷

The aura of austerity is so prevalent that federal departments are not even spending the money they have been allotted. The Public Accounts of Canada show that across all government departments, there was \$7.3 billion of lapsed (unused) spending in 2013–14 and \$10.1 billion in 2012–13. This is money that could have been used to provide needed government programs.⁸

Some cuts have been very noticeable. Staffing levels at Veterans Affairs have dropped 24%, with an additional 1% cut planned by 2016–17.⁹ Departmental performance reports show that about 900 positions have been eliminated — 33% of that number from the section that administers pensions and awards, and 372 positions cut from the health and rehabilitation branches. The government has called these “back-room” jobs, but Internal Services only lost 71 positions.¹⁰

Employment Insurance services have 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 between 2011 and 2017. Department reports show that between 2011 and 2013 there were over 26 million cases of blocked calls to the EI helpline, and over a million cases where the caller hung up.¹¹ The government has recently hired 400 additional staff but it is not enough to repair the damage caused by the cuts.¹²

Canada Post has begun eliminating home delivery to over five million Canadians, justified on a false claim of continued financial losses. In fact, Canada Post has generated revenue for the government in all but two of the past 17 years. By December 2013 losses were \$110 million on annual revenues of \$5.8 billion.¹³ After four years of intensive research, Canada Post concluded that postal banking was a “proven money-maker.” However, the government supported Canada Post increasing postal fees and eliminating door-to-door delivery instead.¹⁴ The latter should not have been eliminated without public consultation. Canadians, especially persons with disabilities and restricted mobility, should not be forced to go further than their front doors to get the mail if it is not necessary.

In addition to these service and job cuts, government strategies are designed to discourage workers from working in the federal public service. Changes to federal labour legislation make it more difficult for public service unions to protect their members’ rights and to bargain on their behalf. Changes to health and safety legislation inhibit the right of public service workers to refuse unsafe work. Proposed changes to sick leave mean that public service workers will be expected to come to work sick or not be paid, while proposed changes to public service pensions will make a poverty-free retirement less likely.

Because of the across-the-board budget cuts, the use of contractors and temporary service agencies has decreased across government as a whole. However, contracting costs are still high, and some federal gov-

ernment departments like Shared Services Canada and the Department of Defence have become overly dependent on contractors.¹⁵

The 2014–15 Main Estimates indicate that the government still plans to spend \$9.84 billion on contracting out for professional and special services in the 2014–15 fiscal year.¹⁶ This undermines federal public service staffing goals of value and merit.¹⁷ It marginalizes workers, leaving them disillusioned, with little opportunity for job security, advancement, or equitable wages and benefits.¹⁸

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.”¹⁹ 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.

Successive federal governments have committed to a “build now, pay later” approach to infrastructure renewal that prioritizes growth of the P3 model.²⁰ The \$14 billion New Building Canada Fund (NBCF) announced by the current government demands that all provinces, territories, and municipalities requesting funds for infrastructure projects over \$100,000 participate in P3 screening process that can take anywhere from 6 to 18 months to complete. The government has also created the \$1.25 billion P3 Canada Fund, which subsidizes the development of P3 projects in prov-

inces, territories, municipalities, and First Nations communities for water and wastewater services, green energy, public transit, and post-secondary education infrastructure. This fund and the P3 screen 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.²¹ They are costlier, riskier, and frequently less innovative, but their higher social and economic costs will unduly burden scarce public sector resources for decades to come.²² 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 government of British Columbia estimates its current contractual obligations to its P3 partners to be more than \$50 billion.²³

P3 consortiums borrow money from international investment banks at higher interest rates than governments. The Ontario auditor general found that since 2003, P3s cost Ontario taxpayers \$8 billion more than traditional public financing would have. About \$6.5 billion of that is due to higher private-sector financing costs.²⁴ Over the average 25- to 30-year span of a P3 contract, the public pays much more than it would if the government borrowed the money directly to finance a traditional design-build contract.²⁵ The long-term outcomes of such 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.²⁶

Social Impact Financing

In November 2012 the federal government elaborated on a budget promise that year to implement social impact bonds.²⁷ They are a form of public-private partnership that allows banks and financiers to profit from the delivery of social 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.²⁸

In October 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.²⁹ Large financial institutions like the Royal Bank of Canada, which has invested \$20 million, are working to increase investor opportunities for social financing because they are convinced it will be profitable.³⁰ The first social impact bond in Australia returned investor profits of 15% a year. Investors in social impact initiatives in the UK 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.³¹

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.”³² It is time to make the public sector truly public again.

