

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



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***Pre-Budget Consultation Submission in
Advance of the 2022 Budget***

August 2021

Recommendation 1: \$95 million over 4 years for “Navigar”, a pilot project to ensure our public service professionals have the skills, supports and training they need for the workplaces of tomorrow

Recommendation 2: Invest \$800 million in federal departments and agencies to restore in-house science spending to 2010-2011 levels

Recommendation 3: Stop corporate transfer pricing and profit shifting: Make the tax system more fair and raise \$25 billion in new revenue

Recommendation 4: Now is the time for a national, universal, single-payer pharmacare plan

Recommendation 5: Reform outsourcing practices, save money while building an equal and equitable public service

Introduction

The Professional Institute of the Public Service of Canada (PIPSC) represents approximately 60,000 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.

1) \$95 million over 4 years for “Navigar”, a pilot project to ensure our public service professionals have the skills, supports and training they need for the workplaces of tomorrow

The pandemic has shown how vital public service professionals are in an emergency. These professional workers continued providing necessary services to Canadians while adapting to the rapid changes brought on by the pandemic. In just weeks, professionals from across the country came together to create Canada’s Emergency Response Benefit (CERB), a vital program that normally would have taken years to develop – and that’s just one example.

Even before the pandemic, pervasive technological change – in particular automation and Artificial Intelligence – meant our professional workplaces were changing more rapidly than ever. This swift pace of technological change raises important questions: How will AI and automation change the way professional public servants perform their jobs? What roles might be eliminated? What new tasks and jobs will be needed as a result of these technological advances?

A couple of things are abundantly clear: today’s professionals will need to acquire new skills to effectively perform their jobs in the workforce of the future, and the government has vital planning work to do to prepare its workplaces for future success.

Canadians benefit from having a nimble and well-trained public service made up of highly qualified professionals: people who can react, adapt and respond to rapidly advancing technological change and any other challenge they’re faced with.

PIPSC is calling on the government to include in its next federal budget investments of \$95 million over 4 years, over and above existing training budgets, to ensure our public service workforce is ready with the skills and support needed to take on the challenges of tomorrow’s workplaces.

This critical investment would support the development of “Navigar”, a pilot project focused on (1) career forecasting; (2) consultation on the modernization of the public service recruitment process applying an equity, diversity, and inclusion lens to staffing and retention; and (3) developing a pilot project to upskill and re-train the professional public service in vital areas.

2) Invest \$800 million in federal departments and agencies to restore in-house science spending to 2010-2011 levels

Spending on “intramural” scientific activities (science carried out in-house within departments) is expected to be \$800 million lower in 2021-22 than it was in 2010-11¹. There have been some increases since 2015-16 when science spending was at its lowest but, when adjusted for inflation, less is being spent now than a decade ago.

Spending on in-house research and development is also expected to be lower in 2021-22 than it was in 2010-11. Significantly less R&D is being carried out in departments including Environment and Climate Change (-\$76M), Innovation, Science and Economic Development Canada (-\$15 M), Natural Resources Canada (-\$14M) and Health Canada (-\$41 M)².

The largest source of these spending reductions was the Harper Conservatives, whose cuts were falsely described as only impacting “back-office” services. The COVID crisis presents a chilling reminder to the contrary. A recent review of Canada's COVID response explicitly connects these cuts to weaknesses in the Public Health Agency of Canada's early warning surveillance system³.

Science, innovation, research and development are critical functions of the federal public service. Research rooted in the mandate of federal departments and agencies – public health, water, air, food safety, etc. – has the ability to innovate and positively impact the Canadian public as much as, or more than, research driven by commercial interests.

Budget 2022 must take action to reverse this trend. The first step is committing to increase intramural science spending in core departments by \$800 million.

3) Stop corporate transfer pricing and profit shifting: Make the tax system more fair and raise \$25 billion in new revenue

Tax professionals at the Canada Revenue Agency are integral to both the crisis response and the recovery process. They've done this exemplary work under the shadow of Bill C-224. Had this poorly timed and illogical legislation been successful, it would have threatened the work of thousands of employees, increased administrative costs and raised big questions about tax fairness. It was bad legislation proposed at the worst possible time.

