Treasury Board of Canada Secretariat | Secrétariat du Conseil du Trésor du Canada

Canada

Expenditure Review of Federal Public Sector - Volume Two - Compensation Snapshop and Historical Perspective, 1990 to 2003

Published: 2007-00-24

Published by Treasury Board of Canada, Secretariat
90 Elgin, Ottawa, Ontario, K1A 0R5, Canada

Catalogue Number: BT43-184-2/2007E-PDF
ISBN: 978-0-660-25443-2

This document is available on the Government of Canada website, Canada.ca

This document is available in alternative formats upon request.

Aussi offert en français sous le titre : Examen des dépenses dans le secteur public fédéral - Volume Deux - Instantané de la rémunération et perspective historique, 1990 à 2003

Expenditure Review of Federal Public Sector - Volume Two - Compensation Snapshop and Historical Perspective, 1990 to 2003

Expenditure Review of Federal Public Sector
Compensation Policy and Comparability

Volume Two
Compensation Snapshot and Historical Perspective, 1990 to 2003

November 2006

Table of Contents

SECTION ONE - THE CORE PUBLIC SERVICE AND SEPARATE EMPLOYER DOMAIN

1. Introduction

This second volume of the Report on the Expenditure Review of Federal Public Sector Compensation Policy and Comparability provides a detailed analysis of compensation in all its components for the principal domains of the federal public sector.

It is crucial at the outset to be as clear as possible about the scope of the review. At the broadest level, Statistics Canada reported that in March 2003 the federal public sector as a whole employed 455,754 people at a total salary cost of about $22.7 billion. This was approximately 2.9% of employment in Canada at that time, and around 15.5% of public service employment.

In this report, however, we focus on a somewhat narrower set of organizations than Statistics Canada reports on. Specifically, we exclude federal business enterprises and most other Crown Corporations (mainly cultural agencies and port authorities) that normally finance their own operations and manage their compensation with little central government involvement. On this basis, we exclude salary expenditures amounting to about $4.8 billion from our study. We calculate that only about $600 to $700 million of this amount could realistically be considered as a cost to taxpayers through net federal appropriations. While this is a large sum in itself, it is small relative to the domains covered in this review. This fact, combined with the diversity of compensation policies applied by these organizations and the independence of their management, led us to the view that including these entities would greatly increase the Report's complexity, without appreciably enhancing its utility.

The Report therefore deals with five domains employing a total of about 351,000 people in March 2003:

- The core public service (i.e. the main departments and agencies, for which the Treasury Board is the employer), with 168,864 employees in March 2003;
- The separate employers, with 68,156 employees in March 2003;
- The Canadian Forces (including both regular members and active reservists totalling 84,369 in March 2003);
- The Royal Canadian Mounted Police (including both regular and civilian members numbering 18,029[1] in March 2003); and
- A residual domain of 11,691[2] people in March 2003 (covering federally appointed judges, parliamentarians, employees of Parliament, Ministerial staff and students).

For most purposes, we deal with the first two domains together. We do this in order to be able to trace changes over the period from 1990–91 to 2002–03. Until they were established as separate employers in the late 1990s, the three largest components of the current separate employer domain (together constituting nearly 90% of employment in that domain) were part of the core public service.

Table 2001, below, summarizes the cost in 2002–03 of both salaries and wages, and total compensation in each of these domains, as well as non-pension benefits for public service pensioners, a cost category that is not captured elsewhere.

Table 2001

Overview of salaries and wages and total compensation in the federal public sector domains analysed in this report (2002–03)

Domain	Salaries and wages ($ billions)	Total compensation ($ billions)
Core public service	9.0	12.4
Separate employers	3.5	4.6
RCMP	1.1	1.6
Canadian Forces	3.7	5.3
Other groups, including federal judges, MPs, ministerial staff and students (not including Crown corporations)	0.6	0.7
Sub-total	17.9	24.6
Non-pension pensioners' benefits		0.2

Estimated total	17.9	24.8

While salaries and wages for the portion of the federal public sector reviewed in this report totalled about $17.9 billion in 2002–03, the corresponding total compensation figure of about $24.8 billion was 39% higher. Adding compensation costs for federal business enterprises and other Crown corporations, of around $600 million to $750 million for 2002–03, the amount that can realistically be considered as financed from general federal revenues, brings our total to about $25.5 billion.

The focus

For each domain, a snapshot of the current compensation picture is described, and a retrospective view is provided on the evolution of compensation within that domain going back in most cases to the 1990–91 fiscal year. Main topics covered are:

- Changes in employment and the total regular payroll in each of the domains.
- Examples of the impact on employee populations of privatization and the devolution or transfer of some federal operations to other governments over the period.
- The relative importance, in explaining growth in employment and the total regular payroll in the combined core public service and separate employer domain, of such factors as Cabinet and Treasury Board approvals of additional personnel budgets, transfers by departments from approved non-salary to salary budgets, and increases in average salaries.
- The evolution of average salaries in the combined core public service and separate employer domain, and the relative importance in explaining increases in this area, of collective bargaining outcomes (including both economic increases and restructuring increases[3]), changes in the composition of the workforce, pay equity settlements, and employee movement.[4]
- Changes in expenditures on other monetary benefits and the use of leave entitlements in the core public service.
- The evolution of policy and employer expenditures and cost-sharing with employees in the areas of pensions, insurance, and health and dental benefits in the combined core public service and separate employer domain.
- Changes between 1991 and 2003 in employment levels, as well as policy and expenditures on salaries, pensions and all other areas of compensation expenditure for the Canadian Forces domain, the Royal Canadian Mounted Police domain, and the other groups domain.

The wide-angle view

Because each domain has its own unique compensation characteristics, this volume does not conclude with an aggregation of information about the various domains into a summary, or offer a view of compensation in the federal government as a single subject. Nevertheless, a number of interesting and noteworthy points emerge from this detailed examination.

Total Compensation

The approximately $18 billion expended on salaries and wages (regular payroll) for fiscal year 2002–03 constituted about 3.4% of total salaries and wages in Canada. When one factors in additional costs associated with the various elements of total compensation such as pensions and health, dental and life insurance, federal expenditures on compensation amounted to roughly $25 billion in 2002–03. This represents over a third of the amount paid for total direct program spending.

Payroll

The 2002–03 average salary for employees in the core public service was about $53,300. The cost of total compensation per employee averaged about $73,400. For the combined core public service and separate employer domains, the corresponding figures in 2002–03 were $52,800 and $71,700.

Average salaries varied widely between different entities depending on the nature of the employing organization. For example, average salaries at specialized regulatory agencies tended to be significantly higher than at more operationally oriented institutions. Salaries in the Canadian Forces averaged $52,700 ($17,880 for reservists) while the overall average salary for RCMP members was approximately $59,900.

In 2002–03, fewer than 3% of employees in the core public service earned less than $35,000. Roughly the same proportion earned over $100,000. The proportion of those earning less than $35,000 was much higher within the Canadian Forces (12%). Conversely, almost no one earned less than $35,000 at the RCMP (in fact only about 0.7% earned less than $45,000). This was a natural consequence of the fact that the most populous rank, that of Constable, employs about 63% of the regular members, almost all of whom are at the maximum pay rate of $62,497 (average Constable salary is $61,133). As with the Canadian Forces, only around 1.3% earned more than $100,000.

Pensions

Pensions constitute the largest non-wage compensation expense for the government. For 2002–03, the employer-paid portion of pension contributions relating to current service in the core public service domain amounted to about $1.29 billion. The ratio of employer to employee contributions was 74% to 26%. This proportion was slightly higher for the Canadian Forces, where employer contributions totalled 77.8% (or $570.7 million), and for the RCMP where it was 75.8% (or $195 million). The government contributed 84% of the annual contributions related to the pension plans for MPs and federal judges.

Insurance

In 2002–03, there were 505,000 members of the Public Service Health Care Plan, including about 227,200 pensioners, who accounted for 55% of claims. In 2002, claims paid and total administrative expenses associated with the Plan amounted to about $446.3 million. Overall, the employer contributed about 81% and the members 19% (most of the contributions were paid by pensioners). The average value of claims per member during the year was about $840.

In 2002–03 there were about 330,000 members of the Public Service Dental Care Plan. Claims and administrative expenses cost the Plan about $167.3 million. The government pays the full cost of the DCP. The average cost of claims per member was about $470 in 2002.

Leave and severance

Employees in the core public service domain used about 7.74 million days of paid leave in 2002–03. This represented an average of about 41.2 days per year. This time not worked had an estimated value of $1.6 billion, or about 18% of the nearly $9 billion salary mass.

Payments for severance in 2002–03 in the core public service domain amounted to about $87.9 million. About $67.9 million was paid into Registered Retirement Savings Plans. Recipients numbered about 4,420, for an average severance payment of nearly $20,000. A total of about $93.8 million was paid out in severance pay and termination benefits for the armed forces**,** while the RCMP paid out a total of about $19.9 million.

Other cash compensation

Most employers in the federal public sector offer some form of performance pay in the design of their pay plan, particularly for executives. In 2002–03 salary increases related to the Performance Management Program in the core public service totalled about $9 million. Total performance related lump-sum payments were about $32.1 million. In 2003, over 90% of EXs and DMs in the core public service received performance-related salary increases or a lump sum payment. The average lump sum payment was about $7,400.

For 2002–03 the total paid overtime in the core public service was about $208 million, equal to about 2.3% of regular pay. Some occupational groups earned amounts of overtime disproportionate to the size of the group. One group in particular, Correctional Service employees (CX), earned overtime at a rate three and one-half times their proportion of the payroll. Members of the Canadian Forces are not eligible to be paid overtime for actual hours worked; instead they receive an overtime factor as part of their salary—6% for Non-commissioned Members and 4% for General Service Officers. Overtime pay in the RCMP was substantial, amounting to about $99.1 million, or approximately 9% of regular pay.

In 2002–03, a variety of recruitment and retention allowances (so-called "terminable allowances"), adding up to about $77.4 million were paid to a total of about 15,500 employees in the core public service domain.

In each domain there is a series of additional allowances designed to address specific employee needs. In the core public service these totalled about $382 million (equivalent to about 4.9% of regular pay). In the Canadian Forces these allowances amounted to $180.5 million in 2002–03 (4.8% of regular pay) and dealt with issues such as compensation for deployment overseas and compensation for exposure to hazards or adverse environment. In the RCMP these allowances amount to about $76.7 million over the year (7.0% of regular pay) and covered issues such as isolated posts pay and a senior constable allowance.

In 2002–03, the estimated ongoing salary costs relating to pay equity for the core public service domain were in the order of $225 million (about 2.5% of overall payroll). For the relevant groups this amounted to about 15% of the current payroll.

Other compensation costs

As an employer, the Treasury Board is required to contribute to payroll taxes in the same way as any other employer. In 2002–03 a total of $459 million in contributions were paid for the core public service domain, relating primarily to three programs: Canada Pension Plan/Quebec Pension Plan ($265.6 million); Employment Insurance ($183 million); and Provincial Health Plans in Alberta and British Columbia ($10.3 million). The Canadian Forces employer contributions total $228 million, while the RCMP's employer contributions totalled $56.4 million. In addition, the Treasury Board paid $194 million in payroll taxes in Manitoba, Newfoundland, Ontario and Quebec.

Retrospective — Overall expenditures on salaries and wages, and total compensation 1990–91 to 2002–03

Table 2002 distils an overview of the growth of salaries and total compensation in the federal public sector by domain, excluding federal business enterprises and other Crown corporations as discussed earlier.

As the Table shows, we estimate that total salaries and wages fell from about $13.7 billion in 1990–91 to about $12.5 billion in 1997–98 (the "low point" after Program Review). Over the next five years, expanding population, changing workforce composition and increasing average salaries drove the total to around $17.9 billion in 2002–03.

Looking at "total compensation", we see a similar decline from around $17.8 billion in 1990–91 to $16.6 billion in 1997–98. By 2002–03, the total had reached about $24.8 billion.

An interesting perspective on these figures is the ratio of total compensation to total salaries and wages. In effect, this ratio tells us what percentage of cost must be added to the salary base to cover all aspects of total compensation. Table 2003 gives the result of this calculation.

Table 2002

Overview of the growth of combined salaries, and total compensation, for the principal domains of the federal public sector, 1990–91, 1997–98 and 2002–03

	Salaries and Wages (Billions)			**Total Compensation**		
Domains	**1990-91**	**1997-98**	**2002-03**	**1990-91**	**1997-98**	**2002-03**
TB and separate employers	9.1	8.2	12.5	11.6	11.0	17.0
CF	3.3	2.9	3.7	4.5	3.8	5.3
RCMP	.9	.9	1.1	1.3	1.2	1.6
Other (judges, MPs, students, etc.)	.4	.5	.6	.4	.5	.7
Non-pension pensioners' benefits	--	--	--	.04	.07	.2
Total	**13.7**	**12.5**	**17.9**	**17.8**	**16.6**	**24.8**

Note: These totals do not include relevant amounts for Crown corporations. There is little available data upon which to base sound estimates.

Table 2003

Ratio of total compensation to total salaries and wages, 1990–91, 1997–98, and 2002–03

Domains	**1990–91**	**1997–98**	**2002–03**
TB and separate employers	1.27	1.34	1.36
CF	1.36	1.31	1.43
RCMP	1.44	1.33	1.45
Total	**1.30**	**1.33**	**1.39**

As the Table sets out, the overall ratio grew from 1.3 in 1990–91, to 1.33 in 1997–98, to 1.39 in 2002–03. For the combined Treasury Board as employer and separate employer domains, the pattern was 1.27 in 1990–91, 1.34 in 1997–98, and 1.36 in 2002–03. This indicates that non-salary compensation has been growing as a share of total compensation.

We now turn to a description of the main focus of this Report, compensation in the core public service and separate employer domains.

2. Total Compensation in the Core Public Service and Separate Employer Domains

This chapter begins by reporting on total compensation—that is, salaries, wages, benefits and other compensation—in the core public service and separate employer domains separately.

Calculating total compensation

Calculation of total compensation requires deciding on a method. This report uses what can be called the "actual employer expenditure" method. That is, we report items like pensions based on the costs incurred by the federal government as a result of employing people during the year. For benefit plans that are externally insured, the expenditure is composed of the government's insurance premiums, while for the plans that are not externally insured the expenditures represent the benefits paid, plus the administration costs.

An alternative approach is to try to estimate the value to employees of various benefits. During the 1980s, for example, the Treasury Board Secretariat invested considerable effort in calculating the value of employment security. For insurance such as disability insurance, one can use actuarial techniques to estimate how much employees would have to pay to get equivalent protection. While the "value to employees" approach is conceptually interesting it is not convincing to most people because it is based on assumptions and calculations that are both debatable and hard to understand. In setting up a more consistent approach for reporting federal compensationin the future, it would be useful to employ more of an accrual approach. For example, retroactive payments should be attributed to the year to which they relate, and, as has been done in the Public Accounts of Canada since 2003, the cost of future benefits such as severance pay and retirement benefits would be attributed to the year when they were earned by active employees.

Total compensation—Core public service domain

Calculating on the basis of estimated actual expenditures, the federal government spent about $12.4 billion on compensation for the employees of the core public service domain in 2002–03, including about $9.0 billion[5] for salaries and wages. Dividing this latter amount by the average number of total employees in the core public service yields an average salary of about $53,300,[6] while total compensation per employee averaged about $73,400. In aggregate, employer-paid components other than regular salary amount to about 38% of total regular pay.

Figure 2004 illustrates our findings regarding total compensation in 2002–03 for the core public service domain.

Figure 2004
Illustration of main components of total compensation in the core public service domain, 2002–03

Display full size graphic

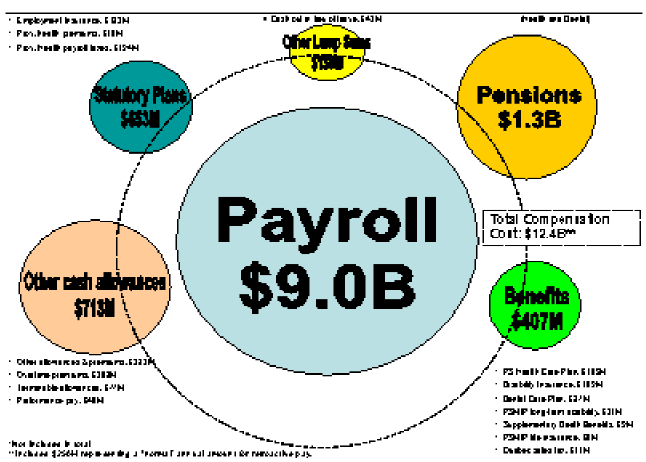
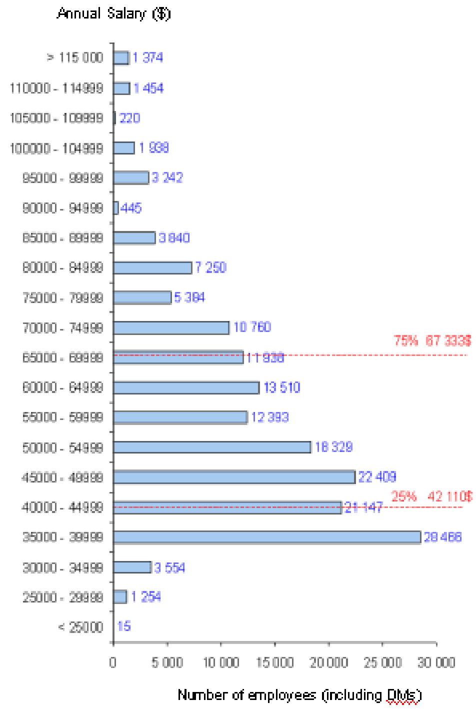


Figure 2005
Actual annual salaries distribution in the core public service domain by $5,000 bands, March 31, 2003*

Display full size graphic



* The salaries are displayed in $5,000 bands, except at the top level where all salaries above $115,000 are combined in one band for simplicity.

As of March 31, 2003, the general distribution of actual annual salary levels in this domain was as illustrated in Figure 2005. Fewer than 5,000 employees (3.0%) earned less than $35,000 per year; conversely, only about the same proportion earned more than $100,000. The lowest three quartiles earned less than $67,333; the lowest quartile earned $42,110 or less per year. The average salary on March 31, 2003 was $54,410, as noted in endnote 2.

Table 2006 lists the average salaries of the ten most populous classification groups in this domain. Together these groups included just over two thirds of the employees; the remaining more than 65 classification groups covered the other third. Among the top ten groups, average salary ranged from $107,000 for the Executive group, to $38,600 for the Clerical group.

Table 2006

Employment and salaries—ten most populous classification groups, March 2003

Group	% of total employees	Average salary ($)	% of total salary
CR	19.1	$38,600	13.6
AS	12.0	$52,600	11.6
PM	10.2	$54,500	10.2
CS	6.7	$58,600	7.2
EG	3.9	$55,000	4.0
CX	3.7	$46,900	3.2
GL	3.4	$39,200	2.5
ES	3.3	$71,200	4.3
EX	2.5	$107,000	4.9
SI	2.1	$50,835	2.0

Subtotal	**66.9**		**63.4**
Total core public service domain		**$54,410**	

Table 2007 lists the average salaries for the ten largest departments in the core public service domain. As with the largest classification groups, the 10 largest departments comprised two thirds of the population. The average salary among these departments ranged from $60,900 in Environment Canada to $47,600 for the civilian employees of National Defence. In general, the more operationally focused institutions had a lower average salary. Given the differences in salary levels for various occupations, it is evident that the average salary of a particular department will depend on the mix of classification groups making up its workforce.

Table 2007

Average salaries for the ten largest departments, March 2003

Departments	% of total employees	Average salary	% of total salaries
Human Resources Development	14.2	$49,700	12.9
National Defence	11.8	$47,600	10.3
Correctional Service Canada	8.6	$50,600	8.0
Public Works and Government Services	7.7	$56,000	7.9
Fisheries and Oceans	6.3	$52,950	6.1
National Health and Welfare	5.4	$58,150	5.7
Agriculture and Agri-Food	3.6	$55,500	3.7
Statistics Canada	3.5	$55,800	3.6
Industry	3.4	$59,950	3.7
Environment	3.4	$60,900	3.8
Subtotal	**67.8**		**65.8**
Total, core public service		**$54,410**	

Total compensation—Separate employer domain

The general regime for managing personnel costs among the separate employers[7] provides a kind of delegated autonomy. By policy, such employers must obtain the approval of the Treasury Board (in practice the President on the advice of the Secretariat) for a detailed negotiating mandate. Section 112 of the *Public Service Labour Relations Act* specifies that in order to enter formally into a collective agreement, a separate employer needs to obtain the approval of the Governor-in-Council. This regime aims to ensure that collective agreements are generally consistent across appropriation-dependent organizations.

The most important point about separate employers as a domain is that each organization is distinct. Each establishes its own policies and practices for people management in areas such as staffing, classification, collective bargaining, and compensation philosophy generally.

Population of separate employers

In 2003 there was one very large separate employer, the Canada Customs and Revenue Agency (CCRA),[8] with over 50,000 employees in March of that year. By itself, CCRA constituted three quarters of the separate employer domain.

There are three other relatively large (over 3,000 employees) separate employer organizations:

- the Canadian Food Inspection Agency (CFIA), with over 5,300 employees;
- the National Research Council (NRC), with about 3,900 workers; and
- the Parks Canada Agency (PCA), with about 3,300.[9]

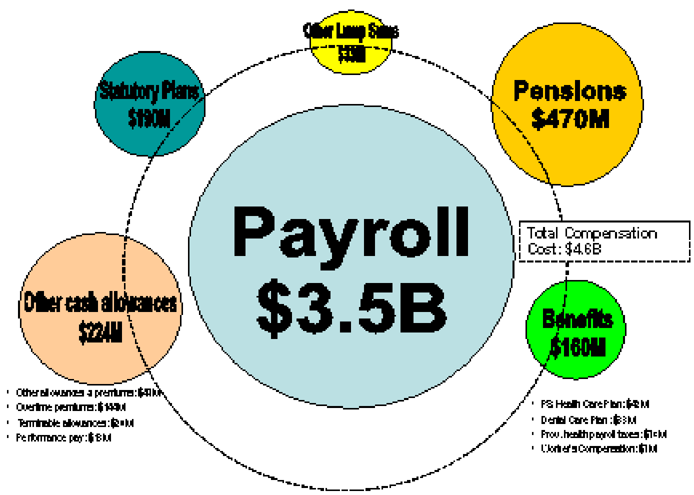
Most of the remaining separate employers are small, having fewer than 600 employees each.

There are two security-related organizations among the separate employers: the Canadian Security Intelligence Service (CSIS) and the Communications Security Establishment (CSE). For security reasons, we do not provide details on these entities in this report. There is also an organization known as "Statistical Survey Operations" whose employees are appointed pursuant to the *Statistics Act*.[10] In March 2003, its staff numbered about 2,300, with an estimated annual salary cost of $30.2 million. We take note of this organization here, but we do not include it further in our analysis.

Figure 2008 illustrates the components of total compensation in the separate employer domain, showing a total compensation cost of about $4.6 billion.

Figure 2008
Total compensation components, separate employer domain, 2002–03[11]

Display full size graphic



Payroll, population and average salaries

Total regular payroll for the separate employer domain in 2002–03 was about $3.5 billion.[12] Table 2009 summarizes the employee population, salary mass, and average salary in March 2003 for those separate employers with more than 50 workers.[13] From this table it is evident that the variation in average salaries is greater than among the 10 largest departments in the core public service domain.

CCRA had the lowest average salary at $49,100, followed closely by Parks Canada at $49,550. At the high end we find specialized regulatory agencies such as the Office of the Superintendent of Financial Institutions (OSFI), with an average salary of about $81,600, the Public Service Staff Relations Board (PSSRB) at $74,900, and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) at $72,150.

In the rest of this section, to avoid excessive detail, we will focus only on the four largest separate employers; together they employ over 90% of those working in this domain. As Table 2010 illustrates, the distribution of occupational groups in the main separate employer populations reinforces their distinctiveness. In a number of cases, the classification groups differ from those in the core public service domain. For example, CCRA set up a Management (MG) group to put together those with significant people management responsibilities from all the various groups inherited when CCRA was established in 1999. In another such case, the NRC has a Research Officer (RO) group, reflecting its main business activity.

The main job categories differ considerably. On the one hand Program Administration (PM) and Clerical and Regulatory (CR) employees dominate CCRA numerically, with about 60% of the staff. At CFIA, the major job areas are the Engineering and Scientific Support (EG), Clerical and Regulatory (CR), Biologist (BI), and Veterinary Medicine (VM) groups, comprising together about 78%. At Parks Canada, the top four groups constitute about 60% of employees. For the NRC, the two largest groups, the Research Officers and the Technicians, by themselves, are 60% of the organization.

Because CCRA by itself is a very large employer (75% of the separate employer domain, and equivalent to about 30% of the core public service domain) we have included an overview of the distribution of CCRA employees by $5,000 income bands (Figure 2011). In general, this agency's salary structure reflects a greater proportion of lower- and middle-income earners than the core public service. About 16% (versus 3% in the core public service) earned below $35,000, whereas only about 0.4% earned more than $100,000 (versus 3%). The first quartile income maximum is only just over $2,000 lower, but the third quartile income maximum is over $12,000 less, reflecting a considerable concentration in the middle-income range.

Table 2009

Employee population and salary for separate employers with more than 50 employees, March 2003

Separate employers	Employees: Total number	Employees: % of total domain	Payroll: ($M)	Payroll: % of separate employer domain	Average salary
Canada Customs and Revenue Agency	51,128	75.0%	2,510.6	71.9	$49,100
Canadian Food Inspection Agency	5,349	7.8%	290.0	8.3	$54,200
National Research Council	3,910	5.7%	233.6	6.7	$59,750
Parks Canada Agency	3,293	4.8%	163.2	4.7	$49,550
Office of the Auditor General	599	0.9%	41.1	1.2	$68,600
Canadian Nuclear Safety Commission	482	0.7%	33.0	0.9	$68,400
Office of the Superintendent of Financial Institutions	451	0.7%	36.8	1.1	$81,600
National Film Board	439	0.6%	24.7	0.7	$56,400
Natural Sciences and Engineering Research Council	296	0.4%	16.5	0.5	$55,900
National Energy Board	295	0.4%	20.1	0.6	$68,200
Canadian Institutes of Health Research	246	0.4%	14.6	0.4	$59,200
Social Sciences and Humanities Research Council	162	0.2%	9.3	0.3	$57,400
Fin. Transactions and Reports Analysis Centre	160	0.2%	11.5	0.3	$72,150
Indian Oil and Gas	72	0.1%	4.6	0.1	$63,900
Public Service Staff Relations Board	65	0.1%	4.9	0.1	$74,000
Other Separate Employers	1,209	1.8%	74.8	2.1	$61,869
Total	**68,156**	**100%**	**3,489.4**	**100.0**	

Table 2010

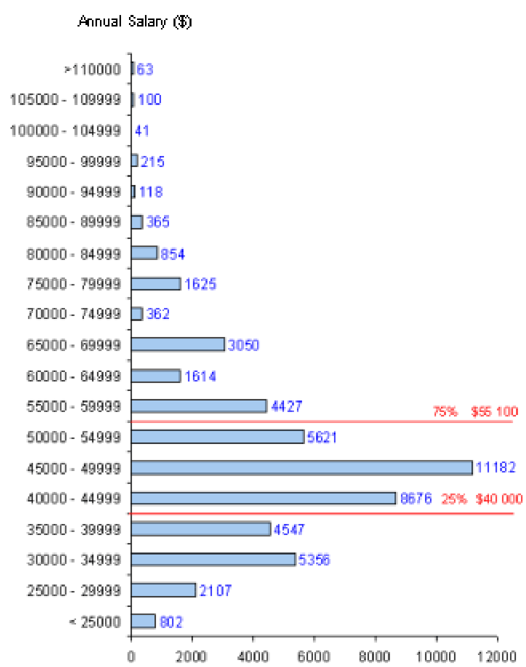
Major occupational groups in the largest separate employers, March 2003

	CCRA	CFIA	PARKS	NRC	Other	Total	%
Program Manager (PM)	20,437	200	269		142	**21,048**	30.9
Clerical and Regulatory (CR)	9,964	655	343		56	**11,018**	16.2
Auditors (AU)	4,970				0	**4,970**	7.3
Management (MG)	4,231			118	0	**4,349**	6.4
Computer Systems (CS)	3,263	121	77	272	82	**3,815**	5.6
Administrative Services (AS)	2,357	295	332	185	259	**3,428**	5.0
Engineering Support (EG)	11	2,511	60		0	**2,582**	3.8

Data Processing (DACON)	1,922				5	**1,927**	2.8
General Labour (GL)	41		649		66	**756**	1.1
General Technical (GT)	47		693		0	**740**	1.1
General Services (GS)	376	12	182		1	**571**	0.8
Biologists (BI)		453	12		40	**505**	0.7
Veterinarian Medecine (VM)		577			0	**577**	0.8
Research Officer (RO)				1,250	0	**1,250**	1.8
Technicians (TC)				1,084	234	**1,318**	1.9
Administrative Support (AD)				510	204	**714**	1.0
Subtotal	47,619	4,824	2,657	3,419	1,089	**59,568**	87.4
Total Separate employers	**51,128**	**5,349**	**3,293**	**3,910**	**4,476**	**68,156**	**100.0**
%	**93**	**90**	**81**	**87**	**24**	**87.4**	

Figure 2011
Distribution of actual annual salaries by $5,000 bands in the Canada Customs and Revenue Agency, March 2003

Display full size graphic



Retrospective — Employment and salary changes, 1990 to 2003

Our historical analysis combines the core public service and the separate employer domains because, until the late 1990s, the core public service included what now constitutes the bulk of the separate employer domain. As late as 1997, the separate employer domain was small, employing fewer than 9,000 people in total. In 1997, the Canadian Food Inspection Agency was created as a separate employer, followed by Parks Canada and the Canada Customs and Revenue Agency in 1999. These three agencies accounted for about 88% of employment in the separate employer domain, and their employees numbered nearly 60,000 in March 2003. This is equivalent to over one third of the core public service domain. It is therefore imperative to deal with the two domains together if we are to make meaningful comparisons over the period from 1990 to 2003.

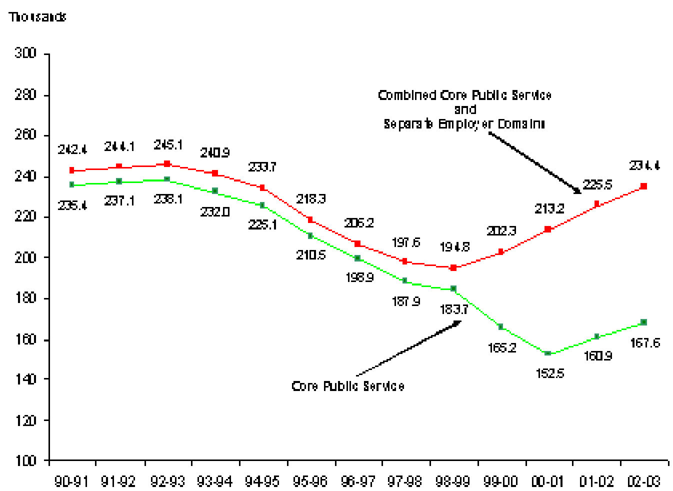
Employment change

Through the early 1990s, the general pattern of total employment in these two domains combined was stability. The domains employed close to 245,000 workers in that period. Starting in earnest in 1994–95, there was a decline to just under 200,000 bythe two years 1997–98 and 1998–99. By 2002–03 total population had increased back to nearly 235,000. Figure 2012 below portrays the evolution of employment in the two domains, both independently and combined. The increase in employment after the mid to late 1990s approached but did not attain the 1990–91 levels, even as late as 2002–03.