Diminished Regulations

The current government is engaged in a threefold attack on the ability of Canada’s regulatory regime to protect the public interest. Corporate free trade deals not only undermine public services in general, they compromise the ability of governments to legislate and regulate on behalf of the public.³³ Government cuts have diminished the ability of public service workers to enforce existing regulations, and 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. In December 2014 the legislation passed second reading and was sent to committee.³⁴ The one-for-one rule means that for every new regulation that imposes an administrative burden on business, an older rule must be removed. The government boasts that it is the only country in the world to legislate against the growth of regulations.³⁵ But rules and regulations should be created or eliminated when it is in the public interest to do so, not based on arbitrary and frankly ideological criteria like one-for-one. Polls have shown that 90% of Canadians believe the government should

do more to protect the environment and public health and safety.³⁶ 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.

Regulations that already exist are not being properly enforced. Between 2010 and 2017 Environment Canada will have cut or planned to cut 21% of its staff, 338 employees from the climate change division alone. A further 30% of the staff at Fisheries and Oceans Canada were cut; the people responsible for the Species at Risk Act, and the recovery and protection of all aquatic species in Canada.³⁷ In February 2014 the Federal Court declared that the minister of environment and the minister of fisheries and oceans acted unlawfully in delaying, for several years, the production of recovery strategies for four at-risk species threatened by industrial developments including the proposed Northern Gateway pipeline and tanker route. The departments' reasons for not meeting their legal obligations were staff shortages and not enough capacity.³⁸ More than \$100 million in cuts were made at the Department of Fisheries and Oceans for water protection despite recommendations from public service experts that it needed to increase spending for both environmental and economic reasons.³⁹

The Canadian Food Inspection Agency will have lost 1,407 full-time staff positions between 2012 and 2016, or 20% of its workforce. Cuts of 720 positions came from programs that mitigate the risks to human health from animals, and fruit and vegetables. Programs that regulate food pack-

aging and production facilities, as well as food product regulation, saw staff cuts of 429 positions.⁴⁰ In 2014 there will be 60% fewer ground meat inspections than there were in 2013. This means there will be less checking of fat content, filler, and fraudulent species claims, and no inspection of cooking oils. Less than half of the independent food retailers inspected in 2013 will be inspected this year.⁴¹

In March 2009 a seminal report on Canada's grain industry proclaimed that "without question, Canada's wheat commands international respect," calling it a Canadian success story.⁴² The report warned against dismantling the Canada Wheat Board and much of the regulatory powers of the Canadian Grain Commission. Those warnings fell on deaf ears but have turned out to be true. Buyers of Canadian wheat are increasingly complaining about diminished quality and, as a result, Canadian farmers are losing business to the U.S. and Australia.⁴³ At the same time the Canadian Wheat Board is being given away to private investors, and a third of the Canadian Grain Commission's workforce has been cut.⁴⁴

Last year's tragic train derailment in Lac-Mégantic, Quebec might have been avoided if there was less reliance on self-monitoring and more regulatory enforcement.⁴⁵ In a 2013 report, Auditor General of Canada found that "despite the fact that federal railways were required twelve 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 assur-

ance that federal railways have done so.”⁴⁶ Transport Canada isn’t able to provide the kind of oversight and enforcement to ensure that existing regulations are adhered to.⁴⁷

AFB Actions

The AFB will:

