



# Labour Day Reality Check

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Canadian Taxpayers Federation

SEPTEMBER 2020

Canadian  
**Taxpayers**  
Federation



# About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit citizens' group dedicated to lower taxes, less waste and accountable government.

The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. At the end of 2019, the CTF had 235,000 supporters nationwide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (Saskatchewan and Manitoba), Ontario, Québec and Atlantic Canada. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians and organize petition drives, events and campaigns to mobilize citizens to effect public policy change. Each week CTF offices send out Let's Talk Taxes commentaries to more than 800 media outlets and personalities across Canada.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive emailed Action Updates. Financial supporters can additionally receive the CTF's flagship publication *The Taxpayer* magazine, published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board members and representatives are prohibited from donating to or holding a membership in any political party. In 2018-19 the CTF raised \$5.1 million on the strength of 30,517 donations. Donations to the CTF are not tax deductible as a charitable contribution.



## Canadian Taxpayers Federation

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# CTF calls for 15-and-15 target for shrinking government labour costs

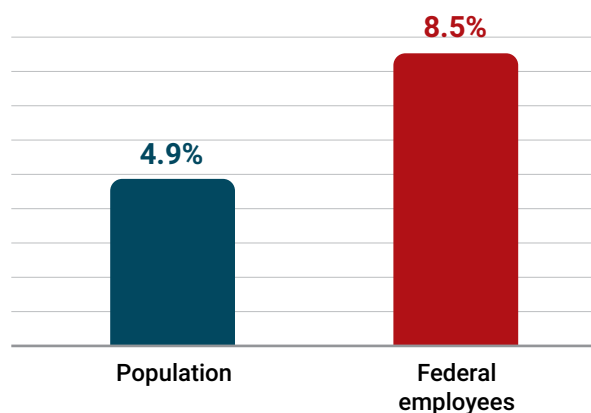
Employee salaries and benefits are the single largest direct expenditure by the federal government and we simply cannot afford to continue to pay as many people as much money. The pandemic has forced many private businesses to downsize to reflect the new fiscal reality. Government, which is ultimately also paid for with revenue generation by the private sector, must follow suit.

The Canadian Taxpayers Federation is proposing a 15-and-15 target of shrinking the overall size of the federal government workforce by 15 per cent, with the remaining 85 per cent of employees taking an average pay reduction of 15 per cent. Based on an estimated 368,667 employees,<sup>1</sup> at an annual cost of \$51.5 billion,<sup>2</sup> this would result in annual savings of approximately \$14.3 billion. Tables 1 presents the summary of savings from the 15 per cent reduction in staff and a 15 per cent compensation cut to the remaining federal government employees. While the pay cut can occur relatively quickly as it is largely a matter of political will, the phase in of cuts to government jobs needs to happen over the next few years and can include attrition when employees retire.

## Government labour costs hikes

The increase in the number of federal bureaucrats has outpaced population growth since 2014 (the last year of data the government of Canada openly publishes through source linked below).<sup>3</sup> As illustrated in Figure 1, population increased by less than five per cent between 2014 and 2018,<sup>4</sup> while the number of government employees increased by 8.5 per cent.<sup>5</sup>

**FIGURE 1** Government employee growth vs population growth (2014-2018)



**TABLE 1** Summary of savings from CTF 15-and-15 proposal

Savings from 15% cut to number of employees	\$7.7 billion
Savings from 15% compensation cut to remaining employees	\$6.6 billion
<b>Total annual savings from 15-and-15</b>	<b>\$14.3 billion</b>

<sup>1</sup> Government of Canada, most recent number of FTEs (2018), [https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#rb/-/\(table--programFtes--subject--gov\\_gov--columns--\(-\\*7b\\*7bpa\\_last\\_year\\_5\\*7d\\*7d--\\*7b\\*7bpa\\_last\\_year\\_4\\*7d\\*7d--\\*7b\\*7bpa\\_last\\_year\\_3\\*7d\\*7d--\\*7b\\*7bpa\\_last\\_year\\_2\\*7d\\*7d--\\*7b\\*7bplanning\\_year\\_1\\*7d\\*7d--\\*7b\\*7bplanning\\_year\\_2\\*7d\\*7d--\\*7b\\*7bplanning\\_year\\_3\\*7d\\*7d\)\)](https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#rb/-/(table--programFtes--subject--gov_gov--columns--(-*7b*7bpa_last_year_5*7d*7d--*7b*7bpa_last_year_4*7d*7d--*7b*7bpa_last_year_3*7d*7d--*7b*7bpa_last_year_2*7d*7d--*7b*7bplanning_year_1*7d*7d--*7b*7bplanning_year_2*7d*7d--*7b*7bplanning_year_3*7d*7d)))