The statistical low point for employment in our period of analysis was 1998–99. Between then and 2002–03, we see employment growth of over 20%. While total employment in the core public service and separate employer domains fell by about 50,000 net over six or seven years, and then rose by about 40,000 over the last four or five years up to 2002–03, our main interest is in the growth period that started in 1999–2000.

Figure 2012
Employment in the core public service and the separate employer domains, 1990–91 to 2002–03

Display full size graphic



Salary levels

The complementary picture for salaries and wages (regular payroll) is set out in Figure 2013. It shows a modest increase over the early 1990s, followed by a distinct decline in the second half of the 1990s, with a strong growth through the period 1997–98 to 2002–03.

Figure 2013
Salaries and wages (regular payroll) in the core public service and separate employer domains, 1990–2003

Display full size graphic

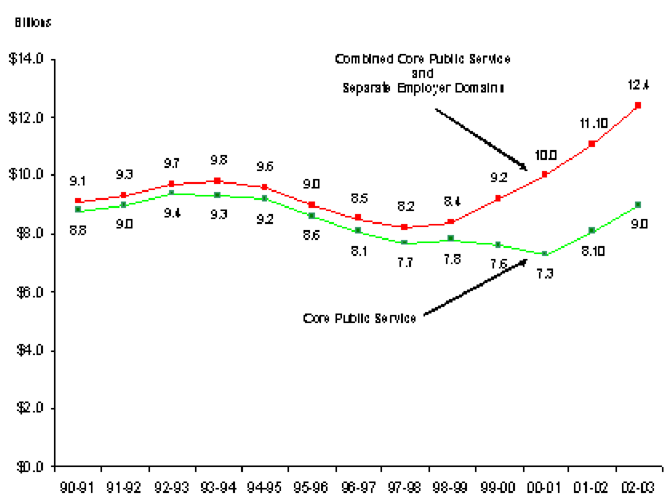
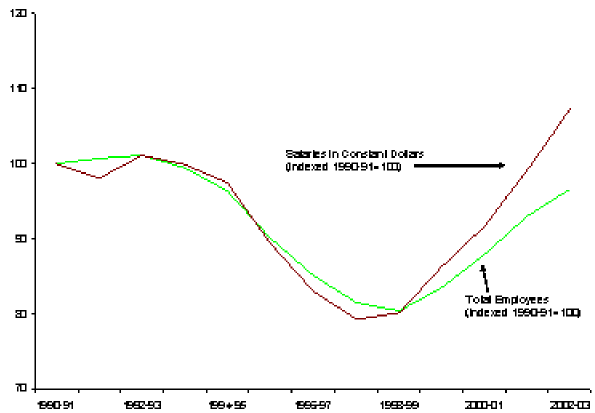


Figure 2014 shows the evolution of total employment and total salaries for the two domains combined on an index basis (1990–91=100). The salary figures are presented in constant dollars, thus removing the effect of inflation. Comparing total salaries between 1990–91 and 2002–03 in constant 2002–03 dollars shows a growth of about 7%.

Figure 2014
The evolution of total employment and total salaries for the combined core public service and separate employers domain, 1990–91 to 2002–03

Display full size graphic



For the salary mass, the low point was reached in 1997–1998. Between that year and 2002–03, we see a 51% current dollar increase in the total salary mass, which is equivalent to about a 35% increase in constant 2002–03 dollars. This rate of growth in the salary mass raises the question of what drove the change. The next chapter answers that question.

For the salary mass, the low point was reached in 1997–1998. Between that year and 2002–03, we see a 51% current dollar increase in the total salary mass, which is equivalent to about a 35% increase in constant 2002–03 dollars. This rate of growth in the salary mass raises the question of what drove the change. The next chapter answers that question.

3. Why Overall Employment and Average Salary Increased

We now examine the issue of increasing salary and employment levels in some depth, within the limits of the available data, examining in turn:

- the management of Program Review staff reductions,
- transfers of work and employees to other employers,
- increases in service contract expenditures,
- increased spending for additional staff or salary increases, and
- changes in the composition of the workforce.

Management of Program Review staff reductions

Staff reductions initiated from 1994 to 1998 under Program Review were managed within departments. The specific decisions to eliminate positions were often taken one or more levels below the deputy minister. While the rationales for these decisions were undoubtedly diverse, anecdotally at least, in many instances jobs were reduced more than work, leaving workload pressures that would reassert themselves and lead to regrowth in the size of the public service.

During the Program Review period, the Early Departure Incentive and the Early Retirement Incentive encouraged employees to resign or retire early, to meet the need to reduce the size of the public service. The impact of these incentives on the composition of the workplace is examined in the final section of this chapter, as we examine changes in the composition of the workforce.

The Program Review exercise resulted in the most dramatic reduction in the population and cost of the federal public service in modern history. The total population of the core public service and separate employer domains declined from a high of 245,100 in 1992–93 to a low of 194,800 in 1994–95. While the size of the public service has largely rebounded since that time, the new composition of the workforce responds better to current needs, as some occupational groups have declined in size and others have expanded. Again, this phenomenon is discussed in detail in the final section of this chapter.

Transfers of work and employees to other employers

Some reductions in the size of the public service over the years were in fact transfers of functions to other employers. For example, Transport Canada had about 20,700 employees in March 1990. By March 2000, the figure had fallen to around 4,300, recovering to 4,670 in March 2003. More than half of this reduction of more than 16,000[14] resulted from the privatization of key functions, including the following:

- In 1996, about 6,000 employees involved in the national air navigation (air traffic control) system were transferred to NAVCAN, a new private company.
- During the second half of the 1990s about 2,500 personnel were transferred to local airport authorities, and hundreds more,[15] related to the administration of ports, shifted to other employers.

These transfers constituted a real reduction in federal government activity in that the new entities finance their own operations rather than relying on federal appropriations, except in so far as the federal government is itself a user of the services provided.

Shifts of functions to private businesses for which the federal government is still the main client generally fall under the heading "alternative service delivery." In many of these cases, the federal government's costs have moved from compensation to the purchase of goods or services, although the cost to the taxpayer may have been reduced.

For example, Public Works and Government Services Canada (PWGSC) privatized at least two services that fit this profile: property management and printing services. In the first case, in 1998 approximately 470 employees transferred to a new company called Brookfield Lepage Johnson Controls (BLJC). This company, which was awarded all 13 original contracts in this area, provides the majority of property and facilities management services in more than 300 Crown-owned buildings. In 2002–03, the value of services contracted from BLJC was about $300 million, which the department has indicated represents a reduction of more than over $30 million in annual costs.

The second PWGSC case was the sale of the Canada Communications Group (CCG), formerly the Queen's Printer, to the St. Joseph Corporation. In early 1997, about 600 PWGSC employees started working for the private employer. Personnel expenses for CCG during its last year of operation (1996–97) amounted to about $60 million. In 2002–03, the value of printing contracts that would in the past have been handled by CCG was about $14.4 million.[16]

A different kind of transfer was the devolution of service delivery from the federal government to provincial or territorial governments. The most notable example of this type during the period under consideration was the series of labour force development agreements implemented in 1997 and 1998. Six agreements provided for the transfer of about 1,700 Human Resources Development Canada employees to five provinces and one territory. The approximate value of the salaries transferred was $67 million. In effect, however, the federal government continued to pay indirectly for these employees through transfer payments under Part II of the *Employment Insurance Act*.

The point of these comments is to note that the total employment reported for the core public service and separate employer domains in 2002–03 is not strictly comparable to the figure given for 1990–91. If we took account of privatizations or devolutions to other governments for which the federal government is still the effective funding source, total employment in 2002–03 would be at least 2,750[17] greater, with an increase in annual salary costs of not less than $145 million.

Increases in service contract expenditures

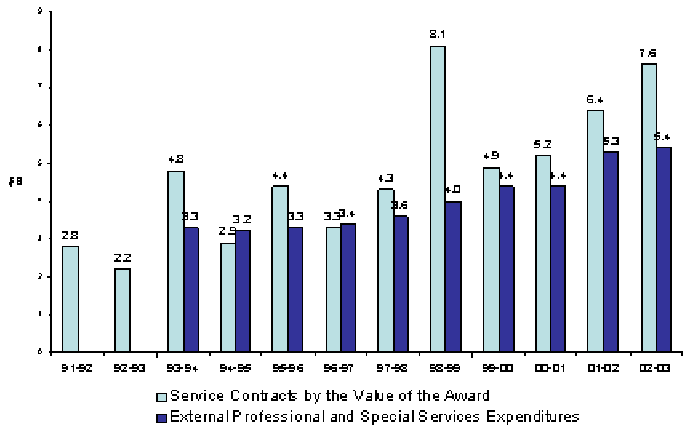
A further, more ambiguous but more substantial qualification on public service growth is the evolution of federal expenditures for various kinds of contracts for services. The total value[18] of service contracts awarded in 1991–92 was about $2.8 billion; by 2002[19] the total awarded was about $7.6 billion, an increase of over 170%. In fact there was considerable fluctuation in this area from year to year, as illustrated in Figure 2015. The highest value was in 1998, at about $8.1 billion, including an exceptionally large contract for about $2.7 billion for NATO flight training services. Nevertheless, the general trend has been upward. Another way of looking at spending for contracted services is by tracking Public Accounts data on standard object 04, Professional and Special Services.[20] Total spending for this standard object was about $4.8 billion in 1993–94. The total remained between $4 and $5 billion until 1997–98 and then rose to $5.2 billion in 2000–01, and to $7.6 billion in 2002–03.

These figures include both contracts with suppliers outside the federal government and contractual arrangements between departments. A further analysis of the data has allowed us to separate out contracts with external suppliers. The results are included in Figure 24. From 1993–94 to 1997–98, the total ranged between approximately $3.2 billion and $3.6 billion. The amount then grew, reaching about $5.4 billion in 2002–03, for a total increase of about $2 billion.

Figure 2015

Total value of federal government service contracts by year of approval, 1991–92 to 2002* and expenditures on external service contracts as reported in the Public Accounts, 1993–94 to 2002–03

Display full size graphic



* See endnote 7 for some caveats that apply to the information in this figure.

Rate increases versus work volume increases

On balance, it suits our purposes best to focus on the Public Accounts figures for external service contracts, since these report actual expenditures, as opposed to contract approvals. To interpret the cost increases demonstrated in this data, we need to assess to what extent the increases arose from increases in average daily rates versus increases in the volume of work contracted.

We have two very rough indicators on contracting rates. The first relates to legal services contracts. In that area, hourly rates have not changed since 1990, so the increase in the use of Crown agents between 1997–98 and 2002–03 must be largely a volume of work increase. Expenditures in that area grew from about $38.2 million in 1997–98 to about $63.3 million in 2002–03.[21] Using $1,000 per day as a rough average billing rate, this difference equals around 125 person-years of additional legal work.

The second indicator comes from the experience of Consulting and Audit Canada (CAC). This agency of Public Works and Government Services Canada (PWGSC) handled about $120 million of business in 2002–03, or about 3% to 5% of the volume in the general areas in which it is active. Over the period from 1997–98 to 2002–03, CAC's own daily rates rose in the order of 20% to 25%; on a small sample of sub-contractors, the changes varied from nothing to much larger proportions. Knowledgeable observers of consulting rates in the information management/information technology world report that consulting rates in the Ottawa market peaked in late 1999, but subsequently fell to the level of the mid-1990s.

Based on this, we venture a very rough estimate of the increase in work volume represented by the increase of about $2 billion between 1997–98 and 2002–03 in external service contract expenditures reported in the Public Accounts. Rounding CAC's experience on daily rate increases up by 33% to ensure our estimate is conservative, we are left with a volume-driven expenditure increase of about $1.4 billion. Using $800 per day as a rough average, this would be equivalent to about 8,750 person-years of work.

From these rough assessments, we conclude that the increase in federal spending on service contracts between 1997–98 and 2003–03, combined with the services that have been privatized or devolved but which the federal government still funds, represents more than 10,000 person-years of work on behalf of the federal government. This is almost certainly a low estimate.

We will not pursue this issue further in this study. But as we focus directly on growth in the public service, we need to bear in mind that the change in formal public service employment understates the growth in the volume of work purchased by the federal government. On this basis we can say that, by 2002–03, what could be called the federal government's "effective size" was at least as great as in 1990–91.

Increased spending for additional staff or salary increases

Expansion in the number of public servants can happen for one of two reasons.

First, political approval for new spending can occur through a Cabinet decision on some new initiative, or through a Treasury Board decision about funding for an existing program. Such decisions must be approved by Parliament through the Estimates process.

Second, managers within a department may transfer funding from non-salary to salary expenditures, within their approved budgets. In both cases, change is the net effect of approved increases and decreases.

Policy Approval for new spending

Cabinet and parliamentary consideration of spending estimates tends to be very high level. It is the work of the Treasury Board, and more particularly the Treasury Board Secretariat, to scrutinize the details of spending plans, and to approve the allocation of funds to spending areas called "standard objects," of which the first (01) is for Personnel.

To be practical, we focus on growth since the end of Program Review, that is, from 1997–98 to 2002–03. While unravelling the ins and outs of change over the period of Program Review and before would be interesting, it is the employment expansion over these five years that needs attention in understanding the roots of our current investment in federal compensation.

Table 2016 provides details about the increases in employees and salary mass for those departments that grew by at least 500 employees between 1997–98 and 2002–03.

Table 2016

Increases in employment and total salaries for departments that grew by at least 500 employees between 1997–98 and 2002–03

	Employees					**Equivalent salary ($M)**		
Department	**1997–98**	**2002–03**	**Growth (N)**	**Growth %**	**1997–98 Current $**	**1997–98 (2002–03 Constant $)**	**2002–03 Current $**	**Growth % (2002–03 Constant $)**
Canada Customs and Revenue Agency	40,437	48,927	8,490	21	1,541	1,719	2,381	39
Health Canada	6,014	8,800	2,786	46	279	312	507	63
Correctional Services	12,160	14,568	2,409	20	485	541	732	35
Agriculture and Agri-Food*	8,651	10,909	2,258	26	375	419	589	41
Justice	2,556	4,754	2,198	86	145	162	324	101
Human Resources Development	22,133	23,950	1,818	8	814	908	1,182	30
RCMP (civilian staff)	3,461	4,810	1,350	39	105	117	204	75
Citizenship and Immigration	3,815	5,154	1,340	35	150	167	261	56
Public Works and Government Services	11,623	12,872	1,249	11	507	566	716	27
Foreign Affairs and International Trade**	3,794	5,036	1,242	33	179	199	286	43
Canadian Heritage***	5,168	6,210	1,043	20	204	228	302	33
Environment	4,607	5,619	1,012	22	237	265	342	29
Statistics Canada	5,118	6,017	899	18	223	249	330	33
Fisheries and Oceans	9,901	10,798	897	9	422	471	564	20
Industry	4,727	5,613	886	19	228	254	335	32
Indian Affairs and Northern Development	3,242	3,936	695	21	151	169	228	35
Natural Resources	3,869	4,538	670	17	199	222	280	26

Canada								
National Research Council	3,236	3,853	618	19	158	176	227	29
Sub-total	154,508	186,365	31,857	21	6,402	7,144	9,791	37
Other departments	43,133	48,029	4,895	11	1,798	2,006	2,594	29
Total departments	**197,642**	**234,393**	**36,751**	**19**	**8,200**	**9,150**	**12,384**	**35**
* Includes CFIA. ** Includes the Passport office in 2002–03. *** Includes Parks Canada in 2002–03.								

Together these 18 departments and agencies accounted for about 31,900 of the net increase of around 37,000 employees in the combined core public service and separate employer domains, or more than 85%. The top five departments and agencies, namely the Canada Customs and Revenue Agency, Health Canada, the Correctional Service, Agriculture and Agri-food (including the Canadian Food Inspection Agency), and the Department of Justice accounted for over 18,000 net new employees, almost half of the total growth.

The corresponding payroll increases displayed in Table 2016 include the impact of additional salaries and of salary increases. To explore to what extent the expansion of staff in these years resulted from funding approvals by Cabinet or by the Treasury Board, we looked at new funding for salaries authorized by the Treasury Board relating to the period from 1997–98 to 2002–03[22] for five organizations: CCRA, Health, Corrections, Justice, and Citizenship and Immigration. The approvals described were included in the Annual Reference Level Updates (ARLUs) of these departments. Our list is incomplete in that we did not attempt to add items included in Supplementary Estimates (although over time these move into the Main Estimates if they continue over multiple years), and even for the Main Estimates it is almost certain that we missed some items.

Canada Customs and Revenue Agency

The Canada Customs and Revenue Agency (now known as the Canada Revenue Agency, and before 1999 as Revenue Canada) added about 8,500 net additional employees between 1997–98 and 2002–03.[23] The agency's salary budget grew by about $850 million during these years. About $380 million of this growth resulted from specific Treasury Board approvals for new initiatives or increased operating costs.[24]

Five of the reasons[25] for these increases are described below.

Implementation of annual federal Budgets and new or revised laws

The net increase in salary costs for this purpose over five years was about $100 million. Included are amounts needed to implement tax changes or to adapt to revisions in laws such as the *Employment Insurance Act*, the *Canada Pension Plan Act*, or the *Charities Act*. During the period from 1997–98 to 2002–03, there were fundamental reforms in many of these fields. This area also included various investments relating to Government on Line, including developing the capacity to file tax returns on the Web, individual self-service options, and simplifying payroll-related requirements for businesses.

Program capacity renewal

About $155 million net was the salary increase in this broad area. The main basis for increases here was the Resource Management Review carried out by Pricewaterhouse Coopers in 2000. The review examined CCRA activities and resources over the preceding five years, and projected priorities and resource needs for the next five-year period. Increased funding was approved to meet workload pressures, and to update and strengthen the agency's corporate services. In return, CCRA committed to productivity gains and increased revenues.

Border security/combating smuggling

Over $50 million was allocated for strengthening the border, post September 11th 2001, for other public security and anti-terrorism measures, for combating smuggling, and for tobacco control.

Federal-provincial cooperation

More than $40 million net in salaries was approved to provide support for the National Child Benefit and for the harmonized sales tax introduced in some provinces.

Compliance and enforcement

Around $30 million was approved to increase audits, including international audits, to pursue accounts receivable, and more generally for tax enforcement.

Health Canada

At Health Canada during the same five-year span, employment increased by about 2,800 people. The total current-dollar salary increase was about $230 million. Of this, nearly $70 million net reflected formal approval of new initiatives or funding of specific cost pressures. These approvals fell into the five areas described below.

Health policy and regulation

The need to strengthen the governance, surveillance and regulation of the blood system contributed importantly to a net increase of about $33 million in Health Canada salaries by 2002–03 compared with 1997–98. Other priorities funded under this heading were improvements to the drug approval system, and the national AIDS strategy.

Health services

A net amount of about $14.5 million was approved for various new or enhanced programs in such areas as Canadian Health Infostructure, Community Action Program for Children, prenatal nutrition, tobacco demand reduction, and combating diabetes.

Compliance and risk management

An additional $10 million net was provided to improve First Nations Health Services, and to enhance preventative and safety programs and regulation relating to food safety, pest management, and control of toxic substances, for example.

Research

Net salary budget increases totalling about $9.5 million aimed to promote health research and innovation.

Administrative capacity

A net total of around $2 million in salaries was made available for IT systems upgrades, and for strengthening the Department's administrative infrastructure. (This built on an increase of over $16 million approved in 1996–97, just before the period we are describing.)

Correctional Service Canada

For the Correctional Service, about 2,400 employees were added through the period. The salary mass increased by about $250 million, of which approximately $110 million resulted from policy and operational funding approvals. The three principal areas of such growth are described below.

Offender care and accommodation

Between 1997–98 and 2002–03 about $50 million net in additional salary funding was allocated in support of the CSC's national Capital, Accommodation and Operations Plan. Based on changes in cell utilization and the number and security level of offenders, the Plan funded needed accommodation, offender care, programming support, community corrections, and related infrastructure in such areas as information technology.

Enforcement policy

About $34 million in salaries was approved over the period for such purposes as:

- developing and testing new approaches to decrease recidivism and increase public safety;
- addressing the particular concerns of aboriginal offenders who are over-represented in the correctional system;
- facilitating the capacity of communities to reintegrate offenders safely on release; and
- establishing a Canada Public Safety Information Network.

Program integrity

A net amount totalling about $27.5 million was added to salaries for training administrative staff, and to cover other measures to strengthen such areas as finance, human resources management, audit and evaluation, and records management.

Justice Canada

The Department of Justice nearly doubled in size, growing between 1997–98 and 2002–03 by about 2,200 employees on a 1997 base of 2,550. The department's salary mass expanded by about $180 million, with more than $80 million of this coming through policy and operational budget increases. The five main fields benefiting from these approvals are described below.

Program integrity

A net amount of about $46 million in new salary funding was authorized to augment the Department's capacity in such areas as strategic planning, legal risk management pilot projects, information management systems and technology, and improved human resources management.

Social programs

About $10.5 million was added to salaries net for additional work in such areas as youth justice renewal, crime prevention, victims assistance, child support and child-centred family law more generally, and aboriginal justice.

Litigation and prosecution

Just over $10 million net was the increase in salaries relating to case management and advocacy. Expenditures in this area were driven by such factors as increases in prosecutions under the *Controlled Drugs and Substances Act*, and litigation in areas like residential school abuse cases, other aboriginal rights challenges, and immigration law.

Legal advice

Between 1997–98 and 2002–03, an additional $8 million was approved for Justice to augment its capacity to advise the government, as the common legal service provider to the federal government.

Legislative drafting

Almost $5 million in salary dollars was applied to meeting the demand for drafting statutes and regulations.

In the case of the Department of Justice, an important part of the employment growth between 1997–98 and 2002–03 was financed by cost recovery from client departments for litigation and legal advice. In 1997–98, such recoveries did not exceed $5 million; by 2002–03 they had reached about $117 million, approximately three quarters of which pays for salaries. Thus we estimate that at least $80 million of the $180 million total salary mass increase at Justice during these years came from client department cost recovery. Departments would have funded these costs through their own Cabinet submissions or Treasury Board submissions, or by internal reallocation.

Citizenship and Immigration Canada

Citizenship and Immigration (CIC) gained about 1,300 employees, with the salary total rising by about $110 million. Of this, more than half (just over $70 million) came through Cabinet or Treasury Board approvals for policy changes or to meet operational cost pressures. These increases can be summarized in the four categories listed below.

Public Security and Terrorism

About $31 million net was allocated post September 2001. Priorities funded included:

- increased vigilance at ports of entry;
- intelligence and interdiction;
- screening to reduce fraud;
- expanded detention and removals, as well as
- implementation of a new Permanent Resident Card.

Program integrity

A total of around $17 million net was provided to strengthen more generally the department's operations delivery infrastructure. This compliance and interdiction funding aimed to make it harder for illegal migrants to reach Canada. Investments covered:

- increased intelligence gathering;
- overseas interdiction (that is, greater emphasis on preventing irregular migration at the point of origin abroad);
- better screening and investigations; and
- more timely removals of those who are inadmissible.

Legislation and policy

To implement the 2001 *Immigration and Refugee Protection Act* and regulations, a net increase of about $14 million was allocated to CIC. Goals were improvements in family reunification and the selection system for skilled workers, refugee protection, and maintaining the safety of Canadian society.

Citizenship

A new *Citizenship Act* led to a net salary increase of about $8.5 million, covering such matters as new processes for deciding on applications for citizenship, appeals and revocation, and for dealing with individuals born of Canadian parents or adopted abroad.

These five examples from among the departments and agencies with the largest growth in jobs between 1997–98 and 2002–03 suffice to illustrate the diversity and nature of the policy and program reasons driving growth in the public service in this period. Many public policy goals required investments in people's knowledge and energy to succeed.

It is important to underline that the salary increases noted above relating to policy and operational budget approvals are presented net; that is, as the sum of increases and decreases over the years. For each department examined above there were decreases of various kinds. Examples included the final stages of Program Review budget reductions, repayment of loans provided to prepare for the year 2000 computer and software conversions, transfers of resources to other governments, the reprofiling of funds to future years, or reductions of spending on particular initiatives. Overall, however, the reductions during the 1997–98 to 2002–03 period were relatively small, and were overshadowed by the increases in most departments.

Taken together, the net difference in salary resources between 1997–98 and 2002–03 relating to policy approvals or Treasury Board decisions to meet operational budget pressures totalled in the range of $1.3 to $1.6 billion. In current dollars, for the combined core public service and separate employer domains, this constituted about one third of the total salary increase of about $4.2 billion.

Supplementary estimates

While we did not try systematically to capture salary increases approved through Supplementary Estimates, we encountered one example relating to CIC. As of 2002–03 the Treasury Board approved extra salary dollars totalling about $7.4 million in relation to the implementation of the Global Case Management System to replace and integrate the Department's core business systems and improve the quality of decision making on refugee claims, immigration and citizenship. This adds more than 10% to the incremental salary mass described above for CIC.

During the period under assessment, the use of Supplementary Estimates and amounts transferred to departments from Treasury Board votes occurred mainly to provide money to departments for approved salary increases. These increases would be the result of collective bargaining agreements or other wage determination processes, or pay equity settlements. These channels can also be used to support new hiring for new initiatives. As a case in point, we would cite government-wide management initiatives such as Government on Line. In CCRA, for example, additional salary funding of about $1.8 million was transferred from Treasury Board to the Agency in 2000–01, rising to $2.5 million the following year. Through Supplementary Estimates for 2002–03, about $8.1 million in salary funds was provided for CCRA projects to improve internet access to services.

At most, such cases account for a net amount of $50 to $60 million in salary funding for new initiatives. Thus the total for policy initiatives would be worth around 30% of the $4.2 billion increase in the salary mass for the core public service and separate employers.

Internal transfers

The second source of salary dollars that can be used to finance employment growth is the transfer of funds within approved budgets, from non-salary operating funds, capital, or grants and contributions, to salaries. Transfers into salaries require a mark-up of 20% to cover the cost of associated employee benefits; conversely, transfers from salaries yield a 20% increase in the amount available for other purposes. In other words, to effect a transfer from operating funds to pay a $50,000 salary, $60,000 must be transferred. To increase operating funds by $60,000, a $50,000 transfer from the salary budget is sufficient; $60,000 will in fact be credited as the total transfer.

These transfers can occur in one of two ways:

- The first, a permanent transfer, is effected in cooperation with the Treasury Board Secretariat, through the annual reference level update (ARLU), and included in the Main Estimates.
- The second is an in-year, temporary transfer into salaries. As long as the transfer is within an approved parliamentary vote total, the department may decide on and implement the transfer directly. Treasury Board Secretariat becomes aware later, as departments report on such transfers for the purpose of ensuring that the 20% premium for employee benefit costs is fully applied.

It is important to observe that both ARLU and in-year transfers into salaries became much more significant in the most recent two years of our analysis. The net expansion in ARLU transfers between 1997–98 and 2002–03 relating to salaries was about $485 million for the whole government. In the absence of further details, we estimate that about three quarters[26] of this total—around $315 million—affected the core public service and the separate employer domains.

Table 2017 shows that net ARLU transfers for the government as a whole were negative until 1998–99. They then rose to the positive range of $100 to $150 million through 2000–01 and 2001–02, reaching over $400 million in 2002–03.

Table 2017

Summary of department-initiated transfers into salaries from other approved budgets, 1997–98 to 2002–03

Type of transfer	$ millions						
	1997–98	1998–99	1999–2000	2000–01	2001–02	2002–03	Net change 2002–03 vs 1997–98
ARLU*	-74.1	-22.9	16.4	143.5	106.5	411.4	485.5
In-year	246.6	80.0	397.3	240.3	1,055.8	1,330.4	1,083.8
* Net changes from opening reference levels of 1995–96.							

In-year transfers accounted for a net increase in salary budgets of about $1.08 billion in 2002–03 compared with 1997–98. Based on an examination of the specific transfers, we estimate at about $865 million the portion of that total applying to the core public service and the separate employer domains. To arrive at this number we have subtracted transfers affecting organizations outside these domains (such as Parliament and the courts), as well as a prorated portion of transfers relating to National Defence and the RCMP.[27]

Growth in in-year transfers was also large. Between 1997–98 and 2000–01, these amounted to between $80 million and $400 million. In 2001–02 these transfers into salaries implemented by departments surpassed $1 billion; in 2002–03 they reached $1.3 billion.

In order of size,[28] the source of funds to effect these transfers were capital, non-personnel operating costs (things like travel and professional services), and grants and contributions. In some cases, revenue increases covered the transfers.

Departments decided to make such transfers for diverse reasons. A senior financial officer listed the reasons cited below regarding the experience of his large department.

Unfunded priorities

In the Department's judgement, some of the established business lines needed more staff than the Treasury Board felt could be covered by internal reallocation. Or the Department had to cope with an unexpected workload surge, for example.

Partial funding of a new initiative

In certain cases, the Treasury Board approved only part of the resources the department considered it needed to implement an approved policy.

Only non-salary funding provided

New funding can come without a salary component, requiring some of the new money to be converted to salary dollars.

Reclassification

The department may decide to reclassify certain positions because of an increase in the level of skills required, but must fund the incremental cost internally, at least until the new group and level become included in the Department's salary base a few years later.

Under-funding of collective agreements

In some cases, the Treasury Board covers only part of the extra salary costs arising from collective agreements negotiated by the Board's staff. This usually applies to staff hired after a bargaining round has begun. For rapidly growing departments, this shortfall can be substantial.

While not exhaustive, this list illustrates the types of situations that lead departments to convert non-salary dollars to salary dollars. It is evident from these examples that such transfers can apply both to financing growth in the public service or to covering public servants' salary increases.

An initial Treasury Board analysis of this area draws the tentative conclusion that the bulk of department-initiated transfers pay for costs arising from the need to finance reclassifications of positions, and to cover the balance payable given the incomplete funding of collective bargaining settlements. In the next chapter, we deduce from the available evidence that transfers were used in a somewhat smaller proportion to finance growth in the number of employees than to pay the cost of increased salaries.

For the combined core public service and separate employer domains, between 1997–98 and 2002–03 the total net increase in salary spending arising from ARLU and in-year transfers was approximately $1.2 billion. Representing about 30% of the total net increase in the salary mass of $4.2 billion over that period, this is virtually the same proportion as for policy and workload approvals by Cabinet and the Treasury Board.

Changes in the composition of the workforce

During the period from 1990 to 2003 the structure of the federal public service workforce changed substantially. The simplest generalization is that while the knowledge and skill content of virtually all jobs increased in line with advances in technology and communications, those occupations with relatively high knowledge requirements grew rapidly, while less-knowledge-intensive jobs declined. As will be seen, this evolution put upward pressure on the average salary in the public service.

