

# **Written Submission for the Pre-Budget Consultations in Advance of the 2020 Budget**

By: Professional Institute of the Public Service of Canada

## **A Working Pay System**

**Recommendation 1:** Ensure the Phoenix replacement, Next Generation Human Resources and Pay System, has the sufficient funding it needs now to pay federal government employees correctly in the future.

## **Tax Fairness**

**Recommendation 2:** Invest in training, new technologies and regional office audit and investigations staff to help Canada Revenue Agency professionals catch wealthy tax cheats.

**Recommendation 3:** Tax e-commerce companies fairly:

- close the tax loophole for advertising on foreign internet platforms; and
- ensure sales taxes and corporate taxes are deducted for online sales and relevant economic activity that occur in Canada.

**Recommendation 4:** Create a publicly accessible “beneficial ownership” registry:

- create a one-stop, easy-to-use tool that enhances, standardizes and aggregates information from all federal and provincial jurisdictions.

**Recommendation 5:** End “profit shifting” now:

- follow the lead taken by the OECD and the European Union to untangle complex international taxation rules and make sure large corporations are taxed fairly everywhere.

## **Outsourcing**

**Recommendation 6:** Commit to resolve the problem of outsourcing and reduce spending on outside consultants to 2005-06 levels.

**Recommendation 7:** Prioritize training and career development for public servants by introducing benchmarks for departments. Hold departments to account with respect to training and career development for their workforce.

**Recommendation 8:** Prioritize knowledge transfer when using contractors.

## **Science**

**Recommendation 9:** Invest \$78 million immediately into research and development at Environment and Climate Change Canada.

**Recommendation 10:** Review internal science funding in other science-based departments and agencies, with a view to returning intramural research and development funding to 2010 levels.

**Recommendation 11:** Task the Chief Science Advisor of Canada with developing detailed metrics to better monitor federal science capacity.

## **A Working Pay System**

The Phoenix pay system is unfixable. The government has acknowledged that it must be replaced and that unions, like PIPSC, must be consulted on the choice of a replacement. The next government must commit to ensuring Canada's Next Generation Human Resources and Pay System has the up-front funding to succeed. The Phoenix pay system was widely conceived as a cost-cutting exercise. It failed, horribly. Do not make the same mistake twice.

### **Recommendation:**

1. Ensure the Phoenix replacement, Next Generation Human Resources and Pay System, has the sufficient funding it needs now to pay federal government employees correctly in the future.

## **Tax Fairness**

Canadians harbor considerable skepticism about the fairness of the tax system. When asked by Environics Research if "it is easier for corporations and wealthy individuals to evade and/or avoid tax responsibilities than it is for average Canadians," nearly 80% of those surveyed agreed. When PIPSC posed the same question to professional employees at the Canada Revenue Agency (CRA), individuals with intimate knowledge of the inner workings of the tax system, that number increased to 90%.<sup>1</sup>

Reports from CRA and Parliamentary Budget Officer (PBO) have validated these opinions in recent months. The CRA tax gap report showed large corporations are accountable for 40% of the overall gap between what should be paid and what is actually paid.<sup>2</sup> A few days later PBO released estimates showing offshore havens allow multinational corporations to avoid upwards of \$24 billion in taxes per year.<sup>3</sup>

Canadians are fed up with the shell game that wealthy tax cheats and corporations play. Tax professionals at the CRA are fed up as well. The time has come to tilt the scale once more in favour of the middle-class. We can achieve this by closing loopholes, enhancing transparency and investing in better enforcement at the CRA.

### **Recommendations:**

2. Invest in training, new technologies and regional office audit and investigations staff to help Canada Revenue Agency professionals catch wealthy tax cheats.
3. Tax e-commerce companies fairly:
  - o close the tax loophole for advertising on foreign internet platforms; and

---

<sup>1</sup> Professional Institute of the Public Service of Canada. Shell Game: How Offshore Havens, Loopholes, and Federal Cost-Cutting Undermine Tax Fairness. August 2018

<sup>2</sup> Canada Revenue Agency. Tax Gap and Compliance Results for the Federal Corporate Income Tax System. June 2019

<sup>3</sup> Parliamentary Budget Officer. Preliminary Findings on International Taxation. June 2019

- ensure sales taxes and corporate taxes are deducted for online sales and relevant economic activity that occur in Canada.
4. Create a publicly accessible “beneficial ownership” registry:
    - create a one-stop, easy-to-use tool that enhances, standardizes and aggregates information from all federal and provincial jurisdictions.
  5. End “profit shifting” now:
    - follow the lead taken by the OECD and the European Union to untangle complex international taxation rules and make sure large corporations are taxed fairly everywhere.

## **Outsourcing**

Canada needs a permanent, not a contract, public service. In 2015, the Trudeau Liberals campaigned on a promise to reduce the level of dependence on external contractors in the federal public service. In spite of this commitment, overall spending on outsourcing has increased every year since their election victory. Reducing outsourcing requires a multi-faceted set of changes to the public service staffing regime, training and development and changes to government contracting policy.

The government needs to prioritize training and professional development for current public service professionals instead of reflexively turning to contractors when a project requires specific expertise. We would like to see a benchmark established for an allocation of funds to each public service professional for training and career development each year. Departments need to make data on training and career development open to the public.

### **Recommendations:**

6. Commit to resolve the problem of outsourcing and reduce spending on outside consultants to 2005-06 levels.
7. Prioritize training and career development for public servants by introducing benchmarks for departments. Hold departments to account with respect to training and career development for their workforce.
8. Prioritize knowledge transfer when using contractors.

## **Science**

While the ranks of federal scientists, engineers and researchers have gradually been replenished, much more remains to be done. Canada needs more, not less, federal government science to tackle challenges such as climate change, environmental protection, Canadians’ health and safety and improving innovation.

Overall spending on federal government science is projected to be \$466 million dollars less this year than it was in 2010 under the Harper government.<sup>4</sup> Intramural research and development is a key area of concern. Spending for the current year is expected to be \$691 million less than it was in 2010.<sup>5</sup>

Environment and Climate Change Canada (ECCC) has been the recipient of some funding in recent budgets, but overall research and development spending at ECCC is still \$78 million below what it was in 2010.<sup>6</sup> The government needs to aggressively advance a comprehensive, long-term approach to climate change science and this strategy must recognize the fundamental importance of basic research carried out within federal departments.

The mandate of the federal government includes areas of vital importance such as food and water safety, environmental conservation and climate change mitigation. These functions are too important to allow spending decisions to occur behind closed doors. The Chief Science Advisor, in consultation with PIPSC, should develop metrics to assess and report on the government's scientific capacity. Whether it's research and development or science-based regulation, the government and stakeholders 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.

#### **Recommendations:**

9. Invest \$78 million immediately into research and development at Environment and Climate Change Canada.
10. Review internal science funding in other science-based departments and agencies, with a view to returning intramural research and development to 2010 levels.
11. Task the Chief Science Advisor of Canada with developing detailed metrics to better monitor federal science capacity.

**PIPSC requests the opportunity to be a witness during the Standing Committee on Finance's pre-budget consultations in advance of the 2020 budget.**

---

<sup>4</sup> Statistics Canada. Federal Expenditures on Science and technology and its components, by type of science and performing sector, Table 27-10-0006-01 (formerly CANSIM 358-0143). Accessed July 2019.

<sup>5</sup> Statistics Canada. Federal expenditures on science and technology and its components, by type of science and performing sector Table 27-10-0006-01 (formerly CANSIM 358-0143). Accessed July 2019.

<sup>6</sup> Statistics Canada. Federal expenditures on science and technology, by major departments and agencies Table 27-10-0026-01 (formerly CANSIM 358-0163). Accessed July 2019.