<sup>2</sup> Office of the Parliamentary Budget Officer, compensation costs uses 2018 year to be consistent with most recent FTE figure, [https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2018/Fed%20Personnel%20Spending/Fed\\_Personnel\\_Spending\\_EN.pdf](https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2018/Fed%20Personnel%20Spending/Fed_Personnel_Spending_EN.pdf)

<sup>3</sup> Government of Canada, most recent number of FTEs (2018), [https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#rb/-/\(table--programFtes--subject--gov\\_gov--columns--\(-\\*7b\\*7bpa\\_last\\_year\\_5\\*7d\\*7d--\\*7b\\*7bpa\\_last\\_year\\_4\\*7d\\*7d--\\*7b\\*7bpa\\_last\\_year\\_3\\*7d\\*7d--\\*7b\\*7bpa\\_last\\_year\\_2\\*7d\\*7d--\\*7b\\*7bplanning\\_year\\_1\\*7d\\*7d--\\*7b\\*7bplanning\\_year\\_2\\*7d\\*7d--\\*7b\\*7bplanning\\_year\\_3\\*7d\\*7d\)\)](https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#rb/-/(table--programFtes--subject--gov_gov--columns--(-*7b*7bpa_last_year_5*7d*7d--*7b*7bpa_last_year_4*7d*7d--*7b*7bpa_last_year_3*7d*7d--*7b*7bpa_last_year_2*7d*7d--*7b*7bplanning_year_1*7d*7d--*7b*7bplanning_year_2*7d*7d--*7b*7bplanning_year_3*7d*7d)))

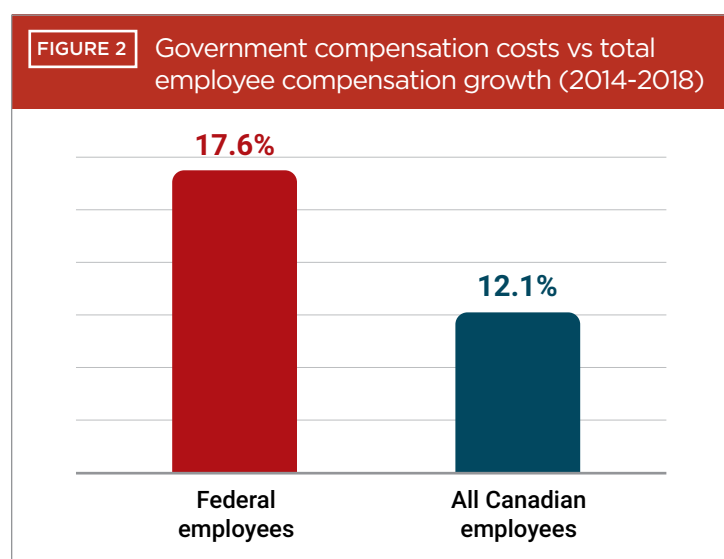
<sup>4</sup> Statistics Canada, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000901&cubeTimeFrame.startMonth=01&cubeTimeFrame.startYear=2015&cubeTimeFrame.endMonth=01&cubeTimeFrame.endYear=2019&referencePeriods=20150101%2C20190101>