Changes by category

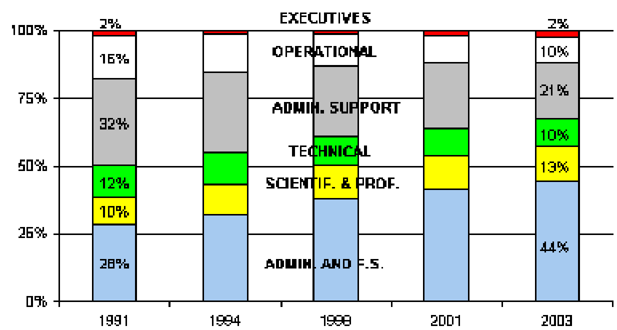
Prior to 1999, the public service distinguished six categories of classification groups:[29]

- administrative and foreign service,
- scientific and professional,
- technical,
- administrative support,
- operational, and
- executive.

We begin our analysis of structural change by observing the marked change in the relative size of these categories. Figure 2018 presents the population of employees[30] in each category for selected years from 1991 to 2003.

Figure 2018
Evolution of employee population by category for the combined core public service and separate employer domains, selected years from March 1991 to March 2003

Display full size graphic



As Table 2019 shows, three categories have grown over the 12 years:

- Administrative and Foreign Service, by 51%;
- Scientific and Professional, by 22%;
- Executive, by 5%.

These categories gained nearly 37,000 members between 1998–99 and 2002–03.

Conversely, three groups have become smaller:

- Technical, by 21%;
- Administrative Support, by 38%;
- Operational category, by 42%.

Table 2019

Employee category* population change by sub-periods

Groups	% Change				Total
	1991–94	1994–98	1998–01	2001–03	1991-2003
Administrative and Foreign Service	+10	-1	+19	+17	+51
Scientific and professional	+5	-8	+13	+12	+22
Technical	-2	-30	+8	+7	-21

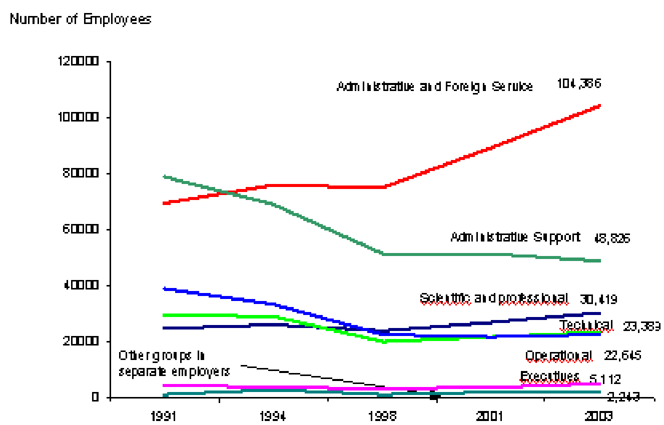
Administrative Support	-12	-26	+1	-5	-38
Operational	-15	-32	-3	+3	-42
Executives	-19	-17	+23	+26	+5
Other groups in separate employers	+126	-55	+55	+13	+79
Total for all groups	**-3**	**-18**	**+10**	**+9**	-4
* Table 2019 includes for completeness, but not for analysis, a line entitled "Other groups in separate employers". This refers to groups unique to one or more separate employers that do not fit unambiguously in one of the six categories.					

Since Program Review there has been a modest rebound (about 15%) in the Technical category; the Administrative Support category has continued to shrink; and the Operational category has remained about the same, for a net increase of less than 1,000.

It needs mentioning that some of the decline in certain categories was the result of privatization or devolution. Most notably, several thousand former employees in the Technical category were transferred to NAVCAN (air traffic controllers), and others in the Operational category shifted, for example, to Brookfield, Lepage, Johnson Controls (trades specialists), and to St. Joseph Corporation (printing staff), to cite only cases that we discussed earlier in this chapter. Since the federal government still uses the latter two services, albeit through service contracts, the trends described in this section are somewhat mitigated in practice.

Figure 2020
Employee category populations, 1991 to 2003

Display full size graphic



This pattern expresses unambiguously the observation that in general, growth correlated positively with knowledge intensity. Figure 2020, showing the movement over time, demonstrates that the trends were fairly persistent. For example, all categories shrank during the Program Review period from 1994 to 1998. It is evident that the overall declines to 1998 were not reversed, and all net growth since then has been in the more knowledge-intensive categories. Taking the whole period from 1991 to 1998, the three declining categories lost about 53,100 members while the other three experienced a net gain of about 3,200.

Among the groups that have grown overall, it is noteworthy that the Executive category declined both before and during Program Review, falling by about one third in total. Since Program Review this reduction has been more than made up. The Administrative and Foreign Service category in effect only temporarily slowed its growth during Program Review, falling about 1%. The Scientific and Professional category did shrink, but rebounded and grew strongly.

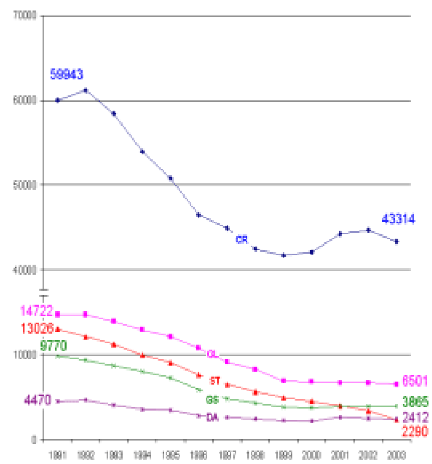
Changes by classification group

We now look at the evolution of those classification groups that had at least 2,000 members in March 2003. This discussion draws on the figures presented in Appendix M.[31]

Figures 2021 to 2023 illustrate many of the trends described in this section. The most rapidly declining groups, which each lost at least 20% of their members, are set out in Figure 2021. All fall within the old Administrative Support or Operational categories.

Figure 2021
Population evolution for classification groups that declined by at least 20%,* 1991 to 2003

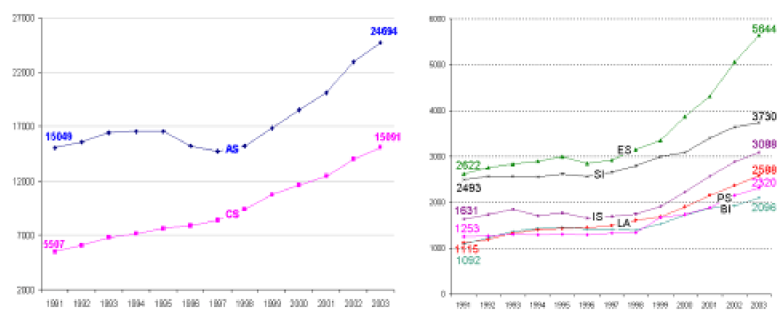
Display full size graphic



* See Appendix E of Volume One for a lexicon of bargaining agents and groups.

Figures 2022 and 2023
Population evolution of classification groups that grew by at least 50%, 1991 to 2003*

Display full size graphic



* See Appendix E of Volume One for a lexicon of bargaining agents and groups.

Looking from the perspective of absolute size, the principal classification groups affected (those losing at least 2,000 members) were as follows:

(CR) Clerical and Regulatory	-16,629
(ST) Stenographic and Typing	-10,736
(GL) General Labour and Trades	-8,221
(GS) General Services	-5,905
(DA) Data Processing	-2,058

These groups lost in total over 43,500 members between 1991 and 2003.

The fastest growing groups (those increasing by at least 50%) in percentage terms between 1991 and 2003 are shown in Figures 2022 and 2023.

Four classification groups, which each experienced growth of more than 3,000 employees, contributed about two thirds of the population increase in the combined core public service and separate employer domains, as follows:

Group	Growth

(CS) Computer Systems	9,584
(AS) Administrative Services	9,645
(PM) Program Administration	6,530
ES) Economists/Statisticians	3,022

These are large groups, so their prominence in absolute growth is not surprising in principle. However, their proportion of the 2003 population is only about half as great (about 35%) as their share of the growth between 1991 and 2003.

Take-up rates for Program Review Departure Incentives

For the Program Review downsizing period in the mid-1990s, we reviewed the pattern by classification group of employee separations under two programs established to encourage staff reductions. A total of about 35,500 employees participated in these programs.

The Early Departure Incentive (EDI) provided a cash payment to employees who agreed to resign voluntarily from the Public Service. The amount of the payment varied according to an employee's salary, age, years of service and eligibility for pension benefits. About 19,700 employees participated.

The Early Retirement Incentive (ERI) waived age or years-of-service penalties for employees at least 50 years old who chose to retire before their normal eligibility date. About 12,700 employees participated in this program.

Also operative were the general policies embodied in the Workforce Adjustment Directive (WFAD), and the Executive Employment Transition Policy (EETP).

Our hypothesis was that a disproportionately large share of employees from declining classification groups participated. A review of Table 2024 shows that there is some tendency in this direction, but it is not marked among the larger groups. For example, participants from the Clerical and Regulatory (CR) group were less prominent among EDI/ERI participants (i.e. 6,852 out of 35,557 or 19.2%) than their proportion of the public service (22.4%) in March 1995, just after the downsizing goals were announced. The second largest group, the Program Administration (PM) classification group, was also underrepresented with 11.4% of the EDI/ERI participants but 15.7% of the March 1995 population.

Table 2024

Participants in the Early Departure Incentive (EDI) and Early Retirement Incentive (ERI) programs by classification group

Occupational group*	ERI	EDI**	WFAD	EETP	Total departure programs	Take-up rate %	Share of March 1995 population %
CR	2,172	4,093	587	0	6,852	13.6	22.4
PM	2,178	1,477	379	2	4,036	11.4	15.7
GL	697	2,629	185	0	3,511	28.9	5.4
AS	1,432	1,276	247	0	2,955	19.0	6.9
GS	340	2,138	90	0	2,568	35.6	3.2
EG	743	965	127	0	1,835	24.9	3.3
ST	478	1,121	137	0	1,736	19.4	4.0
PE	355	258	47	0	660	20.8	1.4
EN	200	400	42	0	642	22.1	1.3
EX	584	25	6	371	986	26.4	1.7
CS	185	287	47	0	519	7.0	3.3
ES	155	146	30	0	331	11.1	1.3
Other groups	3,182	4,916	807	21	8,926	13.1	30.2

Total	**12,701**	**19,731**	**2,731**	**394**	**35,557**	**15.8**	**100.0**

* Core public service domain only.
** Includes DND's Civilian Reduction Program from April 1994 to March 1996, which was replaced by EDI from April 1996.
Note: WFAD = Workforce Adjustment Directive; EETP = Executive Early Transition Policy.

For smaller declining groups, however, a substantially larger proportion did leave. The cases of the General Services (GS) and the General Labour and Trades (GL) groups stand out in this regard. For example, the proportion of departing GS employees (35.6%) was over 10 times their share of the March 1995 population. For both the Executive (EX) and the Personnel Administration (PE) groups the ratio was about 15 to 1 between share of departures and share of the March 1995 population. Less dramatically, the EDI/ERI participation among the Secretarial, Stenographic and Typing (ST) group (4.8%) was also larger than its share of the March 1995 population (4.0%).

Conversely, among some of the fastest growing groups relatively few employees participated in the EDI/ERI programs. This is evident in the cases of Computer Systems (CS), and the Economics, Sociology and Statistics (ES) groups, for example. For these groups, the take-up rate of departure incentives was 7% and 11.1% respectively, well below the average take-up rate of 15.8%. Their proportion of EDI/ERI participants were also well below their shares of the March 1995 population, at 1.5% versus 3.3% of the March 1995 population (CS group), and 0.9% versus 1.3% (ES group) respectively.

As an overall conclusion on this point, we view the Program Review downsizing period as contributing modestly, at most, to a much larger process of transformation that began before this period and continued afterwards.

The data presented in this section suggests at least three comments. First, the pattern of growth and decline by classification group reflects even more clearly than the analysis by employee category the correlation of growth with the relative knowledge intensity of a group's work. Change on this scale implies a fundamental change in the nature of the public service. Second, the fact that there were declines in just five groups totalling over 40,000 while the net outcome across the whole public service was growth of about the same magnitude, suggests that thousands of employees switched groups. The greatest example of this trend is the movement of ST and CR employees into the AS classification group. The Stenographic and Typing (ST) group is apparently en route to disappearing, having declined by 82% in 12 years. Of 670 ST employees reclassified in 2002, all but 29 moved to another group, either CR or AS. Finally, in general those groups that are growing have higher salaries than those that are shrinking, contributing inevitably to an increase in the average salary in the public service.

Changes in the distribution of employees by level within classification groups

We also looked closely at changes in the distribution of employees by level within key classification groups, to determine whether higher classification levels are driving average salaries upward. The population for each classification level of 13 selected groups, representing about two thirds of the current public service, is given in table form in Appendix G,[32] for selected years between 1991 and 2003. Bar charts compare the percentage of the population at each level for 1991, 1998 and 2003.

Overall, this analysis shows considerable stability in the percentage distribution of employees by level. Figure 2025 illustrates this point clearly for the Program Administration (PM) classification group. Despite overall growth of about 20% between 1991 and 2003 to about 38,300 employees in March 2003, the basic pattern has held. The only discernable trends are small: level 1 declined from 25% to 22%; level 4 grew from 11% to 13%; and level 5 increased from 7% to 9%.

Similarly stable was the Financial Administration (FI) group. For each of the group's four levels, the proportion of employees varied by no more than 2%, comparing 1991 to 2003.

Figure 2026 illustrates that the Clerical and Regulatory (CR) classification group, on the other hand, shows a clear trend away from the lower to the higher levels. Despite having declined by 28% as noted earlier, the CR group remains the largest at about 43,300 in March 2003 in the combined core public service and separate employer domains. The CR 1 level had already in effect disappeared by 1991. Level 2 shrank from 15% to 6%, and level 3 from 35% to 24%. By contrast, level 4 grew from 37% to 47%, and level 5 almost doubled from 12% to 23%. Such proportionate changes within such a numerous group would certainly put upward pressure on the average public service salary.

Another group with a clear upward pattern in the structure was the Personnel Administration (PE) group, as shown in Figure 2027. Level 2 fell from 19% to 12% between 1991 and 2003, and level 3 fell from 42% to 29%. The higher levels all increased in proportion: level 4 from 20% to 28%, level 5 from 11% to 16%, and level 6 from 5% to 9%.

Figure 2025
Program Administration (PM) group, Population distribution by level, 1991, 1998 and 2003

Display full size graphic

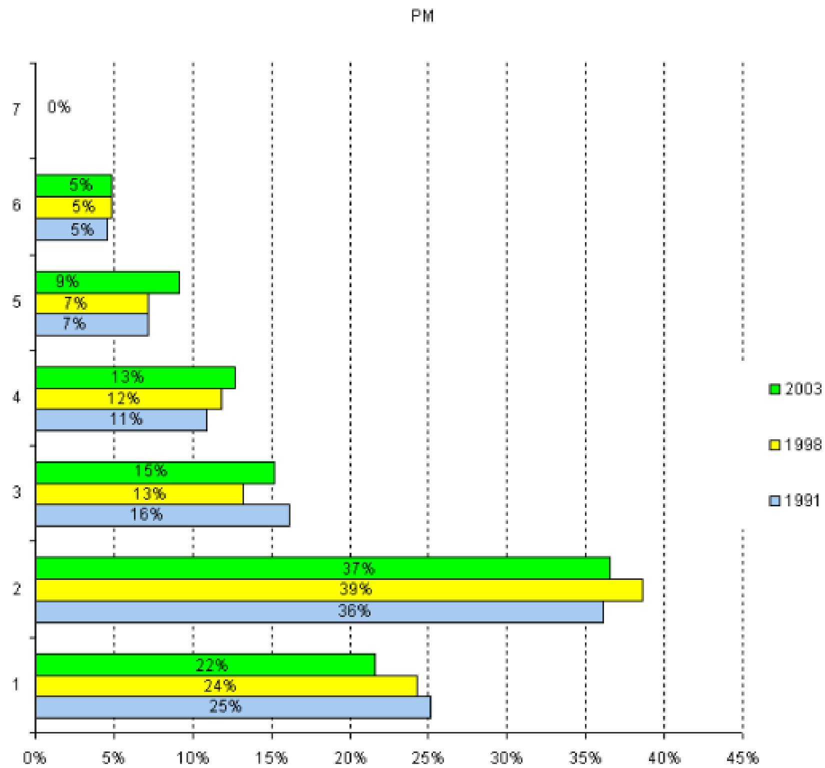


Figure 2026
Clerical and Regulatory (CR) group, Population distribution by level, 1991, 1998 and 2003

Display full size graphic

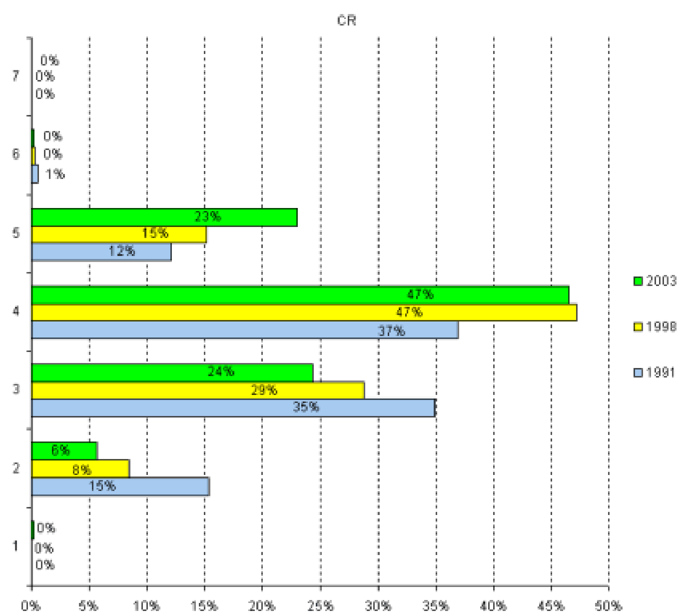


Figure 2027
Personnel Administration (PE) group, Population distribution by level, 1991, 1998 and 2003

Display full size graphic

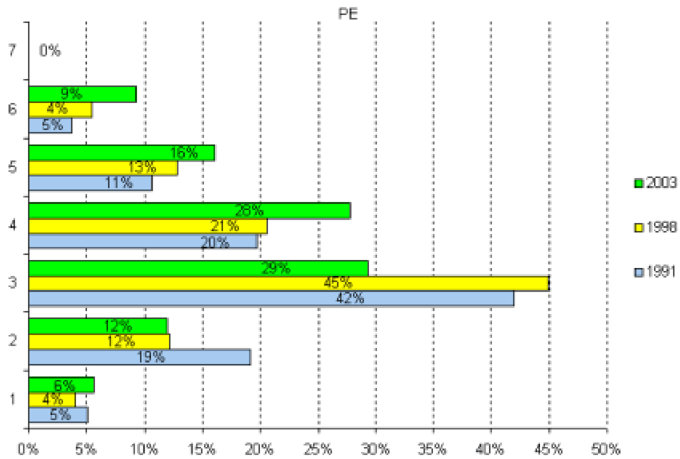
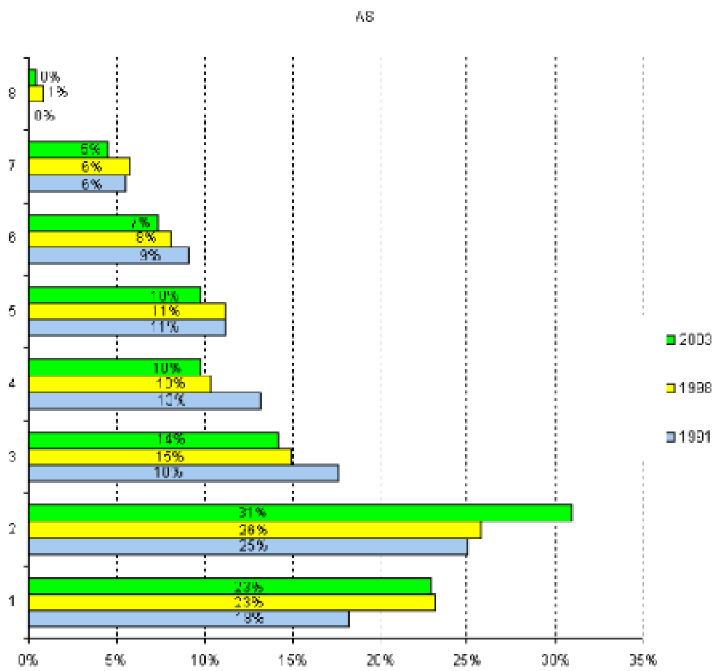


Figure 2028
Administrative Services (AS) group, Population distribution by level, 1991, 1998 and 2003

Display full size graphic



For some other groups the picture is mixed. For example, as Figure 2028 illustrates, the Administrative Services (AS) group saw increases at the lowest levels, from 18% to 23% at AS 1 and 25% to 31% at AS 2. The next two levels fell in relative terms, and the highest levels stayed fairly constant. Although we could not carry out the detailed analysis to trace the movement of individuals, strong anecdotal evidence indicates that the growth in the first two AS levels reflects the progression of employees formerly in the CR and ST groups.

Two other patterns of interest relate to the Computer Systems (CS) and the Executive (EX) groups. The CS structure remained quite stable in the middle three levels despite being the fastest growing group, while the CS 1 level grew as a proportion from 19% to 24%. The top CS 5 level remained small at 2%, but the absolute growth from 16 to 262 over the twelve years was noteworthy. For the EX group, there was a decline at the EX 1[33] level from 65% to 53%, increases at EX 2 from 18% to 25% and at EX 3 from 10% to 16%. The top two EX levels remained unchanged at 5% and 2% respectively.

With an understanding of the employment growth and classification shifts that contributed to salary changes in the core public service and separate employer domains, we now turn to the structural change that contributed to the changes both in employment and average salary.

4. How Structural Change Occurs

Change in the composition of the public service workforce results from a combination of classification and staffing decisions taken mainly by middle level managers in departments and agencies. The classification decisions establish what positions may be staffed and at what level, and the staffing process determines which positions actually get filled and how. The distinction is meaningful since at any given time there will normally be more classified positions on the books than there is salary funding available to finance them.

Managing occupational and classification shifts

On the classification side, there is strong reason to accept the reasonableness of the broad trend to increases in more knowledge-intensive groups, as well as the movement to proportionately more employees at higher levels within certain classification groups. Growth in the area of Computer Systems (the fastest growing group), for example, is a natural consequence of the increasing centrality of information technology and the internet in all businesses. The hiring of more lawyers logically tracks the emergence of myriad Charter issues, as well as the expansion of aboriginal and other types of litigation. Other factors such as the growing complexity of managing programs and issues across jurisdictions, a renewed commitment to government science, the need to assemble and analyse disparate information rapidly to meet ever shorter news and issue cycles, all point in the direction of needing more highly qualified and typically more expensive talent.

At the same time, much routine work is simply disappearing. Changes in the world of work, for example, have almost entirely eliminated stenography, and most typing now falls to individual analysts and managers. So the shift of secretarial employees to groups with broader opportunities is not surprising. Electronic systems have greatly reduced the demand for routine clerical work.

However, we have no way to confirm that the overall scale of the shifts in occupational structure is fully justified by the powerful trends cited above. Because of its preoccupation with developing a new universal classification system over several years, the Treasury Board Secretariat discontinued for about a decade central audits of the quality of classification decisions in departments.[34] Notwithstanding that there was no formal central auditing of classification decisions, there was ongoing consultation with departments on significant changes to classification group profiles or to bargaining agent representation as well as in cases where there were significant increases in salary expenditures.

In 2003–04, the new Public Service Human Resources Management Agency carried out reviews of the application of the Financial Management (FI) and Computer Systems (CS) classification standards across the public service, as well as the general application of classification standards in one department, Natural Resources Canada. The results regarding the assessment of positions in the CS group, and the general review of classification at Natural Resources were positive. In the case of the 500 CS files examined, 86% compared well to the CS standard and to other positions at the same level. The FI review was suspended when it was determined that too many files lacked important documentation. Attention shifted to working with departments and agencies to ensure that departments update their FI work descriptions. From this set of reviews we can take some comfort but we must still recognize that greater rigour is needed in classification management. In this vein, the new classification policy highlights the importance of ensuring that classification monitoring continues to be a departmental priority as a condition of delegation authority to deputy heads.

Staffing actions

The staffing side of the picture is fairly straightforward conceptually. The changing structure of the public service that we have described can be implemented in three ways:

- New employees may be recruited from outside the public service for a new position or to fill a vacancy.
- Individuals may be promoted to fill a new position or to fill a vacant position that has itself been classified at a higher level.
- An individual may be reclassified to a higher level within the same position.

Positions that are obsolete are eventually eliminated. Through these mechanisms over time, a quite different public service has emerged.

Tables 2029 and 2030 provide data on employee movement out of, into, and within, the core public service domain from 1991–92 to 2002–03.[35] From this data we can comment briefly on the mechanisms underlying the shifting public service structure.

Table 2029

Population of full-time, indeterminate employees, total separations and external hirings, core public service domain, 1991 to 2003

Fiscal year	Full-time, indeterminate employees**						
	Population*	Separations	External hirings	Indeter- minate hiring of Terms**	Hirings total	External hirings as % of separations	External hirings as % of total hirings
1991–92	162,772	10,692	3,002	6,263	9,265	28	32
1992–93	161,516	7,853	3,006	6,346	9,352	38	32
1993–94	163,019	7,440	1,847	3,842	5,689	25	32
1994–95	160,392	8,347	1,210	2,623	3,833	14	32
1995–96	153,143	17,550	1,028	1,825	2,853	6	36
1996–97	138,944	18,149	1,088	1,827	2,915	6	37
1997–98	124,205	10,224	1,405	2,496	3,901	14	36
1998–99	114,781	10,184	1,966	4,482	6,448	19	30
1999–00	111,488	3,755	2,800	5,463	8,263	75	34
2000–01	115,859	4,370	3,729	6,891	10,620	85	35
2001–02	121,606	4,505	5,147	8,389	13,536	114	38
2002–03	129,993	4,953	5,159	8,015	13,174	104	39

* Reflects the population at the beginning of the fiscal year and excludes employees on leave without pay and employees from Parks Canada, the Canadian Food Inspection Agency, Customs and Excise, Taxation, and the Canada Customs and Revenue Agency.

** Fixed-term, casual, and part-time indeterminate employees play an important role in the public service, but including them would become immensely complicated without adding to our understanding of trends. The complication is essentially that the length of term or casual assignments is highly variable, so finding a way to establish full-year equivalents, and adjusting appointments and departures accordingly would be a huge and doubtful undertaking.

To begin, we note in Table 2031 details on separations among indeterminate employees from the core public service domain over the course of 2002–03. Retirements amounted to 2,614, or 1.5% of the March 2003 population. Resignations totalled 1,698, or about 1% of the employee base. An additional 441 people left for a variety of other reasons (layoffs and terminations) plus there were about 200 deaths.

Table 2030

Total promotions and reclassifications among full-time indeterminate employees, core public service domain, 1991 to 2003

Fiscal Year	Full-time, indeterminate employees				
	Population*	Promotions	Reclassifications	Promotions as % of population	Reclassifications as % of population
1991–92	162,772	17,278	–	10.6	–

1992–93	161,516	16,495	–	10.2	–
1993–94	163,019	13,827	–	8.5	–
1994–95	160,392	9,099	–	5.7	–
1995–96	153,143	7,707	–	5.0	–
1996–97	138,944	8,582	3,185	6.2	2.3
1997–98	124,205	10,321	3,846	8.3	3.1
1998–99	114,781	16,056	6,300	14.0	5.5
1999–00	111,488	14,847	4,965	13.3	4.5
2000–01	115,859	15,970	5,648	13.8	4.9
2001–02	121,606	16,432	5,064	13.5	4.2
2002–03	129,993	18,322	6,687	14.1	5.1
* The population excludes employees from Parks Canada, Canadian Food Inspection Agency, Customs and Excise, Taxation and Canada Customs and Revenue Agency for all the fiscal years and reflects the population at the beginning of the fiscal year and excludes employees on leave without pay.					

Looking at the same data for the ten most populous groups in the core public service domain, we see a wide variation in the pattern of separations. Total separations not related to the end of a specified term ranged from a low of about 2% in the Computer Services (CS) group to a high of about 5.6% in the Clerical and Regulatory (CR) group and the General Labour and Trades (GL) group. Voluntary separations ranged from 0.6% in the Executive (EX) group to 3.2% in the Clerical and Regulatory (CR) group. These differences could reflect many factors such as the age structure of the group, and the availability of attractive employment alternatives.

Table 2031

Separations by cause — core public service domain 2002–03

Specified separations	Number	%
Retirements	2,614	52.8
Resignations	1,698	34.3
Deaths	200	4.0
Other	441	8.9
Total	**4,953**	**100**

External recruitment

Turning then to external recruitment, in 2002–03, 44,480 people were hired into the public service, as set out in Figure 2032. Of these:

- 5,604 (12.6%) were indeterminate or, in effect, permanent appointments.
- 13,269 (29.8%) were term employees hired for a specified period;
- 15,413 (34.7%) were casual employees, hired for a period of not more than 90 days, with a 125-day limit within twelve months.
- 10,194 (22.9%) were students hired, usually during the summer period.

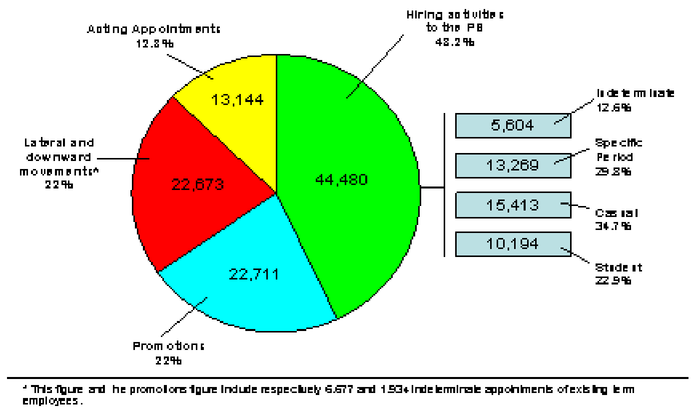
The specified-period and casual appointments could count the same person more than once over the year, or more than one person in relation to the same job. So it is not meaningful to calculate the total of such appointments as a measure of the degree of change in the ranks of the core public service. Students are not counted in total employment.

As we see in Table 2029, the hiring of term employees into indeterminate positions has generally exceeded external hiring. In the early 1990s external hiring was less than half of hirings of term employees to indeterminate positions. Since 2000, the proportion has been more like two thirds of term hirings, even as the absolute numbers of conversions of terms to indeterminate employees have been significant, at 6,900 to 8,400. In effect, term hiring provided a means to accelerate the staffing process, and perhaps to provide a "try-out" period for both employee and manager.

Figure 2032

Hiring and staffing under the *Public Service Employment Act*, 2002–03[36]

Display full size graphic



Numbers of applicants in external competitions can be an important indicator of the perceived desirability of working for an employer. The 2002–03 *Annual Report of the Public Service Commission* gives some data that suggests a high public interest in federal government employment. During an e-recruitment pilot project in 2002–03, for example, there was an average of 173 applicants for national competitions. Visits to the Commission's Web site jobs.gc.ca were over 1.275 million per month.

