

# BEHIND THE NUMBERS

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## Clearing Away the Fog: Government Estimates of Job Losses

By David Macdonald

Gaining clarity on exactly what the federal government is cutting and when can be a challenging exercise to say the least. The antiquated reporting methods used by the federal government to report on its departmental spending and employment projections make getting the overall picture time consuming and often futile. The details of how departmental operations are projected to change over the coming years is further obfuscated by an incomplete breakdown of the various rounds of cuts by the federal government. The overall level of cuts to be implemented in the 2012 Federal Budget were themselves not clear until

budget day, with various estimates being proposed by government ministers and reporters covering the story.

The Parliamentary Budget Officer Kevin Page has repeatedly commented on the lack of transparency for departmental reports. He has also noted the “unacceptable” lack of detail in government cutback plans.<sup>1</sup> In the absence of clarity on the overall employment impacts, outside agencies began estimating the employment and GDP impacts on their own.<sup>2</sup>

**Table 1: All Cuts (\$mil)**

	2011–12	2012–13	2013–14	2014–15
2007 Strategic Reviews	395	403	403	403
2008 Strategic Reviews	586	598	604	604
2009 Strategic Reviews	248	287	288	288
2010 Strategic Reviews	194	271	569	525
<b>Total–Strategic Reviews</b>	<b>1,423</b>	<b>1,559</b>	<b>1,864</b>	<b>1,820</b>
2010 Personnel Budget Freeze	900	1,800	1,800	2,000
2012 Cuts		1,472	3,061	5,142
<b>Total–All Cuts</b>	<b>2,323</b>	<b>4,831</b>	<b>6,725</b>	<b>8,962</b>

**Source:** 2010, 2011, 2012 Federal Budget

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While much attention has been focused on the cuts from the 2012 Federal Budget, two other rounds of earlier but ongoing cuts will also impact government employment and services. From 2007 to 2010, each federal department conducted a “Strategic Review” of its operations whereby the departments cut in total \$1.82 billion from the baseline. In 2010, the government froze operational expenditures until 2014–15, resulting in the equivalent of \$2 billion in cuts.

Table 1 shows all three rounds of cuts that will affect federal employment and service delivery from April 2012 and March 2015. As the table shows, several different cuts are occurring over the same period. In order to gain a full picture of what is happening, the focus cannot be purely on Budget 2012. Instead, it must include the impact of all cuts over this period irrespective of what federal budget they happen to have been in.

Budget 2012 did provide some additional details on spending and employment impacts of this third round of cuts. The budget ended speculation about how big the cuts would be by announcing \$5.1 billion in cuts by March 2015. The estimated job impact of 19,200 full-time equivalents (FTE) was also published for the first time, although that figure was not broken down by department.

Most of the attention to date has focused on the 19,200 FTE positions that are to be lost in this final round of cuts. However, as shown in Table 1, this only represents one of three rounds of cuts affecting employment over the next three years.

The 2012–13 departmental Reports on Plans and Priorities (RPP) were released on May 8<sup>th</sup>.<sup>3</sup> These reports, published by each federal department, detail both projected spending and employment until April 2015.

All rounds of cuts will sooner or later be reflected in the RPPs. The implications of the 2007–10 Strategic Reviews and the 2010 Personnel Budget Freeze should be reflected in the 2012–13 RPPs released in May 2012. However, it was not clear until they were released whether or not the 2012–13 RPPs would also include the cuts from Budget 2012. It turns out the new RPPs do not reflect the Budget 2012 cuts.

In the lead up to the RPPs’ release, there were reports that departments were ordered not to include the 2012 cuts in their 2012–13 RPPs. Treasury Board President Tony Clement, who has espoused the virtues of “open government,” commented that he would be “crushed by irony” if he had given such an order.<sup>4</sup> The 2012–13 RPPs reveal that the Budget 2012 cuts have not been included in the 2012–13 RPPs after all.

