

**Professional Institute
of the Public Service of Canada
(PIPSC)**



PIPSC • IPFPC

***Submission to the House of Commons Standing
Committee on Finance regarding the 2019-20 Pre-
Budget Consultation***

August 2018

Recommendations:

- Invest in intramural science capacity and intramural research and development.
- Enlist the assistance of the Chief Science Advisor to develop more detailed metrics to monitor the government's science capacity.
- Nix Phoenix. Expand and accelerate efforts to find a permanent, in-house solution.
- Dedicate adequate resources to an innovative new pay system.
- "Reduc[e] the use of external consultants, bringing expenditures closer to 2005/06 levels," as promised in *Real Change: Growth for the Middle Class – The Liberal Fiscal Plan and Costing*, 2015.
- Prioritize training and professional development within the public service.
- Close tax loopholes, reform privacy laws and prevent "snow washing".
- Reinvigorate the Canada Revenue Agency.

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Introduction

The Professional Institute of the Public Service of Canada (PIPSC) represents approximately 55,000 public sector professionals across the country, most of them employed by the federal government. Our members make vital contributions to Canada and Canadians every day.

We are grateful for the opportunity to submit our comments in advance of the federal budget. We believe the budget should address the following priorities:

1. Invest in intramural science capacity and R&D

Over the last three years, investment at science-based departments and agencies (SBDAs) has increased. The numbers of scientific personnel in federal departments have grown by almost 900 between fiscal years 2013-14 and 2018-19.¹ Total government spending on science has also increased. Fiscal year 2016-17 saw a boost in overall spending by almost \$1 billion² – a substantial year-over-year gain.

Unfortunately, this investment has not been distributed equally and vital areas within the scientific community continue to be neglected. Specifically, intramural spending on science and technology is projected to be lower in 2018-19 than in 2012-13 by \$112 million. More troubling, spending on research and development (R&D) is projected to decline by \$455 million over the same period.³

In order for the country's scientific ecosystem to function as it should, all three sectors need to be funded appropriately – the private sector, academia and the public sector. The federal government's actions in recent years imply that its role is less about participating in basic research and more about channelling federal money to the private sector and universities. These institutions have been the primary recipients of recent spending increases, while the amount devoted to intramural R&D within the federal public service is scheduled to decline. It

¹ Statistics Canada Table: 27-10-0009-01 (formerly CANSIM 358-0146)

² Statistics Canada Table: 27-10-0006-01 (formerly CANSIM 358-0143)

³ Ibid.

should be acknowledged that basic research and government science rooted in the mandate of the federal government – e.g., air, water, and food safety – has the ability to innovate and positively impact the general public as much if not more than research driven by commercial interests.

2. Develop detailed metrics to monitor the government’s science capacity

In 2012, then Parliamentary Budget Officer Kevin Page took the government to court to access the information needed to provide Members of Parliament, and the Canadian public, details about how \$5 billion in announced cuts would impact public services. The mandate of the federal government – for example, to ensure our water, air, and food safety – is too important to allow such cuts to occur behind a shroud of secrecy.

The Chief Science Advisor, in consultation with PIPSC, should therefore develop metrics to assess and report on the government’s scientific capacity. These metrics should be complementary to purely financial measures, but should also be separate from them. Whether it’s R&D or science-based regulation, we should be able to continually track our government’s capacity to carry out core scientific functions within the context of departmental and agency mandates and legislative responsibilities.

3. Dedicate resources for an innovative new pay system

Budget 2018 dedicated \$16 million over two years to working with experts, federal public sector unions and technology providers on finding a new pay system. PIPSC members have long been convinced the software used in the Phoenix pay system is so deeply flawed it cannot be fixed. Instead, it is time to turn to the professionals who built, maintain and operate huge systems such as the Canada Pension Plan and Employment Insurance. These are stable systems that service millions of Canadians. In June 2018, the Treasury Board of Canada and PIPSC announced they would collaborate on finding this permanent replacement. Having public service professionals involved from the start through to final implementation will ensure the mistakes that occurred with Phoenix will not be repeated.

Professionals at the Canada Revenue Agency (CRA) have indicated that their internal Corporate Administrative System (CAS) would have the ability to pay CRA staff consistently and properly

Submission to the House of Commons Standing Committee on Finance regarding the 2018-19 Pre-Budget Consultation

August 2018

within one year – far sooner than the five or six years projected to “fix” Phoenix. Resources must be made available to fully test and implement interim solutions such as this one. Budget 2019 must dedicate additional resources to ensure projects like the one at the CRA are started now in order to pay large numbers of public servants within a reasonable timeframe. The longer we wait, the longer it will take to finish the project. Public servants have already waited far too long to be reliably paid.

4. “Reduc[e] the use of external consultants, bringing expenditures closer to 2005/06 levels”⁴

Reducing dependence on external contractors was an important campaign promise on which the current government has not followed through. Spending on external consultants to provide information technology services, scientific research, engineering and architectural services, among others, was approximately \$7.4 billion in 2005-2006. Spending on these services has steadily risen to exceed \$11.9 billion in 2016-2017. The Government’s plan to rein in spending on consultants was announced in the 2016 federal budget with a commitment to reduce annual spending on professional services by \$170 million. With these spending cuts it would take over 27 years to return spending to 2005-2006 levels.⁵ Not only were these cuts not realised, spending on consultants rose by an additional \$417 million in 2015-2016 and by over \$827 million in 2016-2017.⁶

PIPSC is the largest representative of IT professionals in the federal public service, as well as the representative of a large number of architects, engineers and research scientists. Outsourcing in these fields increased at a higher rate in 2016-2017 than the average for professional services. Spending on IT services grew by 14.5%, scientific and research services grew by 9.3%, and engineering and architectural services grew by 7.5%, while professional services generally grew on average by 7.4%.