Indeterminate external staffing has thus been a small influence on structural change in the core public service, especially before 1999–2000, when it was equivalent to between 6% and 38% of total separations. This is understandable in view of the downsizing in the mid-1990s. More recently external recruitment has been running just behind or somewhat ahead of separations.

Promotions

Promotions can be awarded with or without competition, and occur when an employee is appointed to a position whose pay range maximum is at least 4% higher than his or her previous position. Any given departure can lead to a chain of promotions as successful candidates in turn create vacancies needing to be filled, potentially through promotions. As set out in table 2030, except for the Program Review period from 1994 to 1998, approximately 14,000 to 18,000 promotions have been awarded each year.

The total number of promotions among indeterminate staff, and the increase during the period of rapid growth, suggest that they are the largest driver reshaping the public service.

Reclassifications

As an important subset of promotions, reclassifications bridge the worlds of classification and staffing. We use the term "reclassification" to describe the promotion of an employee to a higher level in the same position, based on an assessment that the work requirement has changed sufficiently to warrant the change. It is important to note that where there is a significant increase in the demands of the job, reclassification is appropriate.

Reclassification is a term most often used to describe an increase in the level at which an employee is appointed (and therefore compensated). This happens when an evaluation of the position's work description results in an adjustment to either or both its occupational group and level because of a significant change[37] in the work assigned to it. A reclassification may be upward if the work becomes more demanding, or downward, if the work becomes less demanding.

There can easily be confusion in the use of the term. Strictly speaking, it can apply to the re-evaluation of a vacant position which has no effect on compensation until an employee is appointed to the job. Sometimes people even refer loosely to promotions (i.e. appointment to a higher level in a different position) as reclassification. Here we intend to use the narrow interpretation presented in the previous paragraph.

In part because of such varying interpretations, and in part because of uncertainty about individual personnel specialists' accuracy in coding specific transactions, the available figures must be taken as imperfect. Nevertheless, experienced compensation analysts believe that the available figures are likely to be a reasonable reflection of reality, with tendencies to overstate or under-report balancing each other overall.

An analysis conducted jointly by the then Classification Branch of the Public Service Human Resources Management Agency of Canada (PSHRMAC), and by the Appointments Information and Analysis Directorate of the Public Service Commission indicates that for 2002–03 there were about 6,700[38] reclassifications affecting full-time indeterminate employees in the core public service domain, equivalent to about 5.1% of relevant employees. As summarized in Table 2033, there were 15 classification groups with 75 or more reclassifications. In 2001, the pay lines for three existing classification groups within the PA bargaining group were harmonized, giving rise to perceived anomalies among employees affected. Thus, it is not all that surprising to see over 60% of all cases affected four groups (which together represent 42% of the full-time, indeterminate staff of the core public service):

- the Program Administration (PM) group,
- the Clerical and Regulatory (CR) group,
- the Administrative Services (AS) group, and
- the Secretarial, Stenographic and Typing (ST) group.

As per the data in Table 2033, it is evident that the highest proportion of employees reclassified in 2002–03 was in the Secretarial (ST) group, at about 26% of the total full-time, indeterminate population of the group. This remarkable figure appears to represent part of a trend towards the virtual disappearance of the ST classification group. This displacement is in large part attributable to the changing demands of the modern automated office environment.

Other groups with more than 5% reclassification were:

- Personnel Administration (PE),
- Program Administration (PM,
- General Technical (GT),
- Purchasing and Supply (PG),
- Administrative Services (AS),
- Scientific Research (SE),
- Clerical and Regulatory (CR) and
- Economics, Sociology and Statistics (ES).

It should be noted that some groups (such as the PE, ES, GT and PG groups) use recruitment programs that include promotions in position based on satisfactory progress in a recruitment or developmental program. Also, some groups may experience an unusually high level of reclassification as a result of a particular decision affecting a large set of employees.

Table 2033

Reclassifications in the core public service domain by occupational groups reporting at least 75 reclassification cases, 2002–03

Occupational group	Reclass-ification from PICS*	Percentage of all reclass-ifications	Beginning population**	Percentage of group population reclassified	Group as percentage of population
Secretarial, Stenographic, Typing, (ST)	670	10.0	2,591	25.9	2.0
Personnel Administration (PE)	304	4.5	2,803	10.8	2.2
Program Administration (PM)	1,341	20.1	13,563	9.9	10.4
General Technical (GT)	157	2.3	1,821	8.6	1.4
Purchasing and Supply (PG)	157	2.3	2,062	7.6	1.6
Administrative Services (AS)	1,056	15.8	14,959	7.1	11.5
Scientific Research (SE)	102	1.5	1,668	6.1	1.3
Economics, Sociology and	228	3.4	4,246	5.4	3.3

Statistics (ES)					
Clerical and Regulatory (CR)	1,155	17.3	22,850	5.1	17.6
Engineering and Scientific Support (EG)	208	3.1	4,781	4.4	3.7
Information Services (IS)	76	1.1	1,852	4.1	1.4
General Labour and Trades (GL)	140	2.1	4,219	3.3	3.2
General Services (GS)	76	1.1	2,345	3.2	1.8
Executive Group (EX)	91	1.4	3,454	2.6	2.7
Computer Systems Administration (CS)	119	1.8	8,336	1.4	6.4
Other Occupational Groups	807	12.1	38,443	2.1	29.6
Total	**6,687**	**100.0**	**129,993**	**5.1**	**100.0**

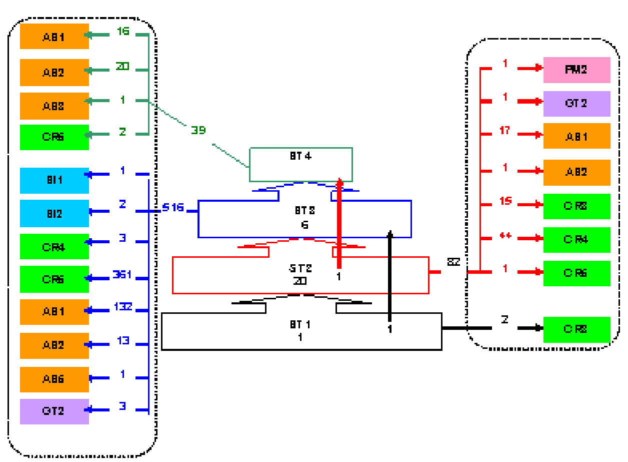
* Full-time indeterminate employees only.
** Populations refer to populations at the beginning of the fiscal year and exclude employees on leave without pay.

PICS = Position Information Classification System

It is interesting to explore the pattern of reclassification within groups. We have looked at three groups from this perspective, keeping in mind the caution required in interpreting the data as previously described. Figure 2034 illustrates the pattern of movement out of the Secretarial (ST) group. The largest movement by far was from ST-SCY 3 to CR 5 and AS 1. Such a move represents a salary increase at the maximum of about $4,400 or 11.4% for CR 5, and about $5,300 or 13.7% for AS 1. Very few reclassifications (only about 4.3% of the total) were within the ST group itself.

Figure 2034
Overview of reclassifications within and from the Secretarial (ST) group, 2002–03

Display full size graphic



Note :3 employees, reclassified from STOCE02 to STSCY02, are not shown in the picture

Appendix M provides similar pictures of reclassifications in 2002–03 for the Clerical and Regulatory (CR) and Economics, Sociology and Statistics (ES) groups. Reclassification in the CR group was in line with the public service average incidence. In contrast with the ST group, about 70% of the cases were moves up the chain within the CR group. The most numerous advances were from CR 3 to CR 4 (30%), and from CR 4 to CR 5 (36%). The only other substantial patterns were from CR 4 to AS 1 (11%), and from CR 5 to AS 2 (8%).

The trend to reclassification within the group is even more pronounced for the ES group, as seems natural for a highly specialized group. All but a handful of the of 228 cases in 2002–03 occurred within the group. The most frequent advances were from ES 2 to ES 3 (31%), from ES 3 to ES 4 (20%), and from ES 4 to ES 5 (24%).

Across the three groups studied, jumps of more than one level or equivalent were fairly rare, ranging from less than 1% for the ES group to about 7% for the ST group.

Table 2035 shows the incidence of reclassification in 2002–03 for various major departments and agencies with at least one percent of full-time, indeterminate employees reclassified that year. Overall it is evident that the extent of reclassification varied widely across government institutions. Some large departments such as Human Resources Development Canada (1.2%), Statistics Canada (1.9%), Public Works and Government Services (2.6%), and Veterans' Affairs (2.8%) exhibited comparatively low rates of reclassification over the year.

Among departments with a relatively high incidence of reclassification, we need to recognize two special types of situations. First, in the cases of Finance and Justice, among others, there are well-defined ongoing recruitment and development programs in place. At Finance, for example, economists with at least a Masters degree are recruited at the ES 2 level, with progress by reclassification through to the ES 5 level based on performance assessments.

Second, there can be exceptional reclassification decisions that affect a large number of employees during a particular year. In the case of Citizenship and Immigration (CIC), for example, the department decided, in 2002, to reclassify a significant group of front-line officers (likely in the order of 1,100[39]) from Program Administration (PM) level 2 to level 3 to reflect changes in the level of complexity of their work.

Job reclassifications constituted a substantial and stable proportion of total promotions throughout the seven years for which we have reasonable reclassification figures:

Reclassifications as a % of all promotions	
1996-1997	37%
1997-1998	37%
1998-1999	39%
1999-2000	33%
2000-2001	35%
2001-2002	31%
2002-2003	36%

Table 2035

Reported classifications by major departments with at least one per cent of population reclassified in 2002–03

Department	Employees reclassified	Population*	Percentage reclassified	Dept. as % of population
Citizenship and Immigration	1,123	3,911	28.7	3.0
Finance	138	904	15.3	0.7
Justice	492	3,480	14.1	2.7
RCMP (Civilian Staff)	289	2,992	9.7	2.3
Public Service Commission	111	1,274	8.7	1.0
National Defence	1,177	14,800	8.0	11.4

Canadian Heritage	100	1,393	7.2	1.1
Natural Resources	212	3,489	6.1	2.7
Transport	227	3,928	5.8	3.0
Health	338	6,036	5.6	4.6
Canadian International Development Agency	70	1,275	5.5	1.0
Environment	247	4,501	5.5	3.5
Treasury Board (Secretariat)	49	924	5.3	0.7
Fisheries and Oceans	364	8,053	4.5	6.2
Agriculture and Agri-Food	159	3,583	4.4	2.8
Indian Affairs and Northern Development	132	3,215	4.1	2.5
Foreign Affairs and International Trade	134	3,604	3.7	2.8
Industry	162	4,600	3.5	3.5
Immigration and Refugee Board	23	725	3.2	0.6
Veterans Affairs	74	2,614	2.8	2.0
Public Works and Government Services	278	10,735	2.6	8.3
Statistics Canada	94	4,967	1.9	3.8
Human Resources Development	232	18,949	1.2	14.6
Other Departments and Agencies	462	20,041	2.3	15.4
Total	**6,687**	**129,993**	**5.1**	**100.0**
* Full-time indeterminate employees only. Populations refer to populations at the beginning of the fiscal year and exclude employees on leave without pay				

As noted earlier in Table 2030, between 1996–97[40] and 2002–03, reclassifications fluctuated from a low of around 3,200 in 1996–97, to highs of about 6,300 in 1998–99 and 6,700 in 2002–03.[41] The proportion of full-time indeterminate staff reclassified each year was more variable than the absolute numbers, rising quickly from 2.3% in 1996–97 to 5.5% in 1998–99, and then falling to 4.2% in 2001–02, before increasing again to 5.1% in 2002–03. In general, reclassifications constituted between 31% and 39% of all promotions in the years from 1996–97 to 2002–03 (years for which we have data). They clearly figured prominently in the personnel management system of the core public service domain. From this data we conclude that reclassification has been a significant factor in changing the composition of the public service.

Separate employers

With respect to separate employers, at CCRA permanent employee recruitment in 2002–03 totalled 3,563 or 8.8% of the Agency's permanent employee population. Retirements numbered 714 among permanent employees (1.8%), and other departures were 625 for a further 1.5%.

At CFIA, 193 indeterminate employees were hired (4.2%) and 1,169 term employees, a figure that counts some individuals more than once. In that year, 64 employees retired (1.4%), and 85 permanent staff resigned for other reasons (1.8%).

Parks Canada recruited a total of 428 employees, including 57 indeterminate staff, 360 term and 11 seasonal employees. A total of 125 permanent employees at Parks Canada resigned in 2002–03, and 40 retired. There were 10 deaths.

At the NRC, 127 continuing (permanent) employees were hired, as well as 175 term employees and 378 for a term of less than a year. In 2002–03, 59 employees retired (1.5%), and other voluntary departures amounted to 111 (2.8%) including 22 returning to school. There were 6 deaths.

Parks Canada, subsequent to its establishment as a separate employer, undertook a complete review of its classifications, believing they were not generally current. During its first phase, the review led to a reclassification of about 1,000 employees in the General Labour and Trades (GL) and General Services (GS) groups. About 20% of these positions were revised upwards.

CFIA recently examined its use of reclassification; for 2002–03, there were about 99 cases, the majority of which occurred as part of formal developmental programs. This rate is in the order of 1.8% of the employee population. At the National Research Council, reclassifications numbered 69, also about 1.8% of the population.

Overall impact of structural shifts on average salary

The structural shifts that occurred between 1991 and 2003 had the cumulative effect of increasing the average salary by something like $5,000 in 2003 dollars in the combined core public service and separate employer domain.[42] This amounted to an increase of about 10.6% in the 2003 constant dollar average salary in the combined domains. For the period of public service employment growth from 1997–98 to 2002–03, the impact of these structural changes on the average salary amounted to about $2,600, or an increase of 5.3% in 2003 constant dollars.

This conclusion is necessarily based on various assumptions but can be taken as fairly accurate. Our method was to use average March 2003 salary rates by group and level, and apply them to the populations, groups and level structures of earlier years. In this way we were able to estimate what it would have cost in "our" dollars to pay for the very different public service workforce compositions of the past. Table 2036 provides the year-by-year results.

Table 2036

Evolution of average salary in the combined core public service and separate employer domains attributable to changes in workforce composition, 1991 to 2003*

	Average salary ($2003)	% Change from 1991
1991	47,670	–
1992	47,798	0.3%
1993	48,317	1.4%
1994	48,932	2.6%
1995	49,294	3.4%
1996	49,565	4.0%
1997	49,550	3.9%
1998	50,072	5.0%
1999	50,690	6.3%
2000	51,333	7.7%
2001	51,584	8.2%
2002	52,044	9.2%
2003	52,715	10.6%

* Using March 2003 average salaries for the comparison. the calculation. Again, only the three largest separate employers are included in the calculation.

This change in average salary is broadly the result of two sets of changes:

- the rise of more highly paid and the decline of less highly paid groups, and
- changes in the distribution of employees among pay levels within groups.

With respect to the distribution of employees among pay levels within a group, the impact on average salary has been modest. Even for the Clerical and Regulatory (CR) group, which has seen substantial declines in the share of employees at the lower levels and corresponding increases at the higher levels, the resulting change in average salary was about $1,600—just over 4%—between 1991 and 2003. Bearing in mind that the structure of most other large groups was stable or experienced less change than the CR group, it would be reasonable to estimate the overall impact of distribution changes as not greater than 1 or 2% of average salary.

Accordingly, the relative growth of more highly paid groups likely accounts for about 8 to 10 percentage points (out of the total of 10.6%) of the increase in 2003 constant dollar average salary between March 1991 and March 2003.

Retrospective—Salary changes for Executives and other unrepresented employees

For executive compensation, the Government matches total compensation at the EX 1 level to a sample of the Canadian private sector and the broader public sector, and then sets pay ranges for higher level EX and Deputy Minister (DM) positions as fixed multiples of the first level. The differences between maximum pay at successive levels is either 12 or 15%. The comparison, updated each year by Hay Associates, includes an allowance of 7% on the federal public service executive side for variable pay to be re-earned each year, with the individual amount depending on that employee's performance.

Over the years, the Government has normally sought the advice of an independent Committee chaired by a prominent private sector figure on salary levels for senior personnel, and their terms and conditions of employment, including performance pay. Committees chaired in succession by J.V. Clyne, Allen T. Lambert and James W. Burns ran from 1968 until 1993. After a hiatus during the period of salary freezes, the current Advisory Committee on Senior Level Retention and Compensation was established in 1997 under the chairmanship of Lawrence Strong, and since 2002 of Carol Stephenson. The Committee reported six times between January 1998 and May 2003.

In most of this section we focus principally on the period since 1990. In this section, we provide earlier data (back to 1980) because of the usefulness of giving a longer perspective in light of controversies over executive compensation, especially performance pay.

Table 2037 provides a 20–year perspective on federal public service executive compensation in the core public service. We note that the average salary grew from about $59,500 in 1983–84 to about $107,000 in 2002–03, an increase of nearly 80% in current dollars, or about 5% in 2002–03 constant dollars. Using the 1997–2003 timeframe, executive salaries rose on average from about $85,000 to $107,000. This represents an increase of about 26%, or just under 13% with the effect of inflation removed.

These advances in average salary resulted from independent advice from the Strong and Stephenson Committees. Most importantly, after five years of freezes from 1991 to 1996 the Government accepted Advisory Committee recommendations to increase salaries, based on Hay Associates' assessment of total compensation as described above. Range adjustments of 5.1% in 1998 and 8% in 2000 set the stage for more modest general raises of 3.1% in 2001, 2.3% in 2002 and 2.5% in 2003.

Unlike unionized employees, executives do not receive automatic annual increments to advance through the pay range for their level. Beginning in 1995–96, the Government permitted increases for executives within the salary ranges, based on performance assessments. Average salary increases during these years, based on performance assessments, were in the range of 1% to 2%.

Performance Pay

Performance pay has had a bumpy history over the past two decades. In 1981, the existing four-level Senior Executive (SX) group was replaced by a new five-level Executive (EX) group, and a Senior Manager (SM) group was created. As part of this conversion, a new performance pay plan was adopted. The details of the new salary ranges and the lump sums that became available for executives whose performance was rated as superior or outstanding but who were at their new range maximum were complex. Overall, many executives received smaller salary increases than were current among unionized staff, and in effect contributed to establishing the salary pool from which performance pay was financed.

Table 2037

Changes in salaries and performance pay for federal public service executives, 1980 to 2003

Fiscal Year	EX Population*	Salaries: Average salary (Current $) (a)	Salaries: Weighted average EX salary range increase (b)	Performance pay: Estimated total value of performance pay Current $ ($M)	Estimated average value of lump sum per EX	Average salary + Average lump sum
1980-81	1 272	$48 630	◇	$2.7	$219	$48 849

1981-82	1 596	$58 239	6.50%	$0	$0	$58 239
1982-83	3 594	$56 976	6.00%	$0	$0	$56 976
1983-84	4 000	$59 506	5.00%	$8.9	unknown	unknown
1984-85	4 308	$61 460	3.50%	$4.2	$1 045	$62 505
1985-86	4 274	$64 198	3.25%	unknown	unknown	unknown
1986-87	4 345	$66 169	1.40%	$8.2	$1 079	$67 248
1987-88	4 302	$70 827	6.40%	$10.5	$1 027	$71 854
1988-89	4 280	$74 755	4.60%	$10.3	$1 316	$76 071
1989-90	4 614	$78 456	5.70%	$17.6	$2 722	$81 178
1990-91	4 759	$81 945	4.15%	$17.9	$2 999	$84 944
1991-92	4 392	$83 013	◇	$0	$ 0	$83 013
1992-93	4 155	$85 489	3.00%	$0	$ 0	$85 489
1993-94	3 878	$85 512	◇	$0	$ 0	$85 512
1994-95	3 735	$85 278	◇	$0	$ 0	$85 278
1995-96	3 214	$85 030	◇	$13.0	$2 712	$87 742
1996-97	3 258	$85 350	◇	unknown	unknown	unknown
1997-98	3 235	$84 961	◇	$10.9	$1 759	$86 720
1998-99	3 421	$92 642	5.10%	$14.0	$2 631	$95 273
1999-00	3 278	$93 511	◇	$19.4	$4 002	$97 513
2000-01	3 637	$101 095	8.00%	$29.9	$7 077	$108 172
2001-02	3 903	$104 509	3.10%	$33.9	$7 316	$111 825
2002-03	4 403	$107 040	2.30%	$40.5	$7 172	$114 212
* Population does not include DMs; Members of the Senior Manager (SM) group are included until they were merged with the EX group in 1992. The large jump in the number of executives between 1981–82 and 1982–83 reflects a significant change in the manner in which senior managers were defined.						

The lump sum awards in 1981 equalled an average 0.45% across the whole group. But almost immediately the new plan was suspended (for fiscal years 1981–82 and 1982–83) by the *Public Sector Compensation Restraint Act*. For 1983–84 the plan was reinstated, but the original plan design of a 5% maximum for the combination of salary increases within the range and lump sum payments was reduced to 4%. Also beginning in 1983–84 employees with at least a fully satisfactory rating, who were at their pay range maximum, could receive lump sum performance awards.

From 1984–85 to 1989–1990 performance pay was applied with only minor modifications to the original plan design. In 1990–91, the plan was again adjusted, with the maximum for the combination of in-range increases and lump sum payments being reduced to 4.75%. For the next four years, the system was again suspended. When it was finally reinstated in 1995–96, base salary increases were limited to 2.5% of the 5% combined increase permitted.

The current system was phased in, as proposed by the Strong Committee, over the two years 1998–99, and 1999–2000, and has been in operation since. This system permits salary advances within a pay range based on performance with regard to ongoing commitments that relate essentially to the regular challenges of the position. In addition, performance in relation to key commitments—intended to be substantial change or stretch goals—can earn an executive as much as 10%,[43] either as an increase in base pay or, if the executive is at the maximum for his or her level, as a lump sum. The average value of these lump sums is not to exceed 7%, which corresponds to the provision made by Hay Associates in comparing federal public service EX-1 total compensation with that for private sector and broader public sector executives.

Average lump sum payments under the plan grew from nearly 3% to just over 4% during the two-year phase-in period. For the first year of the phase-in combined in-range increases and lump sum payments were capped at 4.4% of the EX payroll; for the second year, the lump sums alone had a 4.4% cap. Since 2000–01 approximately 7% has in fact been applied to such payments.

Table 2037[44] gives the average value of lump sum payments as well as the total of average salary and average lump sum, which we might call "average total earned income." We note that using this combined measure, average EX income grew from 1997–98 to 2002–03 by about 31%, or around 18% if we remove the effect of inflation.

Re-earning base pay

Over 90% of executives have received performance pay since the new plan was introduced. Some commentators have criticized this result as excessive, arguing that only a much smaller proportion of executives perform exceptionally. This critique in effect proposes that the Government should adopt a different performance pay plan, which only rewards top performers. The existing plan, however, sets aside a portion of pay (7%) and then says that individuals will re-earn more or less of this pool of funds, according to senior management's assessment of their performance. The resulting combination of regular salary and performance-based lump sum is intended to ensure cash compensation at the EX 1 level is equivalent to what executives with similar responsibilities in the private and broad public sectors receive. Only those executives receiving more than the 7% (about one-third in 2002–03) should really be thought of as receiving a performance bonus, as opposed to re-earning their full base pay.

Non-represented employees

The Treasury Board sets the pay levels for non-executives who are members of groups represented by a union, but who themselves are excluded from union membership because their duties would create a conflict of interest (for example, dealing as a manager with union member grievances). The Board also determines the terms and conditions of employment for certain unrepresented groups such as the Personnel Administration (PE) classification group, and the vast majority of the Law (LA) group.[45]

By convention, for the first set of excluded employees the Treasury Board applies the same pay rates as would prevail if the employees belonged to the relevant union. For the PE group, pay increases have traditionally tracked those for the Program Administration (PM) classification group, and after 1999 the broader Program Administration (PA) bargaining unit. For the Law group, before the pay freezes of the early 1990s, the Treasury Board used information on provincial Crown attorneys as a general guide in determining pay increases. Immediately after the freeze period, the Board tracked the much smaller unionized LA bargaining unit increases. From 2000, the Board used a survey by Hay Associates on lawyers' pay across Canada to assist in determining pay raises.

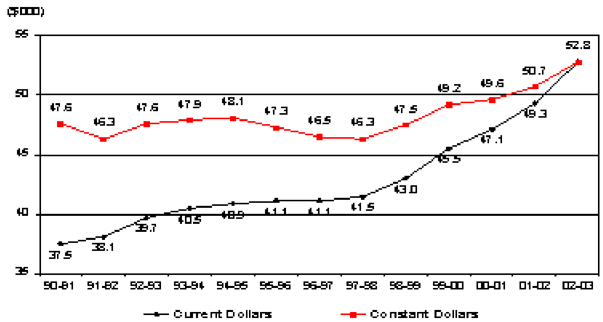
Summary of the growth in average salaries

Average salary is the broadest possible measure of change in individual remuneration. Table 2038[46] and its accompanying Figure 2039 illustrate the evolution of average salary in both the core public service and the separate employer domains, individually and combined.

What stands out in this data is the marked change in the evolution of the average salary after 1997–98. From 1990–91 through 1998–99 the constant dollar (2002–03 price level) value of the average salary remained in the relatively narrow range of $46,300 to $48,100. It might be thought that this stability was an anomaly resulting from the impact of pay freezes during this period.

Figure 2039
Graphical presentation of the evolution of average salaries

Display full size graphic



However, we were able to calculate average salaries on the same basis for the period from 1982–83 to 1989–1990 as a way to test this view. Collective bargaining was fully operational for all but two of these years. Throughout this period, the average salary (expressed in constant 2002–03 dollars) for the core public service remained between $45,400 and $47,200.[47] Thus, for the fifteen years prior to 1997–98, through periods of both collective bargaining and salary controls or freezes, the average federal public service salary remained essentially unchanged in terms of real income.

Table 2038

Evolution of average salary in current and constant 2002–03 dollars for the core public service and separate employer domains, 1990–91 to 2002–03

	Average salaries Core public service		Average salaries Separate employers				Average salaries for total population	
Year	**Current $**	**Current $**	**Current $**	**Current $**	**Total population**	**Total payroll ($M)**	**Current $**	**Current $**
90-91	37,212	48,032	46,028	59,412	242,398	9,082	37,465	47,581
91-92	37,808	46,757	47,567	58,827	244,099	9,297	38,086	46,344
92-93	39,477	48,040	48,799	59,384	245,116	9,742	39,745	47,589
93-94	40,264	48,289	47,654	57,152	240,867	9,764	40,537	47,835
94-95	40,654	48,558	48,247	57,628	233,695	9,566	40,934	48,106
95-96	40,821	47,736	48,624	56,861	218,297	8,972	41,099	47,289
96-97	40,784	46,879	49,078	56,412	206,221	8,471	41,079	46,458
97-98	41,149	46,666	48,063	54,506	197,642	8,200	41,489	46,295
98-99	42,627	[48]47,894	48,543	54,541	194,776	8,368	42,963	47,495
99-00	45,727	50,273	44,306	48,711	202,282	9,197	45,467	49,183
00-01	47,909	51,258	44,995	48,141	213,185	10,037	47,079	49,561
01-02	50,518	52,874	46,172	48,325	225,469	11,110	49,274	50,743
02-03	53,826	53,826	50,352	50,352	234,393	12,384	52,836	52,836

In the following five years, there was a pronounced upward trend, with the 2002–03 average salary reaching $52,800. The change from 1997–98 up to 2002–03 for the combined core public service and separate employer domains was 27.3% in current dollars, which is equivalent to 14.1% in constant 2002–03 dollars.

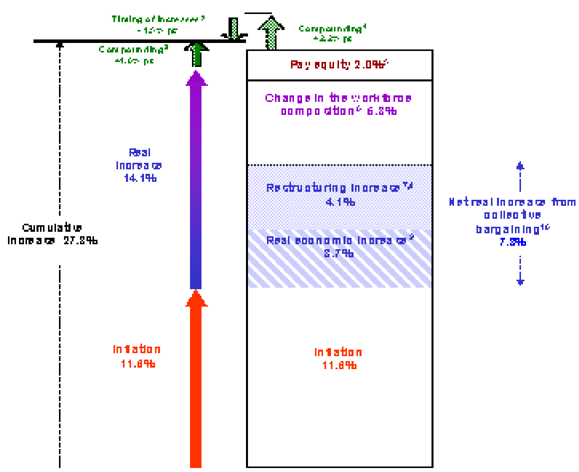
Among the key factors affecting the growth in average salaries from 1997–98 to 2002–03, salary increases covering inflation (in effect) was the largest single factor underlying change in current salary levels. During these five fiscal years the cost of living rose by about 11.6% in total. Changes in line with inflation, however, serve to maintain the purchasing power of a given level of income. What was unusual in these years, compared at a minimum with the previous decade and a half in the federal public service, was the sustained increase in real average salaries. So our analysis concentrates on trying to describe the factors driving this real increase. Figure 2040 portrays the relative size of the key drivers of change.

The analysis summarized in Figure 2040 does not purport to be exact. Nevertheless, the approximate relative size of the components of change in average salary emerges clearly from the analysis.[49] The adjustments that are shown in the Figure relating to compounding and the timing of increases are necessary to take account of the fact that the various drivers of change interact over time.

The largest factor impacting change in real average salaries, accounting for over half of the increase, is the extent to which collective bargaining outcomes went beyond matching the rate of inflation. Table 2041 presents these outcomes.[50] The cumulative increase in average salaries above inflation arising from collective bargaining was about 7.9% between 1997–98 and 2002–03. This in turn combines two aspects. The first is the extent to which economic increases during the period exceeded actual inflation.[51] Based on the cumulative economic increase of 15.7% as shown in Table 2041, and cumulative inflation of 12.4%, we can calculate that the cumulative difference between 1997 and 2002 was about 3.7%.[52] The second aspect is the total of restructure increases, which had the cumulative impact of raising average salaries by about 4.1%, all of which was real salary increase. Restructuring increases are discussed in more detail in Chapter 4 of Volume One.

Figure 2040
Components of change in average current dollar salaries for the combined core public service and separate employer domains,[1] 1997–98 to 2002–03

Display full size graphic



* Percentage point

[1] Approximation based on available data.

[2] Adjustment to account for the fact that a number of negotiated increases introduced in 2002 are not fully reflected in the average salary growth for 2002–03 because they were introduced late in the year.

[3,4] To account for the fact that overall impact of the components' growth rates (except pay equity) is multiplicative (rather than additive).

[5] The ongoing salary impact from pay equity settlements of $190M during the period, on per capita basis (divided by 2002–03 employment), represents a growth of 2.0% from the average salary in 1997–98. Since this ongoing impact has already included negotiated salary increases, this is an additive component (rather than multiplicative).

[6] Impact of the profile change (or composition effect) in the old core public service (i.e. PSSRA 1.1 plus CCRA, CFIA and Parks Canada) from March 1998 to March 2003.

[7] Restructures exclude Special Pay Adjustments (SPA).