- Introduce a program review process to make the public service more transparent and adaptive to the needs everyone — a public service that can rise to the challenges posed by growing inequality, joblessness, and climate change. Specifically the review process will:
 - provide an assessment of the impact of cuts made in recent federal budgets and omnibus bills, and restore programs that have been lost where it is in the public interest to do so;
 - reverse unsustainable operational budget freezes;
 - determine the economic and human costs of a citizen-centred program renewal;
 - support adequate public service staffing and training to meet citizen-centred program goals;
 - create permanent employment by ensuring temporary staffing agencies are used only for short-term, unanticipated work;
 - enact legislation that protects all temporary workers employed by the federal government, including casual employees, temporary staffing agency employees, and students;
- review and reduce contracting out where required, with a view to redirecting the anticipated savings into programs and projects in the broader public interest;
- introduce social impact “weighting” that includes a combination of price, quality, and environmental and social impact criteria as part of all decisions; and
- ensure that Community Benefit Agreements (CBA), including employment objectives, employment equity goals, and local content requirements are a mandatory consideration for all federal government programs and contracts above \$1 million.
- Strengthen public regulatory oversight and enforcement by reviewing Canada’s regulatory regime to ensure that regulations support the public interest and are based on scientific data and objective analysis, and ensuring the interests of Canadians are proactively protected through precautionary principles, and that adequate resources are attached to federal monitoring and enforcement obligations;
- Eliminate the P3 Canada fund and federal P3 projects, and convert PPP Canada into a Public Assets Office, while adopting contracting practices that consider green sustainable construction tech-

niques tied to localized and targeted training initiatives;

- Create a Scale-Up Implementation Fund to replace social impact bonds, to support and implement projects that have been rigorously proven to work in other jurisdictions or on a smaller scale, publicly and transparently track project progress, and share profits with social service agencies and the government.

Notes

1 Treasury Board of Canada <http://www.tbs-sct.gc.ca/res/stats/ssen-ane-eng.asp>

2 The article argues that in 2006, the Conservative government inherited a structural surplus of \$13.8 billion. By introducing a 2% cut to the GST starved the government of revenue and created a deficit that the Harper government could slay, not wanting to be seen as a less effective if debt and deficit reduction than the previous liberal government. Scott Clark and Peter DeVries, “How to cook up a fiscal crisis for political gain,” *iPolitics* December 8 2014 <http://www.ipolitics.ca/2014/12/08/how-to-cook-up-a-fiscal-crisis-for-political-gain/>

3 May, Kathryn. “Federal Government on Track to Cut 35,000 Public Service jobs,” *Ottawa Citizen* August 27, 2014. <http://ottawacitizen.com/news/national/federal-government-on-track-to-cut-35000-public-service-jobs>. In addition the sum of the planned departmental FTE cuts as reported in the 2014–15 Reports on Plans and Priorities will see 11,070 PS job cuts. The 2014–15 cumulative departmental RPPs estimate a total of 255,687 FTEs while the planned figure for 2016–17 is 244,617 indicating a planned cut of 11,070 FTEs between that time. The RPPs are only plans and are often change annually.

4 See discussion of events that led to court challenge http://www.pbo-dpb.gc.ca/files/files/Demystifying%20the%20Mandate%20of%20the%20Parliamentary%20Budget%20Officer_EN.pdf

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8 Public Accounts of Canada <http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/2014/index-eng.html>

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15 May, Kathryn. “Union wants audit of contracting at Shared Services Canada,” *Ottawa Citizen*, Oct 30, 2014. <http://ottawacitizen.com/news/politics/union-wants-audit-of-contracting-at-shared-services-canada> and John MacLennan, President Union of National Defence Employees, Testimony at National Defence Committee, Feb 07, 2012 <https://openparliament.ca/committees/national-defence/41-1/24/john-maclennan-1/only/>

16 “2014–15 Main Estimates: Budgetary Expenditures by Standard Object.” Ottawa: Government of Canada. <http://www.tbs-sct.gc.ca/ems-sgd/me-bpd/20142015/beso-dbacd-eng.asp>

17 Macdonald, David (2011). *The Shadow Public Service: The Swelling Ranks Of Federal Government Outsourced Workers*. Ottawa: Canadian Centre for Policy Alternatives.

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- 31** NUPGE, *Privatization by Stealth—The Truth About Social Impact Bonds*. Feb 2014. P.7
- 32** NUPGE website: "when private companies get contracts to provide government programs, the public loses control over services people depend on."
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- 34** The bill hasn't moved beyond 1st reading.
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