The COVID crisis is straining government balance sheets across the globe and spending will continue even after the health threats wane. A successful recovery requires continued investment to support the people who are affected most. In the coming years, the government must also explore every avenue of revenue generation to ensure strategic investment doesn't result in service cuts or a structural deficit.

CRA professionals have identified specific concerns about multinational corporations avoiding

¹ StatscanTable 27-10-0026-01 (formerly CANSIM 358-0163) adjusted to constant 2019 dollars

² ibid

³ Canada's pandemic warning system was understaffed and unready. CBC 2021
<https://www.cbc.ca/news/politics/global-pandemic-early-warning-1.6098988>

taxes using aggressive transfer pricing or profit shifting strategies⁴. The current rules allow behemoth companies to game a complex set of international laws to move profits into tax havens and away from regions where the economic activity occurs. Over 2020-21, public spending has propped up the global economy. Many industries have seen soaring stock prices and record profits. Without reform, the corporations that benefited disproportionately from the crisis will avoid contributing to the recovery.

Canadians stand with tax professionals in stark opposition to these shady practices. In a recent poll, 92% of respondents supported making it harder for corporations to strategically book profits in tax havens⁵.

The solution is a reorientation of how corporate taxes are assessed. Instead of the current system where corporations can shift profits to tax havens and avoid taxes *everywhere* – a revised approach will compel all companies to pay an appropriate amount of tax *somewhere*.

Canada was among the 130 countries that signed a new international tax framework coordinated by the OECD. The key pillars of this agreement are commitments to tax large corporations where revenue is generated and raise the minimum corporate tax to at least 15% in all jurisdictions. These initiatives have potential but the devil is in the details and more can be done. Our government must do its part to restore fairness and balance to the tax system and help recuperate the \$25 billion of revenue that's lost from profit shifting to tax havens⁶. As Canada participates in these and other international tax negotiations, three principles should guide their efforts.

Principle 1: Fair formulary allocation of corporate profits

This approach would reduce a corporation's autonomy to choose where it wants to book profit. Different criteria would be used to assess tax responsibility based on where the economic activity occurs – such as where production takes place or where the sale happens. Canada already has a system of formulary allocation to determine how corporate profits are divided among provinces, a similar approach could be adopted for multinational corporations.

Principle 2: Unitary treatment of corporate entities

Corporations use the relationship between the main operating company and a subsidiary to book profits strategically in low-tax regions. Steps can be taken to treat corporations as one entity so tax is assessed based on a more accurate picture of the company's global operations.

Principle 3: Global corporate minimum tax of 21%, or higher

The logic of the minimum tax is sound -- ensure a fair tax is charged everywhere to discourage

⁴ Shell Game. PIPSC (2018)

<https://pipsc.ca/shell-game-how-offshore-havens-loopholes-and-federal-cost-cutting-undermine-tax-fairness-survey>

⁵ Canadians think their tax system is unfair. Abacus Data (2021)

<https://abacusdata.ca/tax-fairness-canada-poll/>

⁶ Preliminary Findings on International Taxation Parliamentary Budget Officer 2019 <https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2019/Preliminary-Findings-International-Taxation/Report%20final.pdf>

profit shifting. Unfortunately, the proposed rate of 15% is too low. The United States is pushing for a minimum rate of 21%. Tax fairness advocates are pushing for a rate as high as 25%. Canada should support a global corporate minimum tax of at least 21%.

4) Now is the time for a national, universal, single-payer pharmacare plan

Access to prescription medicine should be made based on need, not the ability to pay. Millions of Canadians aren't covered by a drug plan, cannot afford prescription medicine, and are forced to decide between essential medication and food or other basic household expenses⁷. This is unacceptable.