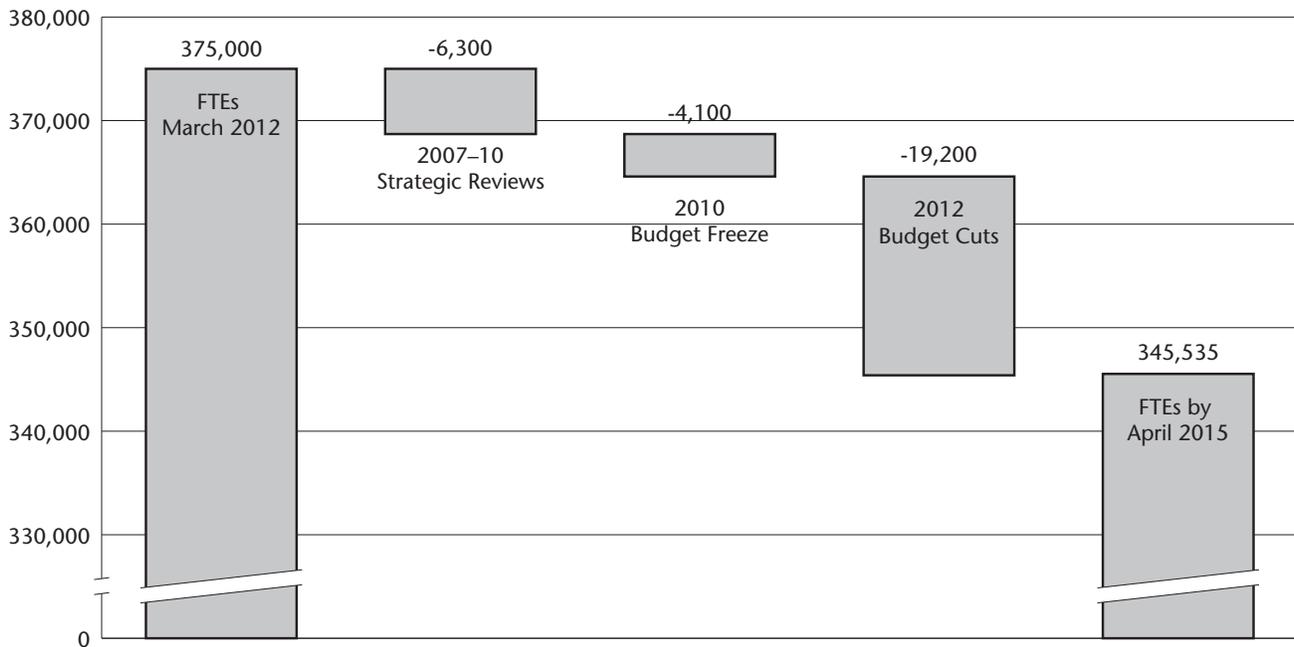
Despite the omission of the 2012 cuts from the 2012–13 RPPs, it is still possible, given the detail in the budget, to put the pieces together and create a unified picture of the total change in employment from April 2012 to March 2015 including all cuts. Figure 1 breaks down the impact of various cuts to federal employment.

The timing of when declines in employment appear in the RPPs provides clues as to which of the three waves of cuts they are related to. The first wave of 6,300 FTEs was already in place in the 2011–12 RPPs suggesting that initial 6,300 positions lost between April 2012 and March 2015 were due to the 2007–10 Strategic Reviews. The 2011–12 RPPs had yet to incorporate the 2010 Budget Freeze.<sup>5</sup>

The 2012–13 RPPs show a total drop in employment of 10,400 FTEs. However, 6,300 of that decline was already reported in earlier RPPs. As such, there are an additional 4,100 new FTEs lost in the 2012–13 RPPs over and above the 6,300 present in previous RPPs (from April 2012 to March 2015). Given that so few new FTE positions are lost, the 2012–13 RPPs cannot include the employment impacts of the 2012 budget cuts, but they do likely include the effects of the 2010 budget freeze that are finally being incorporated into the RPPs projections.

While the 2012–13 RPPs do seem to start to reflect the \$2 billion in cuts resulting from the 2010 budget freeze, the 4,100 additional lost positions does not appear to be nearly enough to reach the \$2 billion target. Salaries and benefits make up approximately 45% of the \$80 billion operating budget that the federal government is targeting. Proportionally, 45% of the \$2 billion from the 2010 budget freeze is \$900 million. However, cutting 4,100 FTEs amounts to \$247 million<sup>6</sup>, far less than would be expected. It is unclear how government departments will reach the \$2 billion savings from the 2010 budget freeze. Perhaps more cuts will target transfers to crown corporations

**Figure 1: Total Employment Changes by 2015**



**Source:** 2012–13 departmental RPPs, Budget 2012

and NGOs as well as less use of professional services. Alternatively, it may be that the full impact of the \$2 billion has not yet been included in the RPPs.

Since the 2012–13 RPPs do not include the 2012 budget cuts, which the budget itself estimates at an additional 19,200 FTEs, the total decline in federal government employment between April 2012 and March 2015 is 29,600 FTEs (6,300 + 4,100 + 19,200). Total federal government FTEs (including military and RCMP personnel) will decline from 375,000 in April 2012 to 345,500 by March 2015.

However, utilizing the spending breakdown provided in Budget 2012<sup>7</sup> and average employee costs from departmental Future-Oriented Financial Statements and Reports on Plans and Priorities<sup>8</sup> it is possible to construct department by department job losses. Table 2 shows the top 10 departments sorted by total FTEs lost.

The FTE cuts in Table 2 make up approximately 85% of the 29,600 FTEs cut by 2015. In several instances, employment actually goes up. For example Public Works and Government Services Canada increases its

employment by 302 FTEs during the 2007–10 Strategic Review period while other departments were busy cutting jobs.

The FTE cuts figures under the “Budget Freeze” column overestimate the number of actual positions lost. In 2012, the new Shared Services Canada department was created to centralize information technology for the federal government. In 2012, 6,700 FTEs were transferred from various departments to Shared Services Canada. On a department breakdown, as in Table 2, FTEs lost is likely exaggerating as some of those positions have merely been shifted to Shared Services Canada. Unfortunately, insufficient data in the RPPs makes it difficult to adjust for this shifting.