<sup>5</sup> Government of Canada, [https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#rb/-/\(table--programFtes--subject--gov\\_gov--columns--\(-\\*7b\\*7bpa\\_last\\_year\\_5\\*7d\\*7d--\\*7b\\*7bpa\\_last\\_year\\_4\\*7d\\*7d--\\*7b\\*7bpa\\_last\\_year\\_3\\*7d\\*7d--\\*7b\\*7bpa\\_last\\_year\\_2\\*7d\\*7d--\\*7b\\*7bplanning\\_year\\_1\\*7d\\*7d--\\*7b\\*7bplanning\\_year\\_2\\*7d\\*7d--\\*7b\\*7bplanning\\_year\\_3\\*7d\\*7d\)\)](https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#rb/-/(table--programFtes--subject--gov_gov--columns--(-*7b*7bpa_last_year_5*7d*7d--*7b*7bpa_last_year_4*7d*7d--*7b*7bpa_last_year_3*7d*7d--*7b*7bpa_last_year_2*7d*7d--*7b*7bplanning_year_1*7d*7d--*7b*7bplanning_year_2*7d*7d--*7b*7bplanning_year_3*7d*7d)))

Total compensation costs for federal government employees also increased over that same time period, rising by 17.6 per cent<sup>6</sup> and outpacing both population growth (4.9 per cent)<sup>7</sup> and inflation (7.2 per cent).<sup>8</sup> This data is presented in Table 2.

<b>TABLE 2</b> Government labour increases vs population and inflation growth (2014-2018)	
<b>Government labour costs</b>	<b>17.6%</b>
<b>Population growth</b>	<b>4.9%</b>
<b>Inflation</b>	<b>7.2%</b>

Not only has government compensation costs outpaced inflation and population growth between 2014 and 2018, it has also increased faster than the growth in total compensation paid to all Canadian employees.<sup>9</sup> As illustrated in Figure 2, growth in government compensation was more than five percentage points higher than growth in total Canadian employee compensation.



In its 2018 report, Federal Personnel Spending: Past and future trends, the Parliamentary Budget Officer published government labour cost data going back to 2005.<sup>10</sup> Since 2005, government compensation costs have increased by 77.6 per cent, outpacing population growth (15.2 per cent), inflation (24.7 per cent) and total employee compensation (60.4 per cent).

## Government course correction long overdue

While it's normal for the private sector to undergo wage reductions during downturns, it appears that federal government employees have largely been immune to sharing in the pain. As reported by Secondstreet.Org, the federal government has "no data or any information" that indicates there has ever been a negotiated pay reduction. SecondStreet.org confirmed with the federal government that there have also never been any legislated pay reductions.<sup>11</sup>

Other think tanks have illustrated that government employees also receive a wage premium compared to their private sector counterparts. After controlling for factors such as gender, age, marital status, education, tenure, size of firm, job permanence, immigrant status, industry, occupation, province, and city, the Fraser Institute found that Canada's government employees (all levels of government) enjoy a 9.4 per cent wage premium over their counterparts working outside government. This wage premium doesn't factor in non-salary benefits, where government employees also enjoy a premium.<sup>12</sup>

<sup>7</sup> Statistics Canada, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000901&cubeTimeFrame.startMonth=01&cubeTimeFrame.startYear=2015&cubeTimeFrame.endMonth=01&cubeTimeFrame.endYear=2019&referencePeriods=20150101%2C20190101>

<sup>8</sup> Statistics Canada, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000401&pickMembers%5B0%5D=1.2&cubeTimeFrame.startMonth=03&cubeTimeFrame.startYear=2015&cubeTimeFrame.endMonth=07&cubeTimeFrame.endYear=2020&referencePeriods=20150301%2C20200701>

<sup>9</sup> Statistics Canada, <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610020501#timeframe> (note: employee compensation for years compares fiscal years to align with government numbers).

<sup>10</sup> Office of the Parliamentary Budget Officer, compensation costs uses 2018 year to be consistent with most recent FTE figure, [https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2018/Fed%20Personnel%20Spending/Fed\\_Personnel\\_Spending\\_EN.pdf](https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2018/Fed%20Personnel%20Spending/Fed_Personnel_Spending_EN.pdf)

<sup>11</sup> Secondstreet.org, <https://www.secondstreet.org/wp-content/uploads/2020/08/Policy-brief-%E2%80%93-The-last-government-pay-cut-Final.pdf>

<sup>12</sup> Fraser Institute, <https://www.fraserinstitute.org/studies/comparing-government-and-private-sector-compensation-in-canada-2020>