[8] Later in the chapter reference is made to a 1.1% net real increase attributable to upward movement through the salary grid. This amount is incorporated primarily into the 5.3% associated with "change in workforce composition", though there may be a slight overlap into the 4.1% related to the restructuring increase.

Table 2041

Economic and restructuring increases compared to increases in the Consumer Price Index, 1997 to 2002

	1997	1998	1999	2000	2001	2002	Growth

							97–02
Average Economic Increases	2.3%	2.0%	2.0%	3.0%	2.7%	2.6%	15.7%
Average Restructure Increases	0.4%	0.4%	1.5%	0.6%	0.9%	0.2%	4.1%
Total Negotiated Salary Increases	2.7%	2.4%	3.6%	3.6%	3.7%	2.8%	19.8%
% Change in Consumer Price Index (CPI)	1.6%	1.0%	1.7%	2.7%	2.6%	2.2%	12.4%
Salary Increases above CPI (percentage points)	1.1%	1.4%	1.9%	0.9%	1.1%	0.6%	8.0%
Note: Reported collective bargaining increases reflect the average negotiated increase per employee while they were part of the core public service. Increases relating to pay equity, special pay adjustments (SPA), and terminable allowances are excluded. Growth is calculated as the cumulated percentage increase over the six years, except for the Salary Increases above CPI, which reports the percentage point differences between two cumulative growth rates.							

The other relatively large factor was the change in the composition of the workforce over the period. Earlier in this section we sketched what has amounted to a transformation in the nature of the public service, as occupations associated with relative knowledge intensity in the nature of their work have come to occupy a larger and larger place in the overall structure. We used 2003 period average salaries by group and level to estimate the cost of the population distribution of earlier years.

We conclude that the change in overall average salaries between 1997–98 and 2002–03 attributable to a more knowledge-based workforce was approximately 5.3%. We need to emphasize that this latter figure cannot be considered a precise measurement. In effect it is the result of a thought experiment: what would the public service of an earlier year have cost if we paid 2003 salaries then, and how does that differ from the cost in 2003? Using average salaries by group and level ignores changes in the actual distribution of employees within salary ranges, for example. Nevertheless, it is clear that change in workforce composition was an important factor in raising the average salary.

Two smaller factors merit notice in this summary. As we described in Chapter 4 of Volume One the first is the net effect of salary increases as employees advance through the pay range for their classification level, counterbalanced largely by the reduction in salaries as people leave and are replaced by employees at the bottom of the relevant pay range. During the period from 1997–98 to 2002–03, we estimate the net combined effect of these phenomena to be about 1.1%. This is largely included already in the compositional change discussed in the previous paragraph.

The second smaller factor is pay equity. As we also described in Chapter 4 of Volume One, the federal government has invested substantial sums both in one-time payments relating to past obligations under the *Canadian Human Rights Act*, and in ongoing increases to the salary levels of various groups. We have estimated that the total of this latter component of salaries was at least $277 million (including compounding from subsequent economic increases) in 2002–03 across the combined core public service and separate employer domains.

Salary increases resulting from various settlements or interim measures to implement equal pay for work of equal value occurred at various times, as described in Appendix H. We estimate that approximately three quarters of the ongoing salary impact (or about $190 million) came into effect during the 1997–2003 period that we are assessing. This would amount to about 2.0% of the 2002–03 salary mass of the combined core public service and separate employer domains. Likely about half of this was implemented through collective bargaining agreements, mainly the Special Pay Adjustments agreed to in 1998.

With a complete picture of the transformations occasioned in the employment and salary levels of the core public service and separate employer domains, and the forces underlying those changes, we now turn to an examination of the budgetary shifts that made it possible to pay for the noted changes in the total salary mass.

5. Financing increases in the Total Salary Mass

While we can determine, from amounts reported for Personnel expenditures in the Public Accounts annually, how much payroll and total compensation have risen in the core public service and separate employers for the period under review, there is no reliable method or data available to determine from what sources rising remuneration costs are financed. In this short chapter, we identify some sources of financing for the increased population and higher average salary witnessed in recent years, and attempt to quantify the amount dedicated to this purpose from each source.

Sources of compensation financing

Salaries in the core public service and separate employer domains totalled $8.2 billion in 1997–98, and rose to $12.4 billion in 2002–03, an increase of $4.2 billion. In general, the salary mass increase came from three sources:

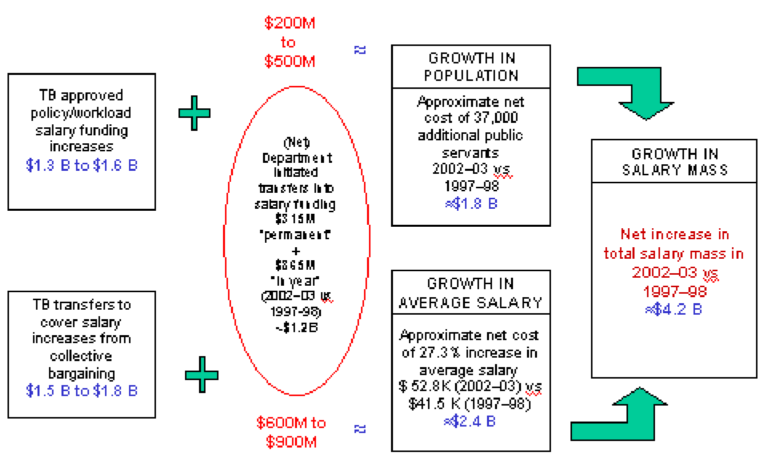
- amounts approved by the Treasury Board for salary costs in support of new policies or workload increases;
- internal transfers by departments from non-salary budgets to salaries; and
- Treasury Board transfers to departments to cover salary increases from collective bargaining or other approved salary rate revisions.

Figure 2042 illustrates our conclusions about the relative size of the sources of increased salary funding.

We must emphasize that each dollar figure we present includes a significant margin of error. Thousands of transactions have been assessed electronically in an attempt to disaggregate the components. Errors can easily intrude that could alter the value of a component by as much as $200 to $300 million—say a margin of error of as much as 10% to 15%. We persist in presenting the results of our analysis despite the underlying technical fragility because the concepts are sound and the broad relativity among the components is useful to report.

Figure 2042
Estimate of sources of financing for the increase in the total salary mass for the combined core public service and separate employer domains, 2002–03 versus 1997–98

Display full size graphic



Important note:
All of the numbers in this Figure are estimates based on complex and (in-part) inter-related calculations relating to thousands of transactions. The actual total salary mass change could easily be within ± $200 million (that is ±5%) of the estimated $4.2 billion increase. At least as large degrees of uncertainty apply to all the components of the model. The $1.5 to $1.8 billion total for TB transfers for salary increases, for example contains some ambiguous data. The important point is that the model provides a useful overview of how salary increases were financed.

Program and policy changes financed by Treasury Board

We begin by highlighting increases in salary funding that resulted from Cabinet decisions to invest more in people in order to achieve public policy goals. As we explained earlier in this section, Treasury Board[53] approved various proposals to fund new or expanded programs or to compensate for workload increases or other program integrity pressures on existing programs. After describing in some detail the approvals relating to five departments or agencies that were among the fastest growing between 1997–98 and 2002–03, we estimated that the total net additional salary funding approved by the Treasury Board for new policies or workload pressures in this period was around $1.3 to $1.6 billion.[54]

This amount consisted mainly of additional amounts included in departmental Estimates through the Treasury Board Secretariat's Annual Reference Level Update (ARLU). This funding is part of the Main Estimates normally tabled in February or March each year. Also included is a small net amount relating to policy or workload approvals that were approved as part of Supplementary Estimates, or transferred to departments from Treasury Board votes that were part of the Main Estimates.

We must emphasize that constructing this story is based on several years of complex records, with dozens of decisions affecting most departments, and with increases and decreases interwoven in balancing plans against realities. Essentially this means that we must accept that our estimate is rough. It appears reasonable, however, to conclude that in the order of one third of the increase in salary mass between 1997–98 and 2002–03 resulted from decisions by Ministers to invest in additional people to achieve policy or program goals.

Budgetary transfers initiated by departments themselves

The second factor we note is the increase in net transfers into salaries from other approved budgets, for non-salary operating dollars, capital, and grants and contributions.[55] The total net value of such transfers in the combined core public service and separate employer domains, comparing 2002–03 with 1997–98, was approximately $1.2 billion. This aggregates our estimates for in-year transfers, of around $865 million, and for permanent transfers listed in the ARLU, of about $315 million.

As we noted earlier in this section, these transfers could be financing:

- growth in the number of public servants, or
- increased salary costs arising from:
  - changes in the mix of occupations and classification levels in departments, or from
  - incomplete funding of salary increases agreed through collective bargaining.

We conclude that these transfers played a role in paying for both types of salary mass increases.

To gain perspective on how much of these transfers financed growing numbers of employees versus growing average salary costs, we evaluated the extent to which the policy/workload approvals identified already would have financed the growth in the number of federal public servants. The population of the public service expanded by about 37,000 between 1997–98 and 2002–03. Dividing our estimate of $1.3 to $1.6 billion for policy/workload increases approved and paid for by Treasury Board, by the population increase, yields an average salary of about $35,100 to about $43,200. This is clearly much too low, in that the average salary in current dollars grew from about $41,500 in 1997–98 to just over $52,800 at the end of 2002–03. This means that Treasury Board financing for policy/workload increases was insufficient to pay for the entire increase in the public service population.

We therefore multiplied the increase in the public service population (37,000 people) by the average of the annual average salaries over that period, which is about $47,500.[56] This allowed for the fact that average salaries rose year over year during the period. This multiplication yielded a total cost of $1.8 billion. Thus we determined that, while departments received $1.3 to $1.6 billion in approved budgets for policy and workload increases financed by Treasury Board through ARLUs, they still had to find an additional $200 to $500 million to pay for compensation for the additional employees they hired.

This means that between one sixth and one third[57] of the 37,000 increase in employees had to be paid for through in-year transfers effected by departments deciding, for example, that they could reduce travel or accommodation or program expenditures and hire more staff instead. These transfers, in turn, represent about 2% to 4% of the total 2002–03 salary mass.

Financing the average-salary increase

The final main component of the increase in salary mass is the increase in average salaries. As we have seen in the previous chapter, the average salary for the combined core public service and separate employer domains increased by $11,300—about 27.3% in current dollars—from around $41,500 in 1997–98 to about $52,800 at the end of 2002–03. (This corresponds to about 14.1% in constant 2002–03 dollars.) The factors contributing to this increase included:

- collective bargaining outcomes,
- both economic increases and changes to the structure of pay bands;
- a major shift in the composition of the public service toward more highly paid, more knowledge-intensive occupations;
- the net effect of annual increments within salary levels and departures from the public service; and
- settlements to implement equal pay for work of equal value.

To construct a gross estimate of the amount needed to finance this growth in average salary we made two calculations.

- First we multiplied the increase in average salaries, which is $11,300,[58] by the 1997–98 population of about 198,000, giving a total of $2.24 billion.
- For the 37,000 employees added since 1997, we multiplied that population increase by $5,300, the difference between the 2002–03 average salary of $52,800 and the multi-year average of $47,500 referred to above. This calculation yields about $200 million.

Adding the two products gives a total cost of about $2.4 billion as the estimated amount needed to pay higher average salaries in 2002–03, compared with 1997–98.

If we are correct in our earlier estimate that $200 to $500 million of the net $1.2 billion of department-initiated transfers into salaries was needed to finance the growth in the public service population, this implies that the remainder (about $600 to $900 million) was applied to meet some of the cost of the increase in average salary. This suggests that an additional amount of about $1.5 to $1.8 billion was needed from the Treasury Board to pay for the approximately $2.4 billion increase in average salary. Because of the way records are maintained, we were not able to determine what amount was actually provided by the Treasury Board on a total net basis. One experienced analyst's educated estimate, however, was about $1.9 billion, a figure that lends support to our assumptions.

We must emphasize that these calculations are very rough. In particular, we acknowledge that separating the cost of hiring additional staff from the rising average cost of employees is somewhat artificial, in that a substantial portion of the change in the makeup of the workforce would have been effected through hiring additional staff. So hiring a new employee with more education or experience, at a higher-than-average classification level, would add both to employee population levels and to a higher average salary level. In consequence, our proposed split in the attribution of net departmental transfers between financing population growth and growth in average salaries is somewhat arbitrary. As we have seen, each element derives from assumptions. Nevertheless, the fact that the components more or less balance suggests that the model proposed is a reasonable approximation of reality. Such an understanding will assist in responsibly managing future increases in the public service salary mass.

How the federal government financed increasing compensation costs—1997–98 to 2002–03: a summary

We conclude that the $4.2 billion increase in the salary mass between 1997–98 and 2002–03, comprised three components, as follows.

Higher average salary—60 %

The cost of paying for higher average salaries amounted to about 60% of the salary mass increase.

- About three-fifths to three quarters of this was funded by the Treasury Board to cover the cost of collective agreements and other authorized pay increases.
- The remainder was funded from department-initiated transfers into salaries, mainly to cover part of the cost of changes in the mix of occupations and classification levels, as well as shortfalls in the amounts provided to cover collective agreements.

Approved staff increases for policy/workload purposes—about 33 %

About one third of the increase in total compensation costs resulted from Treasury Board approvals to hire more staff to deliver new policies or programs, or to deal with workload increases or other pressures on existing programs.

Department-initiated budget transfers for higher staffing levels—about 10%

The remaining cost of hiring new staff (more or less 10% of the total) was financed by department-initiated transfers into salaries from other approved budgets.

Having examined the macro forces and internal budgetary actions behind changes in the total salary mass, we now turn to an examination of specific aspects of compensation. We begin by looking at non-salary components of total compensation such as performance pay and other allowances. We then examine the federal government's pension plan and benefits programs for employees in the core public service and separate employer domains.

6. Other Compensation Elements

In addition to their base salary, federal employees in the core public service and separate employer domains can earn compensation for such items as overtime, and for some employees, exceptional performance. This chapter examines the policies and expenditures over time for the following compensation elements:

- Performance pay
- Other allowances and premiums
- Overtime
- Retroactive payments.

We also discuss contributions to statutory programs made on behalf of employees, leave provisions and severance pay, all of which contribute to the cost of total compensation and to the overall compensation package for employees.

Performance (at risk) pay

In the core public service domain, there are three sets of employees whose pay plan includes some version of performance or at-risk pay, whereby they have to attain a prescribed performance level before they are eligible to re-earn part of their annual salary. These are: executives, excluded and unrepresented employees, and some represented employees.

Executives

As described in the previous chapters, members of the Executive (EX) and Deputy Minister (DM) groups are eligible for a variable amount of pay based on performance.

Performance Management Program

For 2002–03, salary increases related to the Performance Management Program totalled about $9 million. Total performance-related lump sum payments were about $32.1 million. There were about 4,350 EXs and DMs in March 2003, over 90% of whom received either a salary increase or a lump sum payment. The average payment for those receiving a lump sum was about $7,400. The previous chapter provides details on executive performance pay back to 1980-81. We include this information there because of the close link for executives between salary and at-risk pay.

Excluded and unrepresented employees

A further 325 employees in the Defence Scientist (DS), Law (LA), and Medicine (MD) groups, whose pay is at levels comparable to that of the Executive group, participate in the Performance Management Program on the same basis as executives. Using the 7% allocation of the relevant salary mass as a rough guide, the estimated cost of performance pay for this group in 2002–03 would be in the area of $2.8 million.

Senior employees in several non-executive classification groups are eligible for a form of performance pay. Increases of up to 10% of current salary can be awarded, based on the level of performance. Once an employee reaches the maximum for his or her level, performance pay is paid as a lump sum. Departments are allotted 5% of the relevant salary mass, and are expected to live within it for the total of salary increases and lump sum payments.

Those eligible include employees who are not subject to a collective agreement, and who are classified in the top one or two levels of the following groups:

- Administrative Services (AS),
- Financial Administration (FI),
- Information Services (IS),
- Personnel Administration (PE),
- Purchasing and Supply (PG),
- Translation (TR), and
- Welfare Programs (WP).

All members of the Law (LA) group at levels 1, 2A and 2B are eligible. One specialized sub-group, the Mediation/Conciliation Officers is eligible at all levels.

In total, about 3,200 employees had access to this form of performance pay in 2002–03.

Information on the exact numbers receiving performance pay and the specific amounts paid in this area is not readily available. The Treasury Board Secretariat discontinued reporting requirements in the late 1990s. However, since 1997–98, a performance pay budget equal to 5% of the relevant employees' salary mass has been available for salary increases within a pay range, or for lump sums for those at the level maximum. The total amount of performance pay for non-executives increased from about $6.9 million in 1997–98 (covering about 1,500 recipients), to around $12.2 million in 2002–03 (for about 2,800 recipients). Amounts paid in earlier years would have been smaller, or nil during pay freezes such as in the mid-1990s.

Represented employees

Union members who are classified in the non-executive groups and levels referred to in the previous section are also eligible for a modified form of performance pay. Those who are not at the maximum pay for their position can receive increases which, on average, should equal what is called "two increments," with the value of an increment being specified from time to time by the Treasury Board. For the period 2000 to 2003 it was set at $750. The actual amount for an individual can vary based on performance, provided the average of two increments is respected. No lump sums are payable to these employees.

About 1,200 employees are included in the definition of those eligible, although many would already be at their maximum pay rate. If we assume at least half of those affected are at this maximum, the total salary increases under this policy in 2002–03 would not exceed $900,000.

One unionized group, the Translators (TRs), has a financial incentive plan that provides extra pay based on an individual's production above the level of translation output required for the Translation Bureau to recover its costs from the departments and agencies it serves. Participation is voluntary. Annual target quotas are set for each classification level, based on forecasts of the Bureau's costs and revenues. Such extra production saves the Bureau the cost of contracting work out.

Translators share in the extra revenue according to a formula. The approximately 500 translators participating in this arrangement in 2002–03 received a total of about $2 million in incentive pay, or about $4,000 per participant.

The incentive pay plan for unionized members of the Translation (TR) group was originally implemented in 1999–2000. The value was about $800,000 for 360 participants the first year, nearly $3.5 million for 550 participants in 2000–01, and approximately $1.6 million and $2 million for about 500 employees in each of the next two fiscal years.

The University Teaching (UT) group has a tailored arrangement in their collective agreement that permits professors rated superior to advance two increments instead of one (or three increments for a "distinguished professor"), if they are not at the maximum pay for their level. If they are at the maximum, they may receive an equivalent lump sum payment. The value of UT group lump sums in 2002–03 was about $140,000.

Table 2043 summarizes our best estimate of the amounts paid for this purpose in 2002–03 for the three sets of employees described in this section.

Table 2043

Summary of estimated performance (at risk) pay for employees in the core public service domain, 2002–03

Performance Pay Plan	Recipients	Salary increases ($M)	Lump sums ($M)	Total ($M)
EXs/DMs	4,368	9.0	32.1	**41.1**
Executive equivalent	325	◇	2.8	**◇**
Excluded and unrepresented employees	3,200	4.4	9.2	**13.6**
Represented employees	◇	0.9	◇	**0.9**
Translators	496	n/a	1.9	**1.9**
Total			**46.0***	

* We only give a total for the lump sum payments, since the salary increases will be reflected in future salaries.

◇ No estimate available

To attempt to construct a similar table for earlier years would have been much too complicated for this Review to undertake. As we observed earlier, however, in regard to Executives, total spending on performance pay for employees in the core public service would have been lower in previous years, or nil.

Separate employers

The main separate employers provide performance pay in various forms. CFIA and Parks Canada have regimes very similar to the core public service domain, as does the NRC for its Management group and senior personnel officers:

- In 2002–03, 126 CFIA managers, including 88 executives, received lump sum performance payments totalling about $740,000, and in-range increases of $194,000.
- For Parks Canada, 84 senior personnel, including 72 executives, earned about $580,000 in lump sum awards and around $120,000 in in-range increases.
- For the NRC, 125 eligible managers received lump sum payments adding up to about $940,000.

CCRA has a distinct plan that builds on the core public service model in two ways. First, it adds a third component of pay at risk for effective people management. Executives and excluded senior managers can earn a lump sum amount of up to 5% for this component, in addition to whatever they receive for ongoing and special commitments.

Second, CCRA has negotiated eligibility for performance pay for members of its Management (MG) group who are union members. For those who are members of the Professional Institute of the Public Service of Canada (PIPSC), a lump sum of up to 5% may be earned each year based on the assessment of their performance. For eligible members of the Public Service Alliance of Canada (PSAC), CCRA may provide up to 10 days each year of management performance leave for people management, based on the annual performance assessment. Total performance lump sum payments at CCRA in 2002–03, including the cash value of management leave granted as part of the PSAC agreement, amounted to about $11 million.

Other allowances and premiums

This component of total compensation includes a large array of specific payments serving diverse purposes. The amount paid in 2002–03 totalled about $382 million in the core public service. About 90 separate types of payments, most of which are provided for in the various collective agreements, cost at least $100,000 each.

The most significant payments are summarized below.

Allowance/Premium	Approximate 2002–03 Cost ($M)
Foreign service allowances Compensation for the additional costs resulting from service outside Canada; for a cost of living higher than that in the National Capital Region at certain posts; for the danger and difficulty in living at certain hardship posts.	$77.8
Supplementary payments related to Employment Insurance A top-up to maternity and parental benefits under the Employment Insurance Program, to 93% of regular pay. Assisted about 3,450 employees.	$62.0
Bilingualism bonus Provides $800/year for non-executive employees (except translators) in bilingual positions, who meet the linguistic profile of that position. Benefits over 50,000 employees.	$44.0
Premium pay for work on a holiday or in lieu of a statutory holiday	*$29.6*
Shift and weekend premiums	*$24.0*
Stand-by pay	$20.3
Isolated post allowances Cover exceptional costs resulting from working and living in designated isolated areas.	$18.9
Call-back pay	$13.3

Smaller allowances cover such topics as the penological factor ($6.4 million) for employees of the Correctional Service, who are not Corrections Officers (CXs), but who assume additional responsibility related to the custody of prison inmates; extra duties ($5.0 million); educational leave ($3.4 million); awards and rewards ($1.6 million).

Among dozens of small allowances are several that deal with health and safety matters, such as the safety footwear allowance ($136,000) or the dangerous goods allowance ($256,000); others deal with special duties such as the nuclear emergency response team allowance ($297,000), the nurse-in-charge allowance ($592,000), or the offender supervision allowance ($1.06 million).

There is some doubt about the completeness and accuracy of reporting on particular allowances. Given that the amounts spent are substantial, departments need to ensure their reporting in this area is correct. More work is needed to clarify definitions on what is included under various headings.

Separate employers

Among separate employers, other allowances and premiumsare generally similar to those paid in the core public service domain and most are mandated through collective agreements with PIPSC or PSAC. The total of such allowances in the separate employer domain is estimated at about $66.7 million in 2002–03, including the terminable allowances discussed in Volume One.

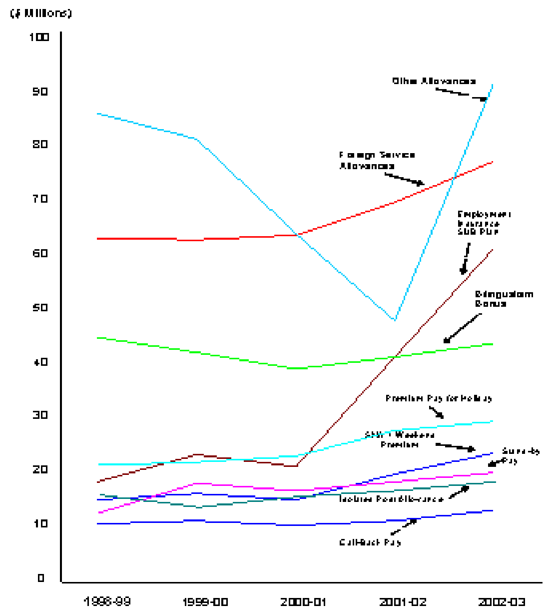
Retrospective—Other allowances and premiums

From a historical perspective, the main theme about allowances and premiums is stability. Most of the dozens of types of allowances, both those significant and minor in cost, have existed for many years in more or less their current form. The bilingualism bonus, for example, has remained unchanged at a flat $800 annually for those eligible since it was introduced in its present form in 1977. The only really substantial policy change was the extension in 2001 of salary top-up for those on Employment Insurance maternity/parental benefits to as much as a full year. Foreign service allowances were modified in 2001 after a thorough review, to treat employees at different levels more equitably in cost-of-living allowances, for example, to provide greater spousal assistance, and to become more family friendly.

The detailed data on allowances that was readily available to us only goes back to 1994–95, so we have limited ourselves to reviewing the period from then to 2002–03. Total expenditures in the combined core public service and separate employer domain rose from about $356 million in 1994–95 to around $430 million,[59] an increase of approximately 21% in current dollars or essentially unchanged in constant 2002–03 dollars.

Figure 2044
Trends in expenditures on other allowances and premiums, selected years, 1998–99 to 2002–03

Display full size graphic



In constructing a more detailed trend analysis, however, we were unable to provide details for the separate employers such as CCRA that were separated from the core public service in the late 1990s. With this caveat in mind, Figure 2044 provides details for the core public service from 1998–99 to 2002–03.

A review of the data and trends leads us to highlight these points:

Foreign service allowances

The total value remained reasonably constant from 1994–95 to 2000–01, in the range of $56 to $64 million per year. Since the policy changes, the total has risen to about $78 million in 2002–03.

Supplementary payments related to Employment Insurance

As noted above, the duration of benefits was essentially doubled in 2001. After falling in value during the downsizing of the public service, from about $18.7 million in 1994–95 to around $13.9 million in 1997–98, it rose by over three times to about $62 million in 2002–03.[60]

Bilingualism bonus

This has fluctuated in line with the number of those eligible to receive this allowance, costing between $40 million and $50 million per year.

Isolated post allowances

Payments in this area have fallen from more than $25 million in 1994–95 to as low as $14.2 million in 1999–2000, before increasing somewhat to $18.9 million in 2002–03. The number of recipients of the living cost differential, for example, diminished from over 5,500 in 1994–95 to about 3,600 in 2002–03. This presumably reflects the transfer of federal programs to Northern and aboriginal governments.

Allowances such as stand-by and call-back pay, as well as shift premiums and premiums for working on the weekend or a holiday

These payments grew by more than 50% between 1997–98 and 2002–03, tracking very closely the growth in the salary mass. Both increases in population and average salary would have contributed to this outcome.

There is not much of note among the numerous smaller allowances. We observe that a medium-size allowance for the penological factor grew from just over $4 million in 1994–95 to about $6.5 million in 2002–03. This increase resulted from both an increase in eligible employees from 7,400 to 9,900, as well as an increase in the maximum annual allowance from $1,600 to $2,200. One further point to recognize is the increase in awards and rewards from about $865,000 in 1999–2000 to around $1.6 million in 2002–03, an increase consistent with a greater attention by public service managers to recognizing exceptional performance among employees.

Overtime

For 2002–03, the total paid for overtime in the core public service domain was about $208 million. This was equivalent to about 2.3% of the applicable total salary mass as shown in Table 2045.

Table 2045

Summary of overtime payments in the core public service domain, 2002–03

Overtime category	**Amounts ($M)**	**%**
Regular working day	106.9	51
First day of rest	39.8	19
Second day of rest	36.4	18
Multiple categories in claim	17.3	8
Statutory holiday	7.7	4
Total overtime	**208.1**	**100**

Most collective agreements provide for overtime premiums to be paid for hours worked in excess of the normal workweek, typically 37.5 hours. Overtime should be authorized in advance by the employee's supervisor. For overtime on normal working days, and in most cases on a first day of rest, reimbursement is paid at 1.5 times the position's hourly rate. For overtime on statutory holidays or a second day of rest, or after a certain number of extra hours on a first day of rest, the rate is twice the regular hourly compensation. Note that overtime does not include call-back or stand-by allowances, shift premiums or other premiums for working at unusual times.

Compensation may be taken in cash or in time-off-in-lieu-of-cash (called "compensatory leave") with the supervisor's approval. In some cases, planned compensatory leave cannot be taken during the fiscal year, and is paid out in cash instead.

Amounts paid for 2002–03 overtime vary considerably across classification groups. Table 2046 provides details on overtime usage, salary mass and population for those groups earning at least 1.5% of the total amount spent on overtime.

Table 2046

Breakdown of overtime usage by classification groups earning at least 1.5% of total overtime expenditures in the core public service domain, 2002–03

Group	**Overtime ($ M)**	**%**	**% of salary mass**	**Size of group**
Correctional Service	23.2	11.2	3.2	6,171
Program Administration	22.6	10.9	10.2	17,248
Administrative Services	22.0	10.6	11.6	20,342
Clerical and Regulatory	19.2	9.2	13.6	32,296
Computer Systems Administration	14.5	7.0	7.2	11,276
Engineering and Scientific Support	14.0	6.7	4.0	6,657
General Labour and Trades	10.7	5.1	2.5	5,745
General Technical	6.8	3.3	1.1	2,113

Ships' Crews	4.5	2.2	0.6	1,424
Radio Operations	4.1	2.0	0.2	348
Foreign Services	3.9	1.9	0.8	1,134
Technical Inspection	3.7	1.8	1.0	1,460
Information Services	3.6	1.7	1.8	2,743
General Services	3.4	1.6	1.2	3,294
Nursing	3.4	1.6	1.1	1,624
Engineering and Land Survey	3.2	1.5	2.0	2,602
Ship Repair (East)	3.1	1.5	0.3	646
Subtotal	165.9	79.8	62.5	117,674
Total, core public service	**208.1**	**100**	**100**	**168,864**

The table illustrates that some large classification groups, such as the Program Administration (PM) group, the Administrative Services (AS) group, and the Computer Systems (CS) group, earn overtime more or less in line with their proportion of the overall salary mass of the core public service domain. The largest group, the Clerical and Regulatory (CR) group in fact has overtime charges substantially below their share of total payroll.

Other groups, however, earn considerably more. The Correctional Services (CX) group, for example, is paid overtime at a rate about three-and-one-half times their share of overall pay. Annual overtime per employee in this group is about $3,750, about 8% of their average salary. The Radio Operations (RO) group earns overtime at about ten times their proportion of the salary mass. Average overtime earnings in the group amount to about $11,800, or about 22.5% of average salary.

Presumably differences in the use of overtime reflect distinctions inherent in the nature and organization of the work across the various groups, or the impact of unusual work pressures, and not differences in culture or the rigour of staff management.

The Executive (EX) group and other senior staff excluded from union membership are not eligible for overtime. Surveys indicate that EXs work on average 52 hours per week, not including travel time and weekend work.[61] Some executives receive management leave in partial compensation for long hours worked. Although records of such leave are spotty, management leave in excess of one or two weeks per year is rare. Even two weeks of management leave would only compensate for about 10% (on an hour-for-hour basis) of the reported average overtime.

Recognition and reimbursement of overtime for unionized workers is reportedly inconsistent. Persistent anecdotal evidence suggests that some analysts generally do not bill for overtime, or only for part of the extra hours they work. It is not clear to what extent this may be a personal choice rooted in some employees' self-image as professionals, or a result of a workplace climate in some organizations or professions that discourages claiming overtime.

Overall it seems clear that if all overtime work were reimbursed, the total cost to the employer would be substantially greater.

Separate employers

Overtime premiums for separate employerswere about $143.7 million in 2002–03. CCRA paid about $103.7 million, an amount equivalent to about 4.4% of the Agency's salary mass. This is just less than twice the ratio of overtime to salary (2.3%) paid overall in the core public service domain. Parks Canada pays an overtime proportion (2.4%) similar to the core public service figure, while CFIA pays an even greater proportion than CCRA at about 6.7%. These differences likely reflect the highly operational, front-line nature of these agencies. Consistent with this view, the proportion for the NRC, which is mainly a research institution, is relatively low, at about 2%.

Retrospective—Overtime

Overtime provisions of the various collective agreements did not change significantly over the past decade. Table 2047 and Figure 2048 set out the pattern of overtime usage across the core public service domain from 1991–92 to 2002–03. Usage for the first year was about $286 million, or $349 million in constant 2003 dollars. If we add to the 2002–03 amount in Table 2047 the overtime payments of the principal separate employers (about

$144 million), the total in the later year was around $352 million. These two amounts are effectively equal, which seems remarkable in view of the operational and financial vagaries that can cause overtime requirements to fluctuate. Even the proportion of the total salary mass is very close at 3.2% in 1991–92 and 2.8% in 2002–03 (including the main separate employers). The overtime cost per employee was generally in the range of $1,080 to $1,365 each year.

Table 2047

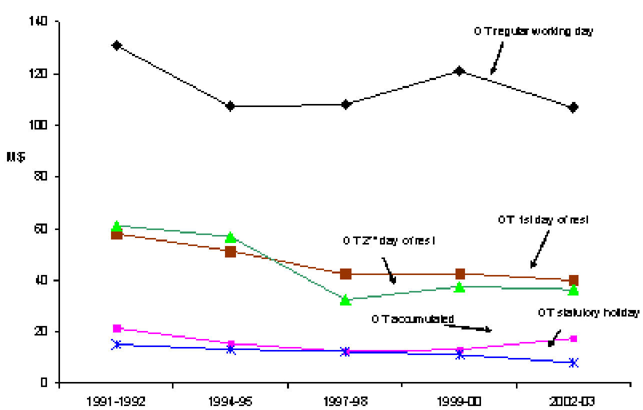
Pattern of overtime usage in the core public service domain, 1991–92 to 2002–03 (selected years)

	1991–92	1994–95	1997–98	1999–00	2002–03
Population*	237,139	225,073	187,928	165,171	167,618
Payroll ($M)	8,966	9,150	7,733	7,553	9,022
Overtime reg. working day ($m)	131.1	107.1	108.2	121.2	106.9
Overtime 1st day of rest ($m)	58.1	51.2	42.3	42.7	39.8
Overtime 2nd day of rest ($m)	61.0	56.9	32.1	37.6	36.4
Overtime accumulated ($m)	21.2	15.4	12.4	13.1	17.3
Overtime statutory holiday ($m)	14.9	12.9	12.1	10.9	7.8
Total (current dollars) ($M)	286.4	243.5	207.1	225.6	208.1
Overtime cost per capita ($)	1,207.6	1,081.7	1,101.8	1,365.8	1,241.3
Percentage of Payroll	3.2%	2.7%	2.7%	3.0%	2.3%
Total (constant dollars) ($M)	348.5	286.1	231.0	244.0	208.1
Overtime cost per capita ($)	1,469	1,271	1,229	1,477	1,241

* Populations are based on the end-of-quarter average of each fiscal year.

Figure 2048
Overtime pattern, selected years, 1991 to 2003

Display full size graphic



It is evident from reviewing the data in Table 2047 that the use of overtime has declined in relative terms over the past decade. Data for the intervening years not included in the table are quite similar, with the sole exception of 1993–94 when reported overtime usage was only $50 million. This was a year of extensive departmental restructuring and two changes of Prime Minister, so perhaps overtime use was constrained. More likely the reporting was faulty as financial systems were adapted to the new structures.

Since 1996–97, the top five groups in terms of overtime usage have consistently been the Correctional Services (CX), Program Administration (PM), Administrative Services (AS), Clerical and Regulatory (CR), and Computer

Systems (CS) groups. While employees in these groups claimed more or less half of all overtime, which is generally in line with their share of the population in the core public service domain, for two of these groups, the share of overtime was much different from their proportion of the population. The CX classification group since 1997–98 has claimed between 10% and 15% of all overtime, although Correctional Officers constituted 2.6% (in 1997–98) rising to 3.5% (in 2002–03) of the workforce. Conversely, the CR group generally claimed overtime at around half or less the rate of their share of the total population. Table 2049 summarizes overtime usage for the 10 groups that claimed the greatest proportion of overtime in 2002–03.

Table 2049

Pattern of overtime claims between 1991–92 and 2002–03 among the 10 classification groups with the greatest share of usage in 2002–03

	1991–92			**1994–95**		
	$M	**OV %**	**POP %**	**$M**	**OV %**	**POP %**
Correctional Services	24.4	8.5	1.8	24.2	9.9	2.0
Program Administration	43.5	15.2	13.6	37.2	15.3	15.4
Administrative Services	14.5	5.1	6.1	14	5.8	6.7
Clerical & Regulatory	31.7	11.1	25.1	19.1	7.8	21.9
Computer Systems Admin.	5.5	1.9	2.4	11.3	4.6	3.2
Engineering & Sc. Support	15.6	5.5	3.1	13	5.3	3.2
General Labour and Trades	17.1	6.0	6.1	15.3	6.3	5.3
General Technical	10.9	3.8	1.3	8.7	3.6	1.4
Ships' Crews	11.3	4.0	0.8	6.7	2.7	0.8
Radio Operations	5.4	1.9	0.5	4.4	1.8	0.6
Subtotal	179.9	63		153.9	63	
Total, core public service	**286.4**	**100**		**243.5**	**100**	

Table 2049 (cont'd)

Pattern of overtime claims between 1991–92 and 2002–03 among the 10 classification groups with the greatest share of usage in 2002–03

	1997–98			**1999–00**			**2002–03**		
	$M	**OV %**	**POP %**	**$M**	**OV %**	**POP %**	**$M**	**OV %**	**PO %**
Correctional Services	22.6	10.9	2.6	34.4	15.2	3.6	23.2	11.2	3.5
Program Administration	38.4	18.5	17.9	33.3	14.8	9.7	22.6	10.9	9.9
Administrative Services	15.7	7.6	7.4	22.5	10.0	9.9	22	10.6	11.6
Clerical & Regulatory	20.7	10.0	21.6	19.8	8.8	20.2	19.2	9.2	18.5
Computer Systems Admin.	19.8	9.6	4.7	19.8	8.8	5.5	14.5	7.0	6.5
Engineering & Sc. Support	10.6	5.1	3.0	11.1	4.9	4.0	14	6.7	3.8

General Labour and Trades	13.5	6.5	4.2	10	4.4	3.9	10.7	5.1	3.3
General Technical	6.8	3.3	1.2	7.1	3.2	1.2	6.8	3.3	1.2
Ships' Crews	3.9	1.9	0.8	3.4	1.5	0.9	4.5	2.2	0.8
Radio Operations	2.5	1.2	0.2	3.2	1.4	0.2	4.1	2.0	0.2
Subtotal	154.5	75		164.8	73		141.6	68	
Total, core public service	**207.1**	**100**		**225.6**	**100**		**208.1**	**100**	

Retroactive payments

Retroactive payments relate mainly to salary adjustments arising from the conclusion of new collective agreements. For 2002–03 this component amounted to about $247.2 million in the core public service.

The bulk of these payments relate to salary adjustments and resultant changes to such items as acting pay (i.e. extra pay to recognize a temporary assignment in a higher position) and overtime applicable to previous fiscal years. The amount can fluctuate greatly from year to year depending on the timing and size of salary increases in particular collective agreements. Future reports should attribute retroactive payments to the years to which they apply.

Separate employers

Retroactive salary payments amounted to about $30.6 million over the year across the separate employer domain. These covered salary adjustments due in previous fiscal years.

Retrospective—Retroactive payments

We have not attributed retroactive payments to the appropriate fiscal year because calculating the correct amounts and attributing those sums to the right groups and so on would be a huge task, with relatively little gain in the overall scale of compensation we are reporting.

Looking at selected years back to 1990–91, we observe that the amount of retroactive payments can vary dramatically from one year to the next:

Year	**Retroactive Payments ($ M)**
1990–91	450.7
1993–94	81.7
1997–98	107.4
2000–01	1,332.2
2002–03	247.2

The very large amount in 2000–01 was mainly relating to the pay equity settlement with the Public Service Alliance of the previous year. Over $900 million of this was for interest payments relating to the settlement.

Although the total is volatile and not related to the year in question, it is clear that there are retroactive payments, even in years (such as 1993–94) when there was no collective bargaining. Therefore, we have decided to use $250 million as a reasonable estimate of the annual impact of such payments, and we have added this to the total compensation picture.

Contributions to statutory programs

As an employer, the Treasury Board is required to contribute to certain programs in the same way as any other employer. The total for this component of total compensation amounted to about $653 million in 2002–03. The four main areas are described below.

Canada Pension Plan/Quebec Pension Plan

For 2002–03, all employers were required to contribute 4.95% of salary between the minimum contribution level ($3,500) and the year's maximum pensionable earnings ($39,100 in 2002, and $39,900 in 2003). For the core public service domain, this amounted to $265.6 million.

The matching amount contributed by employees was in fact somewhat lower ($261M) because some temporary employees and employees who were hired more than once in the year would have received reimbursements of overpayments through the income tax system, eventually lowering the total amount received by CCRA for the employees' contributions.

Employer contributions to the Canada and Quebec Pension Plans for the combined core public service and separate employer domains grew from $159 million in 1991–92 to about $400 million in both 2001–02 and 2002–03. In accordance with the applicable legislation, employee contributions were approximately the same amount.[62]

Employment Insurance

Employer contributions for 2002–03 were $3.08 per $100 of insurable earnings in 2002, and $2.94 in 2003. In both years the maximum insurable earnings were $39,000. For the core public service domain, total employer contributions were $183 million.

Employer contributions are 1.4 times employee contributions. Therefore, employees would have contributed through payroll deductions about $130.7 million. Again this takes account of some income tax refunds to employees with low incomes, or who were hired more than once.

We estimate that the total employer contributions for Employment Insurance[63] for the combined core public service and separate employer domains for selected years since 1990–91 were as follows:

Year	Estimated Employment Insurance premiums ($ millions)
1990–91	$ 178.0
1993–94	$ 268.5
1997–98	$ 263.2
2000–01	$ 288.0
2002–03	$ 256.4

The changes in these employer contributions generally followed two factors: (a) increases in Unemployment Insurance contribution rates in the early 1990s, followed by regular reductions; and (b) changes in the level of employment and the salary mass below the maximum level of insured income (in 2002 and 2003, this level was $39,000).

Employers contribute 1.4 times what employees contribute. On the other hand, employees may receive a refund of over-contributions (for example, if an employee works for two different employers during the year and contributes twice). Using the 1.4 factor in any case, we estimate that employee contributions in the years cited above were:

1990–91	$ 127 million
1993–94	$192 million
1997–98	$188 million
2000–01	$206 million
2002–03	$183 million

Provincial Health plans

Alberta and British Columbia still require residents to pay health care premiums. As a result of a National Joint Council agreement, the federal government shares these costs with employees in these provinces. In 2002–03, these amounted to $10.3 million for the core public service domain. Employees in those two provinces contributed an equivalent amount.

In addition to the plans described in this section, the federal government pays employer payroll health taxes required in Manitoba, Ontario, Quebec and Newfoundland. In 2002–03, the total paid was about $341 million. The portion attributable to the core public service domain was about $194 million.

Separate employers

Employer payroll deductions for the Canada/Quebec Pension Plans, for Employment Insurance, and for Provincial Health Insurance premiums in British Columbia and Alberta added up to about $190 million for the separate employers in 2002–03. In addition, payroll health tax contributions attributable to the separate employer domain were about $78.3 million.

Retrospective—Health and dental benefits

Since the general adoption of medicare in Canada in the late 1960s, the federal government has assisted its employees to meet provincial health premiums, and has complemented the public health plans of the provinces with supplementary protection for health services not deemed to be medically necessary.

Originally, five provinces (Manitoba, Alberta, British Columbia, Ontario and Saskatchewan) and the Yukon Territory levied medicare premiums. In response to union demands, the employer agreed to pay an amount similar to what it had paid for similar services prior to the introduction of medicare. In practice this meant that the Government would pay half of an employee's (or a pensioner's) provincial health care premium.

For employees residing in provinces without a health care premium, the Government established in 1971 the Health Insurance Remuneration Supplements program. Cash payments were made to eligible public service employees and pensioners, equivalent in principle to 25% of the per capita cost of medicare in the relevant province. In 1979, the rate was frozen at the 1978 rate. After Ontario established an employer health payroll tax in 1990 (as Quebec had done earlier), the Health Insurance Remuneration Supplements program was terminated. At the same time, the employer share of contributions for the Public Service Health Care Plan (PSHCP) was raised to 90% for employees (from the 75% level set in 1989) versus the traditional 50/50 cost sharing rate, and 75% for pensioners (up from 50%).

In at least one case, namely Alberta, the cost of paying 50% of the medicare premium was lower than the 25% per capita medicare cost in the province. As a result, the Government paid the larger amount to its employees and pensioners in Alberta, who then covered their premiums. By 1987, however, the Treasury Board adopted the policy of paying 50% of provincial health care premiums.

Table 2050 gives the amounts paid in relation to provincial health care plans, either as a contribution to medicare premiums levied on individuals, or through a health payroll tax.

Table 2050

Summary of Treasury Board payments relating to provincial health care premiums and payroll taxes, 1993–94 to 2002–03

Year	Employer share of provincial health care premiums ($M)	Employer health payroll taxes ($M)
1993–94	25.8	250.8
1994–95	27.1	251.9
1995–96	29.3	244.0
1996–97	24.1	234.4
1997–98	25.7	234.6
1998–99	26.4	241.0
1999–00	26.1	253.3
2000–01	27.7	324.6
2001–02	27.6	312.1
2002–03	40.1	341.0

Employer health care premiums (levied now only in Alberta and British Columbia) amounted to $9.2 million for employees of the core public service and separate employer domains in 1994–95. Except for 1995–96, when the amount totaled $10.9 million, these premiums remained in the range of $8 to $9 million until 2002–03 when they reached about $13.2 million as a result of premium increases in both Alberta and British Columbia.

Several provinces (since 1990, Manitoba, Ontario, Quebec and Newfoundland) have required employers to pay a payroll tax in support of their provincial health plan. This amount totalled in the mid $200 million area through the mid to late 1990s, and then rose to $341 million by 2002–03.

The Quebec sales tax on insurance plan premiums and administration costs represented a cost to the federal employer of about $4 million in 1993–94. It remained in the zone of $4 to $5 million until 2000–01, when the amount jumped to $16 million to cover retroactive premiums, and then levelled off at $9.5 million in 2001–02 and $11.2 million in 2002–03.

Employee leave

Although leave is paid for as part of salary, it is an important area of compensation policy since it is in fact paid time not worked. Leave entitlements for most employees are defined in the applicable collective agreements. The main categories of paid leave are described below.

Statutory holidays

The federal government recognizes 11 days per year as statutory holidays. This applies to all employees.

Vacation (annual) leave

Entitlement varies according to group and length of service. For unionized employees, the general pattern is this:

New employee	15 days per year
8 years of service	20 days
16 years	22 days
17 years	23 days
18 years	25 days
27 years	27 days
28 years	30 days

A few groups such as Research Scientists (RE), and University Teaching (UT) have four weeks of annual leave from the first year, and the Health Services (SH) group also does after one year. Executives have four weeks leave on appointment, five weeks after 10 years at that level (or 20 years in the public service), and six weeks after 28 years in the public service.

Employees are expected to use their vacation leave within the year. Normally any unused leave in excess of about one year's entitlement is paid out in cash at the end of the fiscal year. With his or her manager's approval, employees may cash out other annual leave.

Sick leave

This covers absence due to personal illness or injury. The employee's manager may require a confirming note from a physician. Leave is normally accumulated at the rate of 1.25 days per month worked (15 days per year). There is no cashing out of unused sick leave. The manager may advance sick leave credits, if deemed appropriate.

Family-related leave

Employees may use up to five days per year for carrying out family responsibilities such as caring for a sick relative.

Compensatory leave

This relates to time-off in lieu of overtime paid in cash.

Personal and volunteer service leave

Most unionized employees receive one leave day each year for any personal reason, and another for volunteer service.

Other paid leave

There are several other forms of paid leave to which employees can have access. These include leave for purposes such as injury-on-duty, bereavement, education etc.

Separate employers

For separate employers, employee leave generally follows the policies for the core public service domain. This is not surprising in that most employees are subject to collective agreements negotiated by unions operating in both employer domains. In the case of three of the largest separate employers (CCRA, CFIA and Parks Canada), it has been only a few years since they were carved out of the core public service. Nevertheless, some differences have emerged. For example, CCRA did not include in its contracts the one-day voluntary leave provision that was adopted in the core public service in 2001.

Leave usage rates

In total, employees in the core public service domain used about 7.74 million days of paid leave in 2002–03. This represented an average of about 41.2 days per year. We calculate that paid leave or time not worked had a total value of about $1.6 billion during the year, which is equivalent to about 18.4% of the relevant salary mass.

It could be argued that rest periods constitute a further element of time not worked. Although arrangements vary, many public servants take two health breaks of 15 minutes per day. Smokers may take more frequent breaks. Thirty minutes per day is equal to about 6.7% of the official workday. However, we have decided not to put any value on such breaks since it is highly variable to what extent employees stick strictly to a limit of seven and a half hours at work. For many employees, rest periods are balanced by unclaimed overtime, or blend into the work day as current issues are pursued with colleagues during breaks.

Table 2051 below sets out leave usage by principal categories in 2002–03, and provides an estimate of the value in equivalent salary cost of each category. The biggest area is naturally vacation leave, followed by statutory holidays and sick leave.

Table 2051

Leave usage* and estimated value by category in the core public service domain, 2002–03

Paid leave	Days (Millions)	Percentage (%)	Average days per capita	Estimated value ($ millions)
Vacation leave	3.2	42.0	17.3	677.3
Statutory holidays	2.1	26.7	11.0	430.8
Sick leave	1.6	20.2	8.3	325.3
Family related leave	0.3	3.8	1.6	61.7
Compensatory leave	0.2	2.6	1.1	41.4
Personal & volunteer leave	0.2	2.2	0.9	35.7
Other leave	0.2	2.6	1.1	41.3
Total	**7.7**	**100**	**41.2**	**1,613.4**

* Average usage in this table, and throughout this section is based on a total population of about 187,000. This is the total number of employees active in the leave system for any part of the fiscal year.

Vacation leave cash out

Employees must or may cash out vacation leave in certain circumstances. In 2002–03, the estimated value of such cash outs was about $41.8 million, the approximate equivalent of about 200,000 leave days.

Examples of leave usage by classification group

We took a look at which classification groups were the most frequent users on average of sick and family-related leave, summarized in Tables 2052 and 2053. In both cases, operational groups are most likely to use the available leave. Among groups with more than 500 members, the main user of sick leave was the Correctional Services (CX) group at 14.23 days on average per employee. That group also made the most regular use of family-related leave, using 4.44 days on average out of a maximum employee entitlement of 5 days per year. The next two groups with the most frequent use of sick leave were the Ship Repair (East) group (13.94 sick days on average), and the Heating, Power and Stationary Plant Operation (HP) group (11.7 days).

Table 2052

Summary of average sick leave usage by groups with a minimum population of 500 in the core public service domain, 2002–03

Occupational group	Employees	Total days of	Average per	Average cost per

		sick leave	employee	employee
10 groups with the highest sick leave usage				
Correctional Services	6,854	97,507	14.2	$2,967
Ship Repair (East)	657	9,161	13.9	$2,908
Heating, Power and Stationary Plant Operation	535	6,252	11.7	$2,437
Ship Repair (West)	664	7,645	11.5	$2,401
Welfare Programs	2,703	28,682	10.6	$2,213
Purchasing and Supply	2,511	25,272	10.1	$2,099
Hospital Services	802	7,909	9.9	$2,057
General Services	4,290	42,141	9.8	$2,049
Program Administration	19,057	180,921	9.5	$1,980
Social Science Support	3,909	36,439	9.3	$1,944
3 groups with the lowest sick leave usage				
Scientific Regulation	1,970	6,508	3.3	$ 689
Defense Scientific Services	602	1,995	3.3	$ 691
Foreign Services	1,235	4,815	3.9	$ 813
Total, core public service	**187,781**	**1,559,671**	**8.3**	**$1,731**

Some groups were relatively infrequent users of sick leave and family-related leave. Among classification groups with at least 500 members, the lowest average use of sick leave (3.3 days) was among the Defence Scientific (DS) and the Scientific Research (SE) groups, followed by the Foreign Service (FS) group, with usage of 3.9 days on average. For family-related leave, the FS group and the Executive (EX) group made the least use of family related leave, at 0.5 days on average, followed by the SE group (0.6 days per capita).

Table 2053
Summary of average family-related leave (FRL) usage by groups with a minimum population of 500 in the core public service domain, 2002–03

Occupational groups	Employees	Total days of FRL	Average days per employee	Average cost per employee
10 groups with the highest FRL usage				
Correctional Services	6,854	30,436	4.4	$926
Ship Repair (East)	657	2,791	4.2	$886
Ship Repair (West)	664	2,335	3.5	$733
Hospital Services	802	2,077	2.6	$540
Heating, Power and Stationary Plant Operation	535	1,357	2.5	$529
Welfare Programs	2,703	6,694	2.5	$517
General Services	4,290	8,090	1.9	$393
Nursing	1,868	3,484	1.9	$389
General Labour and Trades	7,631	14,009	1.8	$383
Clerical and Regulatory	37,107	64,702	1.7	$364
3 groups with the lowest FRL usage				

Foreign Service	1,235	570	0.5	$96
Executive	4,496	2,383	0.5	$111
Scientific Research	1,970	1,189	0.6	$126
Total, core public service	**187,781**	**295,833**	**1.5**	**$313**

Sick leave usage

Overall average sick leave usage is substantially influenced by a relatively small number of employees who are suffering major illnesses. In 2002–03, the 5% of employees claiming 20 days or more of certified sick leave used about a quarter of total sick leave. Employees with 25 or more years of service were substantially more likely to use sick leave, claiming on average 14.4 days. These employees, who numbered about 28,600 in March 2003 (around 17% of the population), used about 26% of total sick leave.

Conversely, the cohort with less than 5 years' service used only about 5.6 days of sick leave on average. At about 35% of the population, they claimed about 21% of this form of leave. The cohorts with service between 5 and 24 years used sick leave roughly in proportion to their share of the population.

Use of leave without pay

Federal public service collective agreements also provide for leave without pay. In 2002–03, about 14,500 employees used such leave. The main purposes were: taking leave as part of an income-averaging plan (3,500 employees), illness or disability (3,200 employees), parental leave (2,100 employees) and maternity leave (1,400 employees).

Separate employers

Sick leave usage at CCRA in 2002–03 was generally higher than in the core public service domain. Nevertheless, the agency average of about 13 days per employee was broadly in line with some of the operational groups in the core public service. CFIA's rate of sick leave usage at 9.4 days per employee was just above the core public service average of 8.3 days. For Parks Canada, sick leave usage was lower, averaging 6.2 days per employee in 2002–03.

The total leave usage at CFIA was about 186,600 days including vacation, sick, compensatory (time in lieu of overtime), family, and injury-on-duty leave. Allowing 11 statutory holidays per employee, the overall total would be about 248,000 days. This would equate to a value of about $50 million for time not worked, or around 17% paid time not worked. This is a bit lower than our estimate of 18.4% for the core public service universe.

At CCRA total leave usage in 2002–03 was about 1.77 million days, equivalent roughly to about $338 million, or 13.5% of the salary mass. Sick leave was estimated to have a time-not-worked value of about $103 million, or 4.1% of payroll. This compares with an estimated value for sick leave of about 3.7% of payroll in the core public service.

Retrospective—Employee leave

We referred to the collective agreements applying to the Clerical and Regulatory (CR) classification group to trace how entitlements have developed since collective bargaining was adopted in 1967.

Vacation leave

Essentially what has occurred is that the number of years of service required to earn a given number of days of vacation, or annual leave has decreased over time.

From the beginning, in 1967, new employees received 15 days. Originally, 20 years of service was needed for 20 days of leave. This shrank to 8 years in 1989, and has remained there. The initial requirement of 25 years of service for 25 days of leave declined to 18 years in 1999. The possibility of 30 days of leave came with the collective agreement of 1989, after 30 years of service. By 2001, only 28 years of service was needed. In that year also, intermediate steps were introduced, such as 16 years for 22 days leave. Two additional days were also added, one for any personal reason, and one for voluntary service. Appendix N provides the details of this evolution. Entitlement to other forms of leave has continued unchanged since the 1980s.

Table 2054 provides an overview of total leave usage in the core public service domain for selected years since 1990. More detail is available in Appendix N. Total days leave per capita has been fairly constant—at about 40 days annually—for all reasons including statutory holidays, plus or minus about one day. The highest average was in 2002–03, the most recent year, which could be expected in view of the two extra personal/voluntary leave days agreed to in 2001. Vacation (annual) leave has also been quite steady, averaging between 16.4 days (1998–99) and 17.3 days (2002–03). Earlier access in one's career to particular levels of annual leave entitlement seems to have been substantially offset by departures from the public service or the cashing-out of leave entitlements, leaving the average usage little changed from year to year.

Table 2054

Summary of the usage of paid leave in the core public service domain for selected years since 1991

Year	Paid Leave	Days (millions)	%	Average days per capita	Estimated value ($M) current	Estimated value ($M) constant	Estimated Value (% of the payroll)
2002–03 Payroll: $8,822 M	Vacation Leave	3.2	42.0%	17.3	$677.3	$677.3	
	Statutory Holidays	2.1	26.7%	11.0	$430.8	$430.8	
	Sick Leave	1.6	20.2%	8.3	$325.3	$325.3	
	Family-Related Leave	0.3	3.8%	1.6	$61.7	$61.7	
	Compensatory leave	0.2	2.6%	1.1	$41.4	$41.4	
	Personal and Volunteer Leave	0.2	2.2%	0.9	$35.7	$35.7	
	Other Leave	0.2	2.6%	1.1	$41.3	$41.3	
	Total 2002–03	**7.7**	**100.0%**	**41.2**	**$1,613.4**	**1,613.4**	**18.3%**
1997–98 Payroll: $7,603 M	Vacation Leave	3.5	42.6%	16.9	$551.9	615.8	
	Statutory Holidays	2.3	27.7%	11.0	$358.8	400.4	
	Sick Leave	1.7	20.7%	8.2	$267.6	298.6	
	Family-Related Leave	0.3	3.3%	1.3	$42.5	47.4	
	Compensatory leave	0.2	2.5%	1.0	$32.3	36.0	
	Personal and Volunteer Leave	0.0	0.0%	0.0	$0.0	0.0	
	Other Leave	0.3	3.3%	1.3	$42.6	48.0	
	Total 1997–98	**8.2**	**100.0%**	**39.7**	**$1,295.7**	**1,446.2**	**17.0%**
199–94 Payroll: $9,244 M	Vacation Leave	4.2	42.1%	17.1	$652.4	769.9	
	Statutory Holidays	2.7	27.0%	11.0	$418.7	494.1	
	Sick Leave	2.1	21.1%	8.6	$327.0	385.9	
	Family-Related Leave	0.3	2.9%	1.2	$45.0	53.2	
	Compensatory leave	0.3	2.8%	1.1	$43.3	51.1	
	Personal and Volunteer Leave	0	0.0%	0.0	$0.0	0.0	
	Other Leave	0.4	4.0%	1.6	$62.3	73.0	
	Total 1993–94	**10.03**	**100.0%**	**40.7**	**$1,548.74**	**1,827.1**	**16.7%**
1991–92 Payroll: $8,871 M	Vacation Leave	4.0	41.8%	16.8	$581.8	708.0	
	Statutory Holidays	2.6	27.5%	11.0	$381.9	464.6	
	Sick Leave	2.1	21.8%	8.7	$303.6	369.5	

	Family-Related Leave	0.3	2.7%	1.1	$37.5	45.7	
	Compensatory leave	0.3	2.9%	1.2	$40.8	49.7	
	Personal and Volunteer Leave	0.0	0.0%	0.0	$0.0	0.0	
	Other Leave	0.3	3.2%	1.3	$44.6	54.3	
	Total 1991–92	**9.58**	**100.0%**	**40.0**	**$1,390.26**	**1,691.7**	**15.7%**

Table 2054 also estimates the value of the time not worked, as well as the proportion that value constitutes of the salary mass. This estimate was calculated by multiplying the number of leave days reported (or in the case of the statutory holidays, an assumption of 11 days per employee), by the average salary per day for the whole core public service domain.[64] It can be seen in the Table that the proportion of the salary mass paying for time not worked was generally in the range of 16% rising to 17% between 1990–91 and 1997–98. Thereafter, the proportion was in the range of 18%. Observing that total leave days per employee was fairly consistent throughout the 12 years covered in our analysis, it seems likely that the increased proportion for time not worked results in some way from the separation of the Canada Customs and Revenue Agency, as well as the Canadian Food Inspection Agency and Parks Canada, from the core public service domain.

Sick leave

Looking in more depth at the use of sick leave over the past 12 years, we can see distinct patterns of usage. At the most general level, the average number of sick days used per employee[65] in the core public service domain stayed in the narrow range of 8.6 to 8.9 between 1990–91 and 1996–97. The average then declined to a low of 7.2 days in 1999–2000, before rising again steadily, to 8.3 in 2002–03.[66] The dip may well result from disproportionate departures, through the period of downsizing, of employees with serious health problems. In fact, for the two years 1998–99 and 1999–2000 immediately following the Program Review staff reductions, the share of employees claiming 20 or more days of sick leave was unusually low, at 4.4%, while the share claiming fewer than 5 days was especially high at nearly 54%.

The distribution of employees (in this case those employed for the full year) by the number of sick leave days used was also notably stable. Except for two of the twelve years examined, between 46% and 49% of employees used fewer than 5 days of sick leave during the year. At the other end of the continuum, the proportion using 20 days or more was between 4.4% and 5%, except for the most recent three fiscal years when the level rose steadily to reach 6.3% in 2002–03.

Remarkably, the distribution of sick leave usage by classification group changed little over these years as well. Appendix O gives details on those groups using the most and the least sick leave per employee. For all but three of the thirteen years we analysed (from 1990–91 to 2002–03), five classification groups consistently used the most sick leave per capita. These were the Correctional Services (CX), Ship Repair (East), Ship Repair (West), Heating, Power and Stationary Plant Operation (HP), and Hospital Services (HS) groups. The CX group used the most sick leave per capita in ten of the thirteen years. The group average usage varied from a low of 12.73 days in 1997–98 to a high of 14.73 in 2001–02.

It is important to note that since 1998–99, employees who work regularly on shifts (which includes most of the members of the CX group, for example, as well as many employees in the other groups cited) accumulate an extra 2 days of sick leave per year, which cannot be carried over into the next fiscal year.

The same unchanging pattern applies to the three groups using the fewest days of sick leave per employee. For all thirteen years, the same three classification groups were absent the least on account of sickness. These were: the Defence Scientific Services (DS), the Foreign Service (FS), and the Scientific Regulation (SG-SRE) groups. Usage for any of these groups never exceeded 3.9 days per employee, and was often below 2.5 days for one or more of these groups. It is understandable that operational work, often in difficult environments like penitentiaries or dockyards, would give rise to more claims for sick leave than scientific work in laboratories or serving Canada abroad. However, what could be termed the rigidity of the levels of usage by different groups, both in absolute and in relative terms, sustained over thirteen years through changing circumstances, suggests that cultural and management factors may also play a role in the level of demand for sick leave. There may also be inconsistency in how rigorously sick leave is recorded across the public service.

Family-related leave

We also examined the usage of family-related leave. Between 1990–91 and 2002–03 there has been a slow, generally steady increase in the usage of such leave, from 1.1 day per employee at the beginning, to 1.6 days on average at the end of the thirteen years.

Looking again at the picture of usage by classification group for the ten groups with the highest usage, and the three groups with the lowest usage, we see almost no change in the groups' relative position. In each of the 13 years covered, the top three groups in descending level of average usage were: the Correctional Services (CX), the Ship Repair (East), and the Ship Repair (West) groups. The Hospital Services (HS), the Welfare Programmes (WP), and the Heating, Power and Stationary Plant Operation (HP) groups took turns in filling the fourth and fifth place each year. Usage per employee within the CX group was never below 4 days (the maximum annual entitlement is 5 days), and in 8 of the 13 years usage was between 4.33 and 4.47 days per employee.

Three groups consistently used the fewest days of family-related leave: the Foreign Service (FS), the Executive (EX), and the Scientific Regulation (SG-SRE) classification groups. For these groups, usage per employee only reached 0.6 days for one group once. More typically, such absences averaged below 0.4 days; we did observe a trend to usage more in the range of 0.5 days toward the end of the period examined.

Cashing of Vacation leave

Finally in the area of vacation leave, we note that employees may request that some of their leave be paid in cash, rather than in time away from work. The Treasury Board policy as well is that managers should direct the paying out of leave not taken within a fiscal year if the employee's accumulated bank of leave is greater than one year's worth. Recorded expenditures and the corresponding number of recipients for selected years over the past decade were as follows:

	Vacation cash-outs	
Year	**Recipients**	**Amounts Paid Out (M)**
1994–95	11,379	$37.05
1998–99	11,859	$32.17
2002–03	14,003	$41.81

Severance pay

Federal government collective agreements generally provide for severance pay to be given to employees when their employment ends. If the employee retires, is laid off, terminated for incapacity, or dies, the normal entitlement is one week's pay at the current rate for each year of service, to a maximum of 30 weeks. For non-unionized employees, the maximum is normally 28 weeks. An employee who resigns, or is terminated for incompetence, after at least 10 years' continuous service is entitled to one-half a week's pay per year of service.

Payments for severance in 2002–03 in the core public service domain amounted to about $87.9 million. About $67.9 million was paid into a Registered Retirement Savings Plan. Recipients numbered about 4,420, for an average severance payment of nearly $20,000.

Although our approach to assessing total compensation is based on current expenditure, it is pertinent to note the liability incurred by the federal government for future severance pay. It is estimated that for the core public service domain, severance pay obligations arising from service in 2002–03 totalled about $193 million. For the government as a whole, the Public Accounts[67] estimate the total future benefit liability at about $3.57 billion. This liability represents payments that will be made to current employees upon their departure in future years, as a result of their service rendered to date.

Separate employers

Severance pay was reported in the Public Accountsas adding up to about $33.2 million for the separate employers in 2002–03.

Retrospective—Severance pay

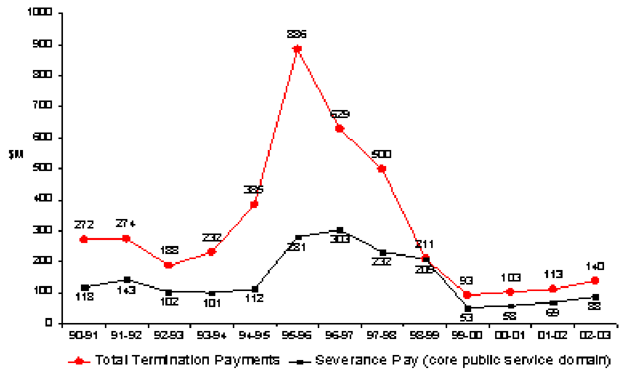
We used, once again, the collective agreement for the largest classification group, the Clerical and Regulatory (CR) group, as indicative of the evolution of this entitlement for public servants generally. The basic terms have remained virtually unchanged since collective bargaining commenced in the late 1960s. The only substantive changes have been the following.

a. An increase in 1989 from 28 to 30 as the maximum numbers of years to be counted in calculating the severance amount on retirement or death.
b. At the same time, partial payments for part of a year of service were introduced.
c. For layoffs, beginning in 1989, it was agreed that there would be no limit on the number of years of service that could be counted, and from 1998 that partial years would be recognized in determining the amount paid.
d. In 1971, those rejected on probation became eligible also, with a minimum of one year's service.

Figure 2055 illustrates the history of severance pay and related termination benefits from 1990–91 to 2002–03. The higher line is the amount reported in the Public Accounts (economic object 107). These figures cover all end-of-service payments in the core public service and separate employer domains. The scope of such payments is broader than severance pay strictly defined, including most notably payments under the Early Departure Incentive (EDI) program that was in place in the middle 1990s to ease the downsizing of the public service. The lower line is specifically severance pay, only in the core public service domain.[68]

Figure 2055
Severance pay and termination benefits, 1990–91 to 2002–03

Display full size graphic



The large increase in both lines during the middle 1990s resulted from the large-scale downsizing needed to implement Program Review. The distinctly lower severance payments in the core public service domain after the downsizing compared with the period before Program Review is probably the result of two factors: the shrinking of the population, and the likelihood that incentives to leave the public service during Program Review would have attracted many who otherwise would normally have retired in the late 1990s or early 2000s.[69]

It is interesting to report on the origins of severance pay. Starting in 1923, the Civil Service Regulations provided for "retiring leave" to be granted to employees departing because of resignation, retirement, ill-health or lay-off. One month of leave was provided for each five years of service, to a maximum of six months' leave. Initially, to be eligible, an employee needed to have accumulated an equivalent amount of sick leave credits.[70] Management sought eventually to convert the leave to a cash payment, since positions could not be filled until the employee actually left the public service. Such a policy was adopted in 1957, except for employees over 59.5 years of age, who retained the option of taking leave or cash in lieu of leave. When collective bargaining began many of the negotiators, more familiar with severance pay in a private sector context, negotiated essentially the severance pay arrangements we now have.

7. Public Service Pension Plan

The federal public service pension plan is a defined benefit plan administered by the Superannuation, Pension Transition and Client Services Directorate of Public Works and Government Services Canada.

Public service pension plan overview

The *Public Service Superannuation Act* provides for employees to collect pension benefits starting at age 55, with at least 30 years of service; or at age 60, with at least two years of service. Employees may retire as early as age 50 with benefits reduced according to a formula.

Benefit rate

Absent an early-retirement reduction, the amount of benefits payable is a percentage of the *average* of the employee's best five consecutive years of salary. That percentage is determined by an accrual rate of 2 % times years of service, to a maximum of 35 years. This yields a pension benefit ranging from 4% to 70% of the calculated average salary.

Contribution rate

In 2002–03, employees contributed to the Public Service Pension Plan (PSPP) 7.5 % of their annual salary above the year's maximum pensionable earnings (YMPE) for the Canada or Quebec Pension Plan. In 2003, the YMPE was $39,900. On their earnings below that amount—or their total salary if it is less than $39,900—employees contributed 4 % to the PSPP.[71] This takes account of the fact that PSPP benefits are reduced by the approximate amount of the CPP/QPP when individuals turn 65 or receive a CPP/QPP disability benefit. Like all employed Canadians, public service employees contribute 4.95 % of their salary—up to the $39,900 year's maximum pensionable earnings—to the Canada or Quebec Pension Plan. It should be noted that, while CPP/QPP contributions are not payable on the first $3,500 of income, the PSPP does require a 4 % contribution on income below this amount.

Pension reduction at age 65

Before age 65, retired employees receive the full amount of their pension entitlement, which varies according to their years of service and any other variables such as periods of part-time employment for example. After age 65, their PSPP benefits are reduced by an amount calculated as follows:

.007 x years of service x (the average of the previous five years' YMPEs
or their best five consecutive years of salary, whichever is the lower figure)

As an example, a 65-year-old employee retiring in 2003 after a 35-year public service career, with a PSPP benefit of $40,000 per year based on an average salary of about $57,000, would experience a pension-benefit reduction as follows:

.007 x 35 x $38,460 (The five-year average YMPE in 2003)
= $9,422.70, or $785.23 per month reduction.

The resulting reduction of pension benefits is not necessarily equal to the CPP/QPP pension benefits, however, since they are calculated on a different basis. Employees may receive less in total pension benefits once they begin receiving CPP/QPP benefits.

Other elements of the PSPP

Benefits are adjusted annually (on January 1) to match the increase in the Consumer Price Index. The vesting period (that is, the period of employment after which the employee has a right to an eventual pension) is two years.

Surviving spouses are eligible for an indexed benefit equal to 1 % times years of service times the best-five-years' average salary, with no reduction for the receipt of CPP/QPP benefits. Surviving dependent children can also receive an allowance.

Employees may transfer the actuarial value of their pension to other employers (mainly other large public sector employers) who have a pension transfer agreement with the federal government. Former contributors (provided they leave the public service by age 50) may also direct a transfer of the capitalized value of their earned pension benefits into a locked-in retirement savings vehicle.

Deputy ministers (DMs—the three dozen or so who serve ministers directly) benefit from two special pension entitlements. The first, created in 1988 on the advice of the Advisory Group on Executive Compensation, provides an extra year's pension accrual for each year of service as a deputy minister, to a maximum of 10 years. With the accrual rate of 2% times years of service, this means the total accrual would be up to 90% of "average" salary in the case of 35 years' service, with 10 years as a deputy minister. The second allows DMs (Associate Deputy Ministers are also eligible for this) who leave the public service before age 60 to continue contributing to their public service pension up to age 60.

Pension financial arrangements

The pension plan financing is now managed through two mechanisms.

Financing mechanism 1: Retirement "accounts"

The first mechanism is a set of accounts (not cash) that record in the Accounts of Canada the net credits of employees and the government ("notional") contributions, plus interest, to meet the government's pension obligations to its employees.

These accounts mimic a notional portfolio of 20-year bonds but they actually hold no assets. Consequently, this part of the plan is essentially unfunded, which means that it has no funds set aside and invested externally. Nonetheless, this accounting mechanism allows for the recognition of government pension costs and liabilities in the books.

Since 1994, the Retirement Compensation Arrangements Account covers pension benefits above the limits for registered pension plans under the *Income Tax Act*—effectively pension benefits on income over $99,000 in 2002. This account covers pension benefits on income above this limit and liabilities for the cost of providing unreduced pensions to certain employees declared surplus during the Program Review expenditure reductions of the mid 1990s. Historically, contributions by employees and the employer were credited to the Public Service Superannuation Account.

Financing mechanism 2: Investments in the external market

The second mechanism, in effect since April 2000, is the external investment of the net employee and employer contributions in the market by the Public Sector Pension Investment Board.

Payment of actual benefits

Actual benefits are financed from current-year cash sources (e.g. government tax revenues) in the year they are paid. Pensions relating to service before April 2000, as well as all benefits beyond the *Income Tax Act* threshold relating to periods both before and after April 2000, are financed from the first mechanism. *Public Service Superannuation Act* entitlements relating to the period after April 2000 are deducted from the funds forwarded to the Investment Board for investment. Eventually, benefits will be paid by the government from the Board's accumulated funds once the annual benefit payments for post-2000 service become higher than the net contributions.

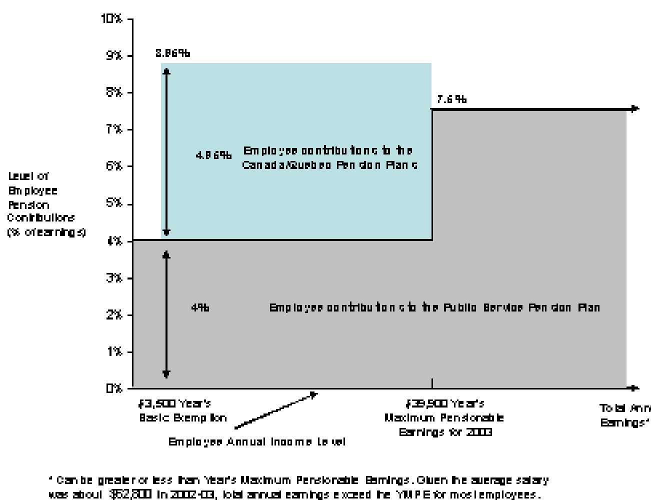
Pension contributions

As noted earlier, while employees in the core public service contribute, like all Canadians, 4.95% of their earnings up to the year's maximum pensionable earnings for the Canada and Quebec Pension Plans ($39,100 in 2002, and $39,900 in 2003), they then paid, in 2002–03, an additional 4% of that portion of their salary, plus 7.5% for the portion of salary above that level, as contributions to the Public Service Pension Plan.

Figure 2056 illustrates the level of employee contributions to the Public Service Pension Plan and the Canada/Quebec Pension Plans for earnings below and above the year's maximum pensionable earnings.

Figure 2056
Employee contribution levels in 2002–03 for the Public Service Pension Plan and the Canada/Quebec Pension Plans according to annual earnings level

Display full size graphic

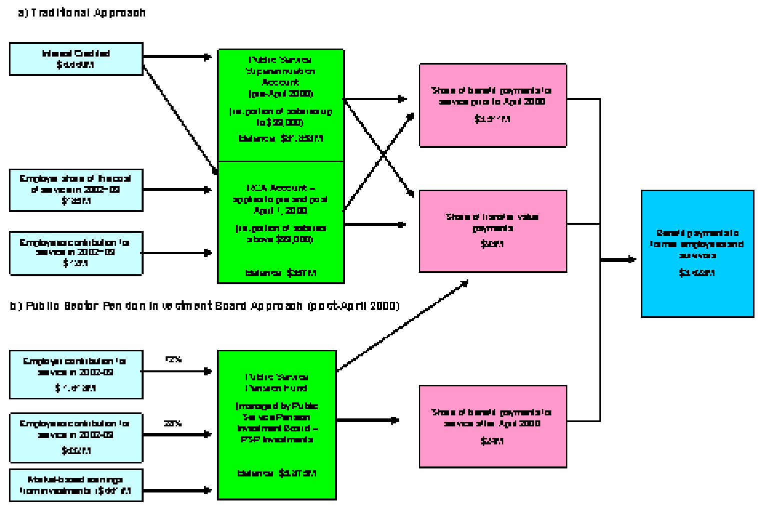


In 2002–03 employees in the core public service domain contributed a total of about $455 million, while employer pension contributions amounted to about $1.29 billion. This is the employer's share of the amount required to meet future pension entitlements which are estimated to have been earned during the year. In effect, the employee contribution rate is fixed, and the employer contributes the rest of the amount required. For post-April-2000 service, since the government contributions are no longer notional, the employer's rate is now based on the expected financing needs of the plan and external investments' expected return, and it is set for a few years following the most recent triennial actuarial valuation. It may therefore differ slightly from the cost of entitlements arising from current service that would otherwise be calculated on different bases such as the annual accounting actuarial valuation.

For pension contributions on income within the *Income Tax Act* limit, the ratio of employer to employee contributions is 72% to 28%. This ratio has been in effect since 2000. The figures in the previous paragraph reflect a ratio of 74% to 26%. This results from inclusion of contributions to the Retirement Compensation Arrangement Account, for which the employer-paid share is larger.

Figure 2057
Schematic overview of public service pension financing, 2002–03*

Display full size graphic



* Several points must be noted about this chart:

- This schematic represents a simplification of the process for illustrative purposes. It does not, for example, depict additional sophisticated processes for dealing with situations such as excesses or deficits in the Account or Fund.
- Pension coverage in relation to that portion of an individual's salary that exceeds the limits in the *Income Tax Act* (i.e. for periods of service from December 15, 1994) is recorded in the Retirement Compensation Arrangements (RCA) Account.
- The contributions reported relate only to current service (i.e. in 2002–03), not to past service since we are looking at costs relating to 2002–03.
- The amounts shown in Figure 2057 differ from the amounts stated in the accompanying text because contribution amounts in Figure 2057 cover the core public service domain and separate employers. Amounts in the accompanying text relate only to the core public service domain and are therefore lower.

It might be thought that another approach to reporting pension costs in the context of total compensation would be preferable. For example, one could report the benefits paid to pensioners and survivors during the year. For 2002–03, nearly $3.6 billion was paid to beneficiaries who previously worked in the core public service domain, or for the various separate employers. This method is not appropriate, however, since current pension payments relate to service over many years, and not to the cost incurred to provide for the entitlements resulting from service during the year.

Along similar lines, it might be suggested that it would be sensible to include in employer costs the interest credited to the pension accounts over the year. In 2002–03, this totalled about $6.66 billion for the accounts covering the core public service and the separate employer domains. Pension costs are established through complex actuarial valuations that always bring back the cost to its net present value. Excluding the interest component, notional or otherwise, and the return on the external pension assets, provides a better comparison between the cost of both pension schemes. It allows us to compare apples with apples, irrespective of the financial mechanism chosen, which remains a financing decision, as opposed to a compensation policy decision.

Over the past several years, for accounting purposes, the government has been amortizing actuarial gains that built up in the traditional pension accounts because of the recording of past estimations that had been revised downwards. In the late 1990s, the actuarial estimate of the amounts needed to meet future pension obligations was lower than the amounts (including interest) that had been credited to the accounts over the years.[72] In 2002–03, the net amount amortized in relation to all the government's pension accounts was $2.19 billion.

This amortization served to reduce the effect of net employer pension costs on the overall government bottom line. The process of amortizing the pension actuarial gains and losses to expense is an ongoing practice. Its numbers are revised each year and it has now started to fluctuate between net gains and net losses depending on the results of the annual updates of the actuarial valuations. The amortization of actuarial gains or losses also applies to the estimations recorded for the Public Service Pension Fund. Nevertheless, while this amortization affects the government's annual surplus, it does not affect the amounts of contributions actually paid to the Public Sector Pension Investment Board during a year. In addition, from a funding perspective, the government also remains responsible for funding any future deficit in the Public Service Pension Plan or for "notionally funding" similar "notional deficits" relating to the "traditional" accounts.

Separate employers

The separate employers participate in the same pension plan that applies in the core public service domain. For 2002–03, employer contributions relating to this domain totalled about $470 million. Employee contributions were about $166 million. These payments reflect about the same employer/employee ratio as in the plan overall.

Retrospective—Pensions

In this section it again makes sense to combine our analysis of the core public service and separate employer domains, since most of the programs under review apply to all parts of the two domains.

The federal public service pension regime we now have was recognizably in place 80 years ago. The *Public Service Superannuation Act* came into force in January 1954. The details of benefits and contributions have been adjusted several times over the past half-century, most recently in 1999.

To put pension policy into context, we have distilled a brief summary of how the plan we know today developed over the past half-century.

1954
The *Public Service Superannuation Act* confirmed as a matter of law the basic features of the then existing pension regime. The Act expanded coverage to include many temporary workers who had nevertheless been employed for many years. It set male contributor rates at 6%, and female rates at 5% of salary. Authority to enter into reciprocal transfer arrangements with other employers was established. The salary average calculation shifted from last-ten years to best-ten.

1955
The Supplementary Death Benefit was introduced as part of the Superannuation Plan.

1959
A one-time, permanent cost-of-living increase was approved by Parliament.

1960
The salary average used for calculating benefits was reduced from best ten consecutive years to the best six. The contribution rate for male employees was raised from 6% to 6.5%. Reduced pensions became available as early as age 50.

1966
The Plan was integrated with the new Canada Pension Plan (CPP).[73] Contributions to the public service pension plan were to be reduced by the amount of contributions to the new CPP; conversely, benefits would be reduced at age 65 when CPP benefits became payable, or on becoming entitled to a CPP disability pension.

1970
The *Supplementary Retirement Benefits Act* provided for automatic indexing of pensions to the cost of living to a maximum of 2% per year, with employees contributing 0.5% of salary for this protection.

1971
An early retirement option was introduced, permitting unreduced pensions for employees aged 55 with at least 30 years of service.

1974
The cap was removed on the indexing of benefits to the cost of living.

1975
The equality of male and female contributors was guaranteed, with equal contribution rates. Female employees became eligible to pass on survivor benefits.

1977
The employee contribution to support the cost of indexing was raised from 0.5% to 1% of salary.

1983–84
During this time of compensation restraint in 1983 and 1984 (known colloquially as the "six-and-five" period) limits were placed on the level of inflation protection for public service pensions.

1986
The legislated cycle of actuarial reviews of federal statutory pension plans was reduced from five years to three years.

1989
Amendments eliminated the suspension of benefits upon the remarriage of a surviving spouse, the reduction in benefits if a surviving spouse was more than 20 years younger than the deceased Plan member, and the requirement that surviving eligible children be unmarried.

1991
The main Superannuation Account and the Supplementary Retirement Benefits Account (which covered the cost of indexing benefits to the cost of living) were merged. The Government was required to match member

contributions at a minimum, and to contribute any additional amount required to cover fully the current service cost of the Plan.

1992
PSSA amendments included: extending coverage to employees working at least 12 hours per week, establishing a contributory early retirement program for operational employees of the Correctional Service, and limiting benefits to the levels set in the *Income Tax Act*. The *Special Retirement Arrangements Act* gave authority to provide benefits on income over the *Income Tax Act* limits, and special benefits such as those offered in the Early Retirement Incentive to forgive pension penalties for eligible employees leaving during Program Review. The *Pension Benefits Division Act* permitted plan members and their spouses to divide pension credits on marriage breakdown.

1996
The vesting period was reduced from five to two years, and authority was introduced to permit the transfer of the capitalized value of a departing employee's (limited to those under age 50) earned pension benefits to a locked-in retirement savings vehicle.

1999
The *Public Sector Pension Investment Board Act* established an arm's length Public Sector Pension Investment Board with a mandate to invest in the market the amounts contributed after April 2000. The Act also provided for the disposition of current and future actuarial surpluses. Employee contribution rates were de-linked from Canada Pension Plan rates, and authority granted to the Treasury Board to set rates within specified limits. Survivor benefits were extended to same-sex partners.

The *Public Service Superannuation Act* (PSSA) was amended to reduce the salary-averaging period for calculating benefits from six to five years.

This recital illustrates several themes. First, social change has driven numerous adjustments in order to align pension policy with emerging norms in such areas as the equality of men and women, and evolving views in Canada on marriage. Second, as economic and financial circumstances have altered, for example the emergence of inflation as a threat to pensioner living standards, Parliament has acted to maintain the federal public service pension regime as a cornerstone of human resources policy. Finally, the evident overall trend has been towards improvements in benefits for retiring employees and their dependants.

Employer and employee contribution rates

As noted in the historical summary above, when the Canada and Quebec Pension Plans (CPP/QPP) were introduced in 1966, public service pension contributions were set at 6.5% of salary for men, and 5% for women. Public service pension contribution rates were then reduced by the CPP/QPP rates in relation to salary up to the year's maximum pensionable earnings (which was $5,000 in 1966). Total pension contribution rates rose to 7% for men and 5.5% for women in 1970 to cover indexing. The female contribution rate rose in 1976 to 7% as for males. Then the general rate rose to 7.5% in 1977 to better cover the cost of indexing benefits.

CPP/QPP rates remained unchanged until 1987, when they began to rise 0.1% per year until 1996. Thereafter, in order to secure the financial viability of the CPP/QPP, employee contribution rates increased from 2.8% in 1996 to 4.95% in 2003. Because the employee contributions to the public service pension plan were the amount left within the 7.5% contribution rate (in effect a cap on combined contributions) after the CPP/QPP rate was levied, the employee contribution rate for the public service pension plan itself declined. As a result, the proportion of pension plan costs borne by the employer began to increase. Effective 2000, the two contribution rates were decoupled, and by 2003 the combined employee pension contribution rose to 8.95% for earnings between the CPP/QPP year's basic exemption (YBE, in 2003 set at $3,500) and the year's maximum pensionable earnings (YMPE, in 2003 set at $39,900).

Table 2058 gives the employee contribution rates for both the public service pension plan and the CPP/QPP for the period from 1986[74] to 2003. As the table shows, between 1986 and 1999, the employee contribution rate for the public service pension declined from 5.7% to 4% for that portion of salary[75] between the YBE and YMPE, where about two thirds of the whole salary mass falls.

Appendix P provides a full history since 1924–25 of employer and employee contributions to finance the federal government pension plan. This comprehensive data includes contributions in respect of various Crown corporations (most notably Canada Post until October 2000), as well as payments in relation to past service and leave without pay, and other charges (such as deficit payments) to satisfy the financial requirements of the public service plan. While the data is important historically, it is more pertinent to our present analysis of compensation costs to focus exclusively on employer and employee contributions in relation to current service, as these apply to the core public service and the separate employer domains.

Table 2058

Employee contribution rates for the Canada and Quebec Pension Plans and for the Public Service Pension Plan, 1986 to 2003

Year	Below the year's basic exemption		Between the year's basic exemption and the year's maximum pensionable earnings			Above the year's maximum pensionable earnings
	CPP/QPP	PS Pension	CPP/QPP	PS Pension	Total	PS Pension
1986	-	7.5%	1.8%	5.7%	7.5%	7.5%
1987	-	7.5%	1.9%	5.6%	7.5%	7.5%
1988	-	7.5%	2.0%	5.5%	7.5%	7.5%
1989	-	7.5%	2.1%	5.4%	7.5%	7.5%
1990	-	7.5%	2.2%	5.3%	7.5%	7.5%
1991	-	7.5%	2.3%	5.2%	7.5%	7.5%
1992	-	7.5%	2.4%	5.1%	7.5%	7.5%
1993	-	7.5%	2.5%	5.0%	7.5%	7.5%
1994	-	7.5%	2.6%	4.7%	7.5%	7.5%
1995	-	7.5%	2.7%	4.8%	7.5%	7.5%
1996	-	7.5%	2.8%	4.7%	7.5%	7.5%
1997	-	7.5%	3.0%	4.5%	7.5%	7.5%
1998	-	7.5%	3.2%	4.3%	7.5%	7.5%
1999	-	7.5%	3.5%	4.0%	7.5%	7.5%
2000	-	4.0%	3.9%	4.0%	7.9%	7.5%
2001	-	4.0%	4.3%	4.0%	8.3%	7.5%
2002	-	4.0%	4.7%	4.0%	8.7%	7.5%
2003	-	4.0%	4.95%	4.0%	8.95%	7.5%

Table 2059 gives the figures for employer and employee current service contributions relating to service within the year in question from 1991–92 to 2002–03 (excludes Crown Corporations).[76] Each year, the employee contributions are collected in accordance with the contribution rates set out in Table 2058. The employer contribution is the estimated additional amount that is required to satisfy the expected cost of meeting the pension entitlements accumulated during the year.

Table 2059

Details of Employer and Employee Current Service Contributions to the Public Service Pension Plan, 1991–92 to 2002–03

Year	Employer Share ($M)				Employee Share ($M)				Total Contribution ($M)
	PSSA	RCA	Total	%	PSSA	RCA	Total	%	
1991–92	561	0	561	51%	540	0	540	49%	1,101
1992–93	671	0	671	54%	566	0	566	46%	1,237
1993–94	730	0	730	56%	564	0	564	44%	1,294
1994–95	748	0	748	58%	551	0	551	42%	1,299
1995–96	721	5	726	58%	519	1	520	42%	1,246
1996–97	749	16	765	61%	480	1	481	39%	1,246

1997–98	809	17	826	65%	452	1	453	35%	1,279
1998–99	1,006	28	1,034	69%	468	2	470	31%	1 504
1999–00	1,186	26	1,212	72%	472	3	475	28%	1,687
2000–01	1,230	56	1,286	73%	481	4	485	27%	1,771
2001–02	1,419	103	1,522	73%	554	7	561	27%	2,083
2002–03	1,618	186	1,804	74%	632	12	644	26%	2,448

It can be seen from Table 2059 that employee contributions in current dollars stayed fairly stable from 1991–92 to 1994–95 in the general range of about $550 million. During the period of Program Review, the figure fell to a low of $453 million in 1997–98. Thereafter, as the salary mass increased, the employees' total contribution rose steadily to reach $644 million in 2002–03.

Employer contributions have increased by more than two times since 1991–92, rising from about $561 million in that year to about $1.8 billion in 2002–03. During this period, the ratio of employer to employee contributions for current service rose from 1.03:1 to 2.8:1. Taking into account the whole history of the public service pension plan, however (refer to Appendix P), including contributions for all purposes[77] over the years, the cumulative ratio of employer to employee contributions was quite steady, increasing only from 1.71:1 to 1.76:1 between 1991–92 and 2002–03. The portion of current service costs borne by the employer rose from 51% to 74% during the same period. By contrast, the cumulative ratio covering all contributions for whatever purpose (such as the employer's special contributions for indexing past service costs), changed very slightly from 63% to 64% over the 13 years.[78]

As noted in the historical sketch on pension policy earlier in this section, in 1992 the *Special Retirement Arrangements Act* provided for a separate account known as the Retirement Compensation Arrangements Account (RCA) to cover pension benefits in relation to that portion of an individual's salary that exceeds the limits in the *Income Tax Act* ($99,000 in 2002). As Table 2059 shows, the ratio of employer to employee contributions into the RCA Account stood at 94%/6% in 2002–03. Like the main Superannuation Account, the employer picks up costs in excess of the employees' contributions to the RCA Account.

It is essential to note that changing actuarial assumptions drove much of these increases. At the beginning of the 1990s, a combination of unexpectedly low salary increases with relatively high real interest rates, rendered the amount needed to meet the cost of current service low. By the later part of the 1990s, however, we encountered reduced real interest rates as well as increasing expectations of salary growth, which together drove expansion in the total contribution required. Finally, in the early 2000s, we experienced both rising salaries and increased population, partly offset by a higher expectation of long-term market returns based on the move to investing public service pension contributions in the private market through the Public Sector Pension Investment Board.

For context, the value of benefits paid under the plan for the combined core public service and separate employer domains, and a handful of other small entities covered by the plan, rose from about $1.4 billion in 1990–91 to around $3.6 billion in 2002–03. These payments are not the appropriate measure of current charges, however, since they relate to the cost of service that was rendered in the past.

Since April 2000, net contributions to the Public Service Pension Plan have been paid to the Public Sector Pension Investment Board (PSPIB) to be invested in the market. Total investments since that time are as follows:

Year	**Investment ($B)**
2000–01	$1.9
2001–02	$2.0
2002–03	$2.4

As noted earlier, the bulk of the plan is essentially unfunded, although its transactions are recorded in pension accounts in the Accounts of Canada: the Public Service Superannuation Account and the Retirement Compensation Arrangements Account. These accounts mimic a "notional" portfolio of government bonds on which interest is credited quarterly. All benefits are paid out of current-year cash sources.

8. Insurance and Other Employee Benefits

This chapter summarizes insurance programs for employees in the areas of life insurance, disability insurance, workers' compensation, dental and supplementary health care, and non-pension benefits for pensioners.

Supplementary Death Benefit and Life Insurance

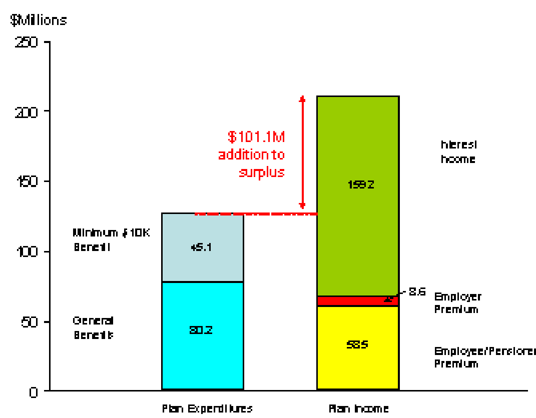
The Supplementary Death Benefit Plan provides term life insurance equal to two times an employee's annual salary for all contributors under the *Public Service Superannuation Act*. The plan complements the pension scheme in that it protects survivors during the period when an employee is accumulating pension credits. After retirement, former employees may continue to contribute to the Plan. At age 66, the amount insured reduces by 10% per year, until age 75 when the benefit reaches the minimum level of $10,000.[79] The Plan is administered by the Superannuation, Pension Transition and Client Services Directorate of Public Works and Government Services Canada.

Employees contribute $0.15 per $1,000 of salary. Total employee contributions (for those in the core public service and separate employer domains and other participants under the *Public Service Superannuation Act*, including participating pensioners) in 2002–03 amounted to about $58.5 million. The employer pays one twelfth of the approximately $80.2 million in general benefits paid each year, and pre-funds the full cost of the $10,000 minimum benefit when the member reaches 65. In 2002–03 the government contributed about $8.6 million toward general benefits and the minimum $10,000 benefit, about 15% of total Plan expenditures.

The Public Service Death Benefit Account has a very substantial accumulated actuarial surplus (in relation to costs), amounting at the end of March 2003 to $2 billion. Interest credited to the account over the year totalled $159.2 million. The total of general benefits and the minimum $10,000 benefit paid was $125.3 million.

Figure 2060
Overview of Income and Expenditures for the Public Service Death Benefit Account, 2002–03

Display full size graphic



Note that the Death Benefit Account "income" is notional, in that it represents an accounting entry, not cash.

Employees generally have access to additional term life insurance relating to their employment in the federal government. For union members, most unions sponsor such plans for their members, at the member's expense.

For executives (about 9,000 active and retired EXs), as well as excluded and unrepresented employees (numbering about 21,000), the Public Service Management Insurance Plan (PSMIP) includes a life insurance component. This plan applies to the core public service domain, to most separate employers, and to about 25 other agencies.

PSMIP benefits include:

- **life insurance** equal to approximately one or two times a member's annual salary,
- up to $250,000 for **accidental death and dismemberment insurance**, and
- modest life and accidental death and dismemberment **coverage for the member's spouse and dependant children**.

Member-paid life insurance coverage reduces by 10% per year from age 61 to termination of employment.

For non-executive members the maximum coverage available is two times annual salary. Non-executive members pay the full cost of PSMIP life insurance according to rates established for the various components by the National Life Assurance Company, the Plan underwriter. For example, under the Supplementary Plan, a male employee aged 51 to 55 pays a monthly premium rate of $0.18 per $1,000 of insured salary; a female pays $0.13. Premiums paid by employees in the main plan amounted to about $6 million.

For executives, basic life insurance is equal to twice the annual salary of the insured person. There is the option of purchasing additional insurance equal to a further one times annual salary, for a maximum of three times salary. Executives retain their insurance after retirement, with coverage declining over four years, from one times final salary in the first year of retirement to 25% in the fourth and subsequent years. The employer pays the cost for all executive coverage, except for the optional supplementary coverage. Employer premiums paid on behalf of active and retired executives in 2002–03 totalled about $6.2 million. This is a taxable benefit.

All coverage for non-executives ceases when employment ends, unless the member is totally disabled and receiving long-term disability benefits. When coverage under the Plan reduces or terminates, all members have the option of converting their coverage to an individual policy with the plan insurer. The government pays the conversion cost so that such coverage can continue without a medical examination, at regular rates.

Retrospective—Supplementary Death Benefit and Life insurance

Supplementary Death Benefit

On January 1, 1955 when the SDB was introduced, the benefit was one times salary to a maximum of $5,000. The employee contribution rate was $0.20 per $1,000 of salary. Since 1960, benefit reductions of 10% per year have kicked in at age 61, leaving a minimum benefit of $500 at age 70. The eligible salary cap was also removed during the 1960s. In 1992, the coverage was increased from one to two times salary, and the minimum benefit was raised from $500 to $5,000. Effective September 1999, this amount was doubled to $10,000, and the starting age for benefit reductions was raised to age 65. At the same time, the contribution rate was lowered to the current monthly level of $0.15 per $1,000 of salary. Employee contributions (for those in the core public service and separate employer domains, as well as related pensioners) totalled in the order of $60 million per year through the whole period from 1990–91 to 2002–03. Government contributions ranged from $8.4 million in 2001–02 to $9.9 million in 1999–2000 and 2000–01.[80]

Table 2061

Summary of contributions, benefits, interest and accumulated account balances in the Public Service Death Benefit Account, 1990–91 to 2002–03 ($ millions)

Year	Opening balance	Contributions		Interest credited	Benefits paid
		Employees/ Pensioners	Government/ PS Corporations		
1990-91	616	59.3	9.7	69.0	36.2
1991-92	718	60.7	9.6	79.9	37.8
1992-93	831	62.8	8.9	91.2	54.6
1993-94	939	64.1	9.3	99.7	84.1
1994-95	1,027	63.8	9.1	106.9	84.5
1995-96	1,123	63.0	9.0	116.4	80.1
1996-97	1,232	61.6	9.3	124.8	83.8
1997-98	1,343	61.0	9.1	132.9	87.3
1998-99	1,459	62.6	9.3	140.1	77.0
1999-00	1,493	60.5	9.9	147.3	103.7
2000-01	1,707	53.3	9.9	151.4	122.4
2001-02	1,799	53.1	8.4	155.5	119.0
2002-03	1,897	53.5	8.6	159.2	125.3

The accumulated actuarial surplus of the Public Service Death Benefit Account has been growing steadily through the years under review. It stood at $616 million in 1990–91, and reached about $2 billion by March

2003. Interest credited to the Account has exceeded benefits paid each year. For example, in 1990–91 benefits were $36.2 million, while interest credited was over $69 million; by 2002–03 the corresponding figures were $125.3 million for benefits and $159.2 million for interest. Table 2061 gives the relevant figures for each year from 1990–91 to 2002–03, as reported in the Public Accounts.

Life insurance for executives and unrepresented employees

PSMIP coverage for executives was established in 1971 in two lines: basic life insurance equal to one year's salary, and accidental death and dismemberment (initially $50,000 coverage).

In 1975, the plan was extended to unrepresented employees in positions considered equivalent to executives. In 1979, basic life increased to 1.5 times salary, and in 1981 to the current level of two times coverage. Dependants' life and accidental death and dismemberment insurance was implemented in 1979. In the late 1980s, post-retirement life insurance for executives was introduced equal to one times salary at the termination of employment, then reducing 25% per year, stabilizing at 25% for life.

Life insurance financing

All these programs are entirely financed by the employer for executives. For non-executive members, coverage is available at the employee's own expense. Employer premiums for the PSMIP life and accidental death and dismemberment insurance covering executives rose from about $4.6 million in 1993–94 to about $6.2 million in 2002–03.[81] Included in these amounts is about $1 million in 1993–94 rising to around $1.6 million in 2002–03 for coverage relating to retired executives.

Disability Insurance

Employees may also apply to one of two similar plans that provide income protection for full-time and part-time federal public servants who are unable to work for a lengthy period of time because of disabling illness or injury, whatever its cause. Those receiving workers' compensation may be eligible for a top-up from one of the plans.

The first plan is the Federal Government Disability Insurance (DI) Plan. It covers unionized employees of the core public service domain, most separate employers, and several other agencies and Crown corporations. The second plan is the Long-Term Disability (LTD) Benefit Line of the Public Service Management Insurance Plan (PSMIP), which covers executives and excluded/unrepresented employees of essentially the same set of federal government employers. Unlike other benefits where the federal government in effect pays the costs incurred, these plans are classic insurance schemes, with the risk largely borne by the insurance companies, subject to periodic premium adjustments based on claims experience. The DI plan is underwritten by Sun Life; the LTD plan by National Life.

The two plans provide an employee with a benefit equivalent to 70% of insured salary, which is available after all sick leave is used up or after a minimum three-month waiting period. Any other disability income from CPP/QPP, the pension plan, or workers' compensation is deducted from the benefit payable. Benefits are indexed annually to reflect increases in the cost of living on the same basis as the pension, but subject to a maximum of 3%. If an employee remains eligible, benefits may be paid until age 65.

Disability Insurance plan

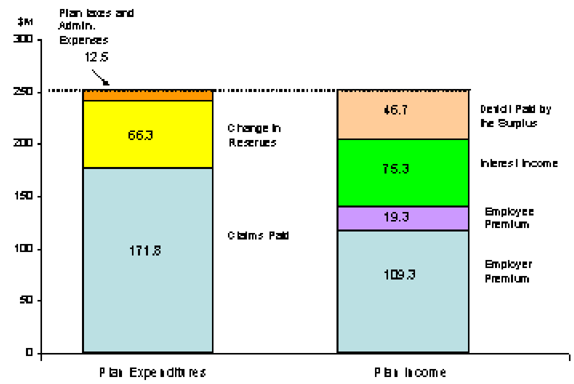
Total claims paid through the DI plan in 2002 were $171.8 million, with about 8,500 claimants receiving an average benefit of $20,225. In 2002, the government paid a monthly premium of $0.918 per $1,000 of insured salary. Total DI plan employer premiums were about $109.3 million,[82] 85% of the entire premium cost. Employees paid the remaining 15%: a monthly charge of $0.162 per $1,000 of salary, for a total of $19.3 million in employee premiums paid.

Note that annual deficits in 2000, 2001 and 2002 led the Treasury Board to authorize a 49% increase in the premium rate for both the employer and employees, beginning January 2003. Reserves accumulated in the plan as of the end of 2002 reached $1.04 billion, the amount estimated in 2002 as necessary in the future to pay for current claims.

Figure 2062 summarizes transactions affecting the DI plan in 2002.

Figure 2062
Overview of income and expenditures relating to the Disability Insurance Plan, 2002

Display full size graphic



The disability rate among the almost 200,000 employees covered by the DI plan was about 4.3% in 2002.[83] The incidence rate (i.e. the likelihood that a member would become disabled during the year) was 0.96% in 2002. Slightly more new claims were accepted during the year (just over 1,900), than were terminated (about 1,830). The causes of new claims accepted in 2002 are given as per Table 2063. Nearly half (44.3%) related to depression/anxiety.

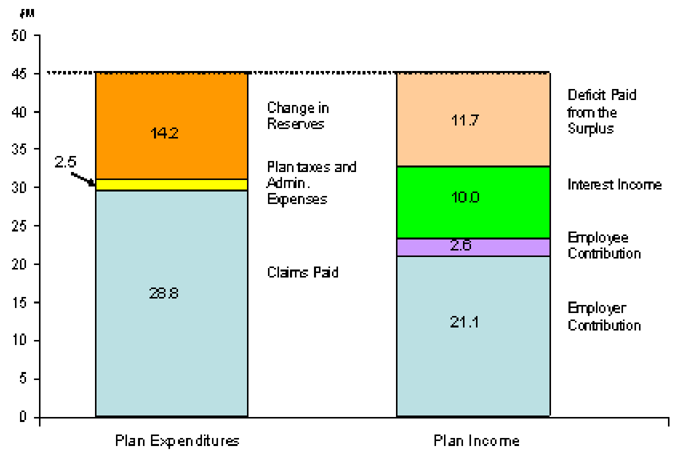
Table 2063

New claims accepted by the Disability Insurance Plan in 2002

Causes of Disability	**No. of claims**	**Percentage**
Depression / Anxiety	846	44.3%
Neoplasms (cancer)	272	14.2%
Spine-Sacro-Illiac	160	8.4%
Other	158	8.3%
Accidents	121	6.3%
Cardiovascular	107	5.6%
Arthritis-Rheumatism	105	5.5%
Neurological	92	4.8%
Gastro-intestinal	50	2.6%
Total	**1,911**	**100%**

Figure 2064
Income and expenditures relating to the Long-Term Disability benefit line of the Public Service Management Insurance Plan, 2002

Display full size graphic



Long-Term Disability plan

The Long-Term Disability plan (LTD) is part of the Public Service Management Insurance Plan. Claims paid in 2002 amounted to $28.8 million. The 1,126 beneficiaries received an average of about $25,600. As for the DI plan, the employer paid 85% of the premium ($0.595 per $1,000 of insured salary) for excluded and unrepresented employees.

The government paid the whole $0.70 premium for Executives. Total LTD employer premiums amounted to $21.1 million. Employees paid $0.105 per $1,000 of insured earnings (15% of the cost), yielding a total of $3.6 million in employee premiums for the year.

Deteriorating plan experience (a growing gap between plan income and plan expenses) consumed the accumulated surplus from 2000 to 2002, leaving a net deficit by the end of 2002. This trend led to a 60% increase in employee and employer premiums, effective January 2003. Plan assets at the end of 2002 were about $160 million.

The disability rate among the nearly 40,000 LTD plan members was about 2.8% in 2002. The incidence rate for new claims during the year was 0.84%. Substantially more new claims were approved (332) than were terminated (279). The profile of the reasons for new LTD claims in 2002 was very similar to that experienced in the DI plan. If anything, the main category (referred to as "mental/nervous" by the underwriter) is more prominent, providing the rationale for about 58% of cases.

Retrospective—Disability Insurance

With respect to employees who are unable to work for lengthy periods because of disabling illness or injury, here we summarize the evolution of these programs and their costs.

Disability Insurance plan

The Federal Government Disability Insurance (DI) Plan was put into place for unionized employees in 1970 to supplement disabled benefits from existing sources such as the *Public Service Superannuation Act* and the Canada/Quebec Pension Plans.

The number of year-end active claims under the DI Plan more or less doubled from 4,118 in 1981 to 7,920 in 1992. Since then, that number has remained generally in the low- to mid- 8,000 range. However, a marked decline in the number of members covered in the early and mid 1990s, with the departure of Canada Post from the Plan, and the impact of Program Review, means that the proportion of members supported under the Plan increased substantially during the 1990s.

The total value of claims paid rose from about $30 million in current dollars in 1981, to $85.2 million in 1990, to $126 million in 2000, to $171.8 million in 2002. The average amount paid per claimant (after the various off-setting programs) in each of these years was $6,303, $11,957, $15,022 and $20,225 respectively. Table 2065 summarizes the data on claims experience for selected years between 1981 and 2002.

Table 2065

Claims experience for the federal government Disability Insurance (DI) plan for selected years, 1981–2002

Year	Active claims at year end	Claims Paid ($ M)	Members	Proportion on Disability (%)	Average Benefit ($)
1981	4,118	26.0	238,514	1.73	6,303

1985	5,314	53.9	246,105	2.16	10,139
1990	7,125	85.2	247,206	2.88	11,957
1991	7,542	95.8	242,239	3.11	12,708
1992	7,920	104.0	251,177	3.15	13,137
1993	8,460	115.0	252,056	3.36	13,588
1994	8,637	119.4	211,960	4.07	13,829
1995	8,586	118.8	202,178	4.25	13,840
1996	8,472	122.1	189,651	4.47	14,408
1997	8,358	122.6	176,976	4.72	14,666
1998	8,210	120.4	173,944	4.72	14,666
1999	8,134	122.2	173,766	4.68	15,022
2000	8,204	126.6	179,123	4.58	15,429
2001	8,412	152.1	190,325	4.42	18,075
2002	8,496	171.8	198,384	4.28	20,225

From Table 2065 it is evident that the "disability rate" (i.e. the proportion of Plan members with an active disability claim) rose from about 1.7% in 1981 to about 2.9% in 1990, and has remained in the zone of 4.3% to 4.7% since 1995. Newly accepted claims within the year were consistently equal to about 1% of the population, with a somewhat smaller proportion terminating their claims each year. The principal causes of disability have shifted as well, with depression and anxiety growing significantly as a reason for approved claims, from 23.7% of cases in 1991 to over 44% in 2002.

At the Plan's outset in 1970, the employer and the employees each paid 50% of the premiums. In 1989, the ratio of employer to employee premiums shifted to 67%/33%. This moved to 75%/25% in 1990, and the present cost-sharing formula of 85%/15% was adopted in 1993.

The combined premium started in 1970 at $0.40 per $1,000 of salary per month. This estimate proved to be too low, since the Plan quickly went into deficit. In 1973 the total employer/employee premium rose to $0.54 and the following year to $0.80. This last rate generated surpluses, permitting a premium holiday for several months in 1979–1980. There was minor fluctuation in the rate until 1989 when it was increased to $1.20. Through the 1990s the plan ran surpluses, which permitted a rate reduction to $1.08 in 1993. By 2000, however, the Plan began to run increasing deficits that precipitated an increase in the premium rate to $1.61 beginning in 2003. The increasing pressure on the Plan is evident from Table 2065, which shows the rapid increase in claims paid after 2000. About $20 million of the $59 million deficit in 2001 was a result of increased payments arising from salary adjustments because of the pay equity settlement with the Public Service Alliance of Canada.

The employer premiums paid to the DI Plan were about $108.3 million in 1991, remained about $110 million for the next two years, then fell to about $77 million in 1997 and 1998 (due to Program Review downsizing). The employer share of premiums then rose year by year, to reach $109.3 million in 2002. Employee premiums totalled between $13.5 million (1998) and $20.2 million (1992) during the period.[84]

Long-Term Disability

The second disability insurance program is the Long-Term Disability (LTD) component of the Public Service Management Insurance Plan. This Plan, which covers public servants who are not part of a union bargaining unit, came into force in 1968. Benefits are the same as for the DI plan for unionized employees. Table 2066 sets out the basic data on claims under the LTD plan.

Table 2066

Claims experience for the Long-Term Disability (LTD) component of the Public Service Management Insurance Plan, 1985 to 2002

Year	Active claims at year end	Claims paid ($ M)	Members	Proportion on Disability (%)	Average benefit ($)

1985	601	7.6	34,548	1.74	12,705
1990	692	12.4	41,280	1.68	17,896
1991	750	13.6	37,859	1.98	18,094
1992	800	15.2	39,081	2.05	19,042
1993	830	16.7	40,074	2.07	20,100
1994	881	17.9	40,221	2.19	20,361
1995	913	20.3	39,039	2.34	22,187
1996	937	19.2	38,004	2.47	20,501
1997	959	19.5	35,469	2.70	20,347
1998	950	21.0	34,052	2.79	22,075
1999	961	19.5	35,044	2.74	20,342
2000	975	21.2	36,132	2.70	21,699
2001	1,073	25.2	38,749	2.77	23,484
2002	1,126	28.8	39,603	2.84	25,590

Growth in the number of active cases in the LTD Plan was much more gradual than for the DI Plan, increasing by one third from 601 in 1985 to 800 in 1992, then rising to the mid-900 area for the late 1990s, and growing again to 1,126 by 2002. Since the number of members has remained mainly between about 34,000 and 40,000, the proportion of Plan members with an active claim has grown relatively slowly. It stayed below 2% until 1992, reaching the level of about 2.7% by 1997 where it essentially remained until 2002. Newly accepted cases have generally remained in the area of 0.7% to 0.8% of the population throughout the period reviewed. The proportion of cases described by the underwriter as "mental/nervous" has been fairly comparable over time with 44% of new cases in 1992, versus about 58% in 2002.

The total value of claims paid grew from about $7.6 million in 1985 to $12.4 million in 1990, $20.3 million in 1995, and $28.8 million in 2002. The average benefit per claimant (after taking account of off-setting payments) for these years was $12,700 in 1985, $17,900 in 1990, $22,200 in 1995 and $25,600 in 2002.

Initially in 1968, the employees paid the full LTD premium. With the advent of the DI Plan in 1970, the employer/employee premium shares for the LTD Plan tracked closely the ratios applied to the plan for unionized employees. Starting in 1970 at 50%/50%, the employer/employee ratio hit 75%/25% in 1991 and 85%/15% in 1993. The Government assumed full responsibility for premiums for members of the Executive (EX) classification group in 1990.

In the early years the combined employer/employee premium matched the rate set for the DI Plan. From 1975 until 1984, based on experience with the plan, the LTD rate was higher than that applying to unionized employees, reaching $0.96 monthly per $1,000 of salary in 1975, and remaining at $0.88 in 1979 and $0.84 in 1981. By 1984, however, the lower incidence of disability in the LTD Plan was reflected in premiums appreciably lower than for the DI Plan. The rate fell to $0.64 in 1984 and to $0.52 in 1986. The rate went to $0.55 in 1990, $0.83 in 1993, $1.04 in 1998, $0.70 in 2001 and finally $1.12 in 2003.

Employer premiums amounted to about $12.1 million in 1991 and rose rapidly due to the rate increase to about $19.8 million in 1994. After dipping for the next two years, premiums grew again to $26.4 million in 1999, and subsequently declined again to about $21.1 million in 2002. Employees have generally paid a total of around $2 to $3 million in premiums each year.

Workers' compensation

Employees who are unable to work because of an accidental injury on the job, or as a result of an illness or disease arising from the workplace, use sick leave until their eligibility for workers' compensation is determined, after which injury-on-duty leave may be approved to restore any sick leave they have used to bridge the waiting period. For 2002–03, the value of such leave is estimated at $10.4 million.[85]

Under the *Government Employees Compensation Act*, federal employees are assessed by the Workers' Compensation agency in the province where they usually work. If eligible for compensation or treatment/rehabilitation, they receive it directly from that agency. Benefits vary according to the province, as well as the nature and severity of the injury or illness.

Compensation paid and medical and administrative costs incurred by the provincial agency are billed to the Labour Program of Human Resources and Social Development Canada (HRSDC).[86] Costs relating to claims prior to April 1998 are paid by HRSDC on behalf of the whole federal government. Such costs in 2002–03 totalled about $42 million.

For costs relating to claims after April 1998, HRSDC bills the home department. In 2002–03, the total departmental billings amounted to about $18.4 million, Thus in 2002–03, total costs to the federal government for Workers' Compensation were just over $60 million, of which about $55 million is attributable to the core public service domain, or could not reliably be otherwise attributed. About 15% to 20% of these costs were administrative charges by the provincial agencies delivering the benefits.

Although our approach focuses on current expenditures, it is pertinent to note the actuarial liability incurred by the federal government for workers' compensation. For the government as a whole, the Public Accounts estimate the 2002–03 total benefit liability at about $567 million. This represents the estimated net present value of all future payments to be made as a result of incidents reported up to that date.

As might be expected, more operationally focused departments have the highest costs. Combining pre- and post-1998 costs, the top departments in this area in 2002–03 were:

- National Defence civilians (about $14.4 million),
- Correctional Services (around $11.5 million),
- the Canada Customs and Revenue Agency (approximately $5 million),
- Transport Canada (about $4.3 million, although all but $200,000 related to the pre-1998 period before Transport divested itself of major operations), and
- Fisheries and Oceans (around $3.4 million).

These departments alone accounted for over 60% of total workers' compensation costs for the federal government.

Separate employers

Workers' Compensation costs billed to separate employers in 2002–03 were $6.9 million.

Retrospective—Workers' compensation

Expenditures on Workers' Compensation in relation to federal departments and agencies (excluding Crown corporations) were as follows:

Year	***Government Employees Compensation Act*** **costs for federal departments and agencies ($M)**
1991–92	$62.3
1992–93	$46.9
1993–94	$47.5
1994–95	$60.2
1995–96	$62.0
1996–97	$58.2
1997–98	$69.2
1998–99	$50.8
1999–00	$49.3
2000–01	$58.1
2001–02	$60.3
2002–03	$61.9

With the exception of five years only, expenditures in this area have been consistently in the zone of about $60 million. Given the element of uncertainty around the incidence of accidents, and the fact that charges and payments are attributed to the year they are received, we conclude that $60 million has in fact been a good average annual estimate of expenditures in this area, although costs may be rising more recently. Administrative charges by the provincial agencies have generally run in the area of 16% of the total. New claims[87] in recent years rose from just over 7,000 in 1998 and 1999, to 8,400 in 2003.

Health and dental plans

The health and dental plans for the federal public service differ from the programs described in the previous section in that they are not externally insured plans. Private insurance companies manage them on behalf of the government, which pays (less member contributions) the benefit costs, plus an administrative fee and applicable taxes.

The Quebec government levies Quebec Sales Tax (9% on insurance premiums, and 7.5% on administration fees) on insurance plans, including those managed by insurance companies on the basis of "administrative services only." Great-West Life, the dental plan administrator, pays these charges themselves, so they are accounted for in what is described below. For the other plans, however, the Treasury Board pays the tax directly. In 2002–03, the total paid by the Treasury Board for this purpose was about $11.2 million.

Public Service Health Care Plan

The Public Service Health Care Plan (PSHCP) supplements health care coverage under a provincial or territorial health insurance plan.

It is the most widely available benefit offered by the federal government, covering employees who choose to join from the core public service domain, most separate employers, some Crown corporations and various other groups such as employees of Parliament, parliamentarians, judges and public service pensioners, as well as the dependants of these members. The plan also covers the dependants of members of the Armed Forces and the Royal Canadian Mounted Police. In 2002, members numbered about 505,000 in total, including about 227,200 pensioners.

The plan is managed through a Trust established in 2000, composed of the bargaining agents (unions) of the National Joint Council, the Federal Superannuates National Association (representing pensioners), and the Treasury Board. Sun Life administers the plan on behalf of the Trust. The Treasury Board provides necessary funds to the Trust, which in turn pays the Administrator's costs for reimbursing eligible claims (including administration fees and taxes).

Extended Health Provision

The main component is the Extended Health Provision which can, in turn, be subdivided in the following manner:

Drug benefit

Essentially this covers 80% of the cost of approved drugs prescribed by a physician or dentist (subject to an annual deductible).

Vision care

The major benefit is up to $200 every two calendar years for eyeglasses or contact lenses.

Medical practitioners benefit

Covers prescribed services by such practitioners as physiotherapists, psychologists, or massage therapists, as well as treatment by a chiropractor or naturopath, for example. Medically necessary private duty and visiting nursing services are also included.

Miscellaneous expense benefit

This provides for medical devices such as hearing aids, wheelchairs, for medically necessary ambulance or air ambulance services, and for other necessary supplies or equipment.

Out-of-province benefit

Covers expenses (up to a limit of $100,000) incurred as a result of an emergency outside the member's home province that are not covered by that province's health insurance plan.

Hospital Provision

The second component is the Hospital Provision. This is available at three levels of reimbursement for hospital charges. The first level is provided to all members (including pensioners), and the two higher levels are available at the member's expense.

Other Features

There is also a comprehensive coverage plan that funds physician and hospital charges normally covered under provincial health insurance plans for members (and their dependants) who are serving outside Canada. Additional coverage is provided under the Foreign Service Directives for employees serving abroad. In certain cases, pensioners living outside Canada may obtain some coverage under this element of the PSHCP.

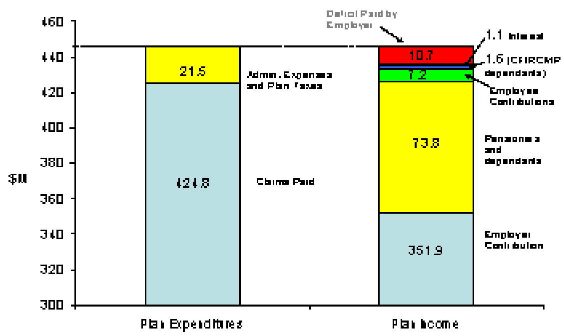
Members are reimbursed 80% of eligible expenses, with an annual deductible of $60 for the member or $100 for a family. Some services have annual or lifetime limits on eligible charges, although there is no overall annual or lifetime maximum amount that may be claimed.

Plan income and expenditures

PSHCP claims paid in 2002[88] totalled about $424.8 million. Including the charges for administrative expenses and plan taxes, the total cost that year was about $446.3 million. The portion of the total cost attributable to the core public service domain is estimated at about $121.9 million.

Figure 2067
Public Service Health Care Plan Income and expenditures, 2002

Display full size graphic



In addition to the 20% co-insurance and the annual deductible paid by employees on claims under the PSHCP, members contribute monthly, based on their chosen level of hospital coverage, and pensioners contribute under extended health coverage. Payments in 2002–03 for current public servants varied from a single rate of $1.10 per month for level-two coverage, to a family rate of $10.34 for level three. Active employees contributed $7.2 million for this coverage, and pensioners contributed $73.8 million. Executives and equivalent were not required to contribute. Figure 2067 summarizes the overall financial picture for the PSHCP for 2002.

Corresponding employer contributions were $60.56 per month, whether for single or family coverage. This is a taxable benefit in Quebec. Overall the employer contributed about $363 million (81%), and the members about $83 million (19%). Employer contributions during the year for employees in the core public service domain are estimated at about $108.6 million.[89]

Within the whole PSHCP, the distribution of claims in 2002 is set out in Table 2068. Drugs, most notably, account for about 63% of expenditures.

The average value of claims per member during the year was about $840. On average members claimed for about 20.5 items, at an average unit cost of about $41.

Table 2068

Public Service Health Care Plan claims by benefit type

Benefit	Amount in $M	Percentage
Drugs	267.3	62.9%
Group Health Practitioners	45.9	10.8%
Hospital	35.5	8.4%
Vision	26.9	6.3%
Others	36.6	8.6%

Total—supplementary plan	*412.2*	*97.0%*
Total—comprehensive plan	***12.6***	***3.0%***
Total plan—PSHCP claims	**424.8**	**100%**

Separate employers

The part of the Plan costs that can be attributed to the separate employers amounted to about $41.7 million in 2002.

Retrospective—Public Service Health Care Plan (PSHCP)

Plan Coverage

In 1950, under the auspices of the National Joint Council[90] (NJC), a Public Service Group Hospital Medical Plan was established on the basis of full funding by employee contributions. This was superseded in 1960 with the introduction of a comprehensive insurance plan known as the Group Surgical-Medical Insurance Plan (GSMIP), which offered coverage for employees and pensioners, as well as the widows and orphans of both. The employer assumed 50% of the premium cost for employees in 1960, and for pensioners and survivors from 1963. Optional hospital coverage under GSMIP became available in 1960 at the member's expense until 1969, when the employer assumed 50% of the cost of this component as well.

Following the passage of the federal *Medical Care Act* in 1966, provinces and territories