While the department totals may be exaggerated in the Budget Freeze column, the total of 4,100 FTEs lost across the entire government is still correct, even after the Shared Services shifting has taken place.

### **Conclusion**

The federal government has put the focus on the projected 19,200 job losses between April 2012 and March 2015 that will result from the Budget 2012

**Table 2: Top 10 Departments, All FTE Losses By Round of Cuts**

<b>Department</b>	<b>Strategic Reviews</b>	<b>Budget Freeze</b>	<b>2012 Budget Cuts</b>	<b>Total FTEs Cut April 2012 to March 2015</b>
National Defence	-1,991	-1,504	-4,359	-7,854
Human Resources and Skills Development Canada	-368	-2,104	-878	-3,350
Public Works and Government Services Canada	302	-2,248	-1,211	-3,157
Royal Canadian Mounted Police	-1,791	425	-731	-2,097
Canada Revenue Agency	586	-1,265	-1,185	-1,864
Correctional Service Canada	1,653	-1,788	-1,462	-1,597
Statistics Canada	-1,071	-360	-163	-1,594
Aboriginal Affairs and Northern Development Canada	-770	-19	-627	-1,416
Foreign Affairs and International Trade Canada	-285	-225	-820	-1,330
Agriculture and Agri-Food Canada	-22	-84	-972	-1,078

**Source:** Departmental RPPs, Budget 2012 and author's calculations

cuts. However, this is only part of the picture. Several rounds of previously announced cuts will also eliminate jobs over this same period. The 2012–13 departmental Reports on Plans and Priorities show that an additional 10,400 FTEs will be lost over that same period, 6,300 from the 2007–10 Strategic Reviews and 4,100 from the 2010 budget freeze. Therefore, the total job losses over the next three years will be 29,600—far more than the 19,200 estimate that is now commonly being used.

It is unfortunate that so much detailed analysis is necessary to determine what should be a fairly straightforward statistic, namely how many FTEs does the government plan to employ over the next three years?

The needless exclusion of the 2012 budget cuts from the 2012–13 RPPs and the lack of implementation plans for the previous two waves of cuts makes getting a straight answer unnecessarily complicated. In fact, the apparent mismatch between the targeted cut value of \$2 billion and the jobs lost due to the 2010 budget freeze suggests that the freeze may not yet be fully incorporated into the FTE projections. As with previous RPPs, the government promises more detail but only after waiting an additional year.

One final point, a significant number of positions outside of the core public service will also be lost but, due to the opaque federal government reporting standards, they are excluded from the above analysis.

Salary and benefit expenditures only make up approximately 45% of operational spending. The remainder of operational expenditures consist of transfers to crown corporations, NGOs that deliver services, and companies that do business with the federal government. Any cut to departmental spending usually follows this distribution; that is 45% of the cut is directed to core public service jobs, but the other 55% of any cut affects crown corporations, NGOs and private companies.

For example, the government's 19,200 federal job loss figure is only for the core public service and does not include job losses for instance at CBC, a crown corporation.

At this point it is difficult, if not impossible, to calculate the number of jobs outside of the public service that will be affected. However, there are certain to be over 10,000 and more likely closer to 20,000 or 30,000 additional job losses.

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## Notes

1 Kathryn May, "Third wave of 'affected' notices en route to federal PS staff", Ottawa Citizen, April 27, 2012 (<http://www.ottawacitizen.com/business/Third+wave+affected+notices+route+federal+staff/6532741/story.html>)

2 See for instance: David Macdonald, "The Cuts Behind the Curtain: How federal cutbacks will slash services

and increase unemployment", Canadian Centre for Policy Alternatives, January 2012, and Canadian Association of Professional Employees, "Conservative Government Budget Cuts Could Push Canada into Recession", February 21, 2012 ([http://acep-cape.ca/pdfs/General/files/PR\\_CdP\\_compressionsbudgetaire\\_budgetcuts\\_e.pdf](http://acep-cape.ca/pdfs/General/files/PR_CdP_compressionsbudgetaire_budgetcuts_e.pdf))

3 <http://www.tbs-sct.gc.ca/rpp/2012-2013/index-eng.asp>

4 Bill Curry, "Clement sees irony of gag order on spending cuts, vows transparency", The Globe and Mail, February 16, 2012

(<http://www.theglobeandmail.com/news/politics/clement-sees-irony-of-gag-order-on-spending-cuts-vows-transparency/article2341523/>)

5 For the full argument as to why the 2011-12 RPPs did not incorporate the 2010 Budget Freeze as one might assume they did, see David Macdonald, The Cuts Behind the Curtain How federal cutbacks will slash services and increase unemployment, Canadian Centre for Policy Alternatives, January 2012, pg 40.

6 The \$247 million total is calculated using the 2012-13 RPP employment figures, over and above the 6,300 lost FTEs on the books before the 2012-13 RPPs. The total cost is arrived at by using average cost per employee derived from dividing RPP FTE projections by department by Salaries and benefits costs in the Future-Oriented Financial Statements of each department.

7 Annex 1, Federal Budget 2012, pg 257-284

8 <http://www.tbs-sct.gc.ca/est-pre/index-eng.asp>