⁴ Real Change: Growth for the Middle Class – The Liberal Fiscal Plan and Costing, 2015. Available at: <https://www.liberal.ca/wp-content/uploads/2015/09/The-Liberal-fiscal-plan-and-costing.pdf>

⁵ Years to 2005-2006 target = (2016-2017 levels – 2005-2006 levels)/Annual Cut from 2016 budget.

⁶ Public Accounts of Canada. Section 3 – Professional and Special Services. Various Years. Available at: http://epe.lac-bac.gc.ca/100/201/301/public_accounts_can/pdf/index.html

The mandate of the federal government should be carried out by federal public service professionals. The growing reliance on external consultants negatively impacts accountability, data security, privacy and the loss of institutional knowledge within the public service. In addition to the growing direct costs of outsourcing, there are also indirect costs that have long-term impacts on the ability of the government to deliver high-quality, transparent public services.

There is no better example of the pitfalls of outsourcing than the Phoenix pay debacle. The original estimate of \$309 million to complete the project was quickly surpassed after countless failures. A tally received by the CBC estimates that Phoenix has cost the government \$1.192 billion to date,⁷ while more than \$520 million in outstanding pay is owed to public servants.⁸ Employment and Social Development Canada (EDSC) is currently looking to outsource the modernization and delivery of the Canada Pension Plan, Old Age Security and Employment Insurance programs. If this project were to fail at a level comparable to Phoenix, millions of economically vulnerable Canadians would be affected.

5. Prioritize training and professional development within the public service

Public service professionals routinely rate training and professional development among their highest concerns. The problems range from not receiving the time and resources needed to stay current in their field to general skepticism about the fairness of the decision-making process used to determine training and professional development opportunities.

Concerns about training and professional development lie also at the root of many larger problems. If more training resources were allocated to IT specialists, there would be much less need for services to be outsourced. If scientists were given more opportunities to share their results in public forums, there would likely be fewer concerns about work being muzzled. If tax professionals at the Canada Revenue Agency were given more dynamic training opportunities

⁷ <https://www.cbc.ca/news/canada/ottawa/phoenix-cost-more-than-one-billion-dollars-1.4594115>

⁸ 2017 Fall Reports of the Auditor General of Canada to the Parliament of Canada. Report 1 – Phoenix Pay Problems. Available at : http://www.oag-bvg.gc.ca/internet/English/parl_oag_201711_01_e_42666.html

they would be at less risk of feeling outgunned by the high-priced, private-sector accounting firms that tax evaders employ.

The process needs to be reformed. There needs to be better data to assess departmental performance and more total resources allocated to training and professional development. It is in the interest of the public service and indeed of all Canadians that the professionals who serve them have the most up-to-date training and knowledge required to do their jobs.

6. Close tax loopholes, reform privacy laws and prevent “snow washing”

Auditors at the Canada Revenue Agency are among the best in the world at what they do. Their job is making sure tax laws are enforced fairly so that large corporations and wealthy individuals are just as accountable as middle-class Canadians. While these highly skilled professionals are required to make sense of the vast amounts involved in complex financial transactions and determine whether or not a return is on the level, they are restrained by the laws of the land – regardless of how unfair they may be. Internationally, the “Panama” and “Paradise” papers have exposed major weaknesses in Canada’s tax system. Tax evaders benefit from favourable privacy laws that obfuscate ownership relationships, which make it difficult to track financial flows. Canada’s laws are particularly susceptible to this practice, which is referred to as “snow washing”. In addition, it’s common practice for multinational corporations to shift profits to tax haven regions regardless of how and where the transactions occurred. These and many other similar practices end up impacting all Canadians. When wealthy individuals and powerful corporations exploit weaknesses in our tax laws, there is less revenue to fund public services and everyone else is left to pick up the slack. The time has come for meaningful reform.

7. Reinvigorate the Canada Revenue Agency

CRA professionals are up against some formidable foes: individuals and entities with vast resources that work hard to deliberately exploit complex international jurisdictions for their

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own personal gain. The CRA by comparison has surprisingly limited resources. In 2012, deep cuts were introduced to the Agency. As a result, spending levels and staff counts have yet to return to pre-2012 levels. When adjusted for inflation, a \$500-million annual budget shortfall exists between 2012-13 and today.⁹ CRA professionals must be afforded the training, tools and resources needed to carry out their jobs. The CRA should receive appropriate funding to ensure tax laws are enforced equitably and that wealthy individuals and powerful corporations are just as accountable as middle-class Canadians.

⁹ Government of Canada budgets and expenditures <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/budgets-expenditures.html>.

2018-19 Canada Revenue Agency Departmental Plan <https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/departmental-plan/tblcnt-en/sctn3-en.html#lnk2>.

CPI Inflation adjustment made using CANSIM 326-0020 with author's calculations.