On top of the moral argument, universal pharmacare saves money, because:

- The federal government's size gives it more power when negotiating prices with pharmaceutical companies
- A national plan would improve access to generic versions of high-priced drugs⁸
- People require less hospital visits when they have access to medications they need⁹

Canadians have been promised universal pharmacare for decades. COVID-19 separated millions of Canadians from their workplace health plans. This government made universal pharmacare a central plank of the 2019 election platform. Budget 2021 stated "the case for universal pharmacare is well-established". The time for a national, universal, single-payer pharmacare plan is now.

5) Reform outsourcing practices, save money while building an equal and equitable public service

The government's reliance on external consultants and contractors has more than doubled since 2011. Between 2011 and 2018, the federal government outsourced over \$11.9 billion in work to IT consultants, management consultants and temporary help contractors. During that same time period, the annual price tag for personnel outsourcing doubled – from just \$1 billion in 2011 to nearly \$2.2 billion in 2018¹⁰.

⁷ A Prescription for Canada. Government of Canada (2019)
<https://www.canada.ca/en/health-canada/corporate/about-health-canada/public-engagement/external-advisory-bodies/implementation-national-pharmacare/final-report.html>

⁸ Federal Cost of a National Pharmacare Program. Parliamentary Budget Officer (2017)
https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2017/Pharmacare/Pharmacare_EN_2017_11_07.pdf

⁹ A Prescription for Canada. Government of Canada (2019)
<https://www.canada.ca/en/health-canada/corporate/about-health-canada/public-engagement/external-advisory-bodies/implementation-national-pharmacare/final-report.html>

¹⁰ The Real Cost of Outsourcing. PIPSC (2020)
<https://pipsc.ca/news-issues/outsourcing/part-one-real-cost-outsourcing>

Years of unchecked outsourcing has created a shadow public service of consultants and contractors working alongside the public service. Outsourcing bypasses important staffing values, which in turn, drives precarious work and undermines gender equity.

Government outsourcing deepens gender inequity across Canada's public service. In IT, lucrative contracts are doled out to a male-dominant industry that has notoriously struggled with gender equity. While at the same time, lower paid and precarious temporary service contracts are disproportionately filled by women. The majority of temporary workers become trapped in a cycle of persistent temporary work, defined by low pay, few if any fringe benefits, and high risk of unemployment and labour force exit.¹¹

Collect and publish the average number of days to complete each step of the hiring process

The Public Service Commission of Canada (PSC) does not publish how long it takes to staff positions in the public service, commonly referred to as “time to staff.” Tracking the time to staff is crucial to track changes in hiring times of public servants after the implementation of new policies. Time to staff was previously estimated in the Survey of Staffing, which was discontinued in 2013. The PSC needs to re-establish regular measurements and report on the number of days it takes to complete each step in the staffing process.

Evaluate the New Direction in Staffing (NDS)

The NDS hasn't worked as anticipated, it needs to be formally evaluated and the PSC should consider taking back more authority over staffing.

Expand the Free Agents pilot

The early success of the Free Agents pilot demonstrates that it has the potential to tap into existing skills within the public service instead of relying on costly outsourcing of IT consultants. The program should be expanded and target heavily project-based work. Eventually, the program should be scaled so that all departments and agencies have access to free agents on short term projects.

Publish equity group data of the public service workforce annually

The Government of Canada needs to regularly publish disaggregated data on its workforce by employment equity groups and employment types such as indeterminate, term, casual and student.

This data will highlight inequality and inequity within the workforce, ensure the values of the Employment Equity Act and the Public Service Employment Act (PSEA) are upheld and identify policy gaps.

¹¹ Outsourcing and Gender Equity. PIPSC (2021)
<https://pipsc.ca/news-issues/outsourcing/part-two-outsourcing-and-gender-equity>

Require federal government organizations and departments to collect and report on the number of contractors and consultants employed, including data on the employment equity group and type of contract

The government must understand who makes up the workforce of contractors, temporary help services and consultants in Canada's shadow public service. Without collecting data the government cannot know if its own equity goals are actually being met.

Create better guidelines for using contractors, temporary help workers and consultants

The Treasury Board and Public Services and Procurement Canada need to amend contracting policies to include clear guidelines on when outsourcing violates government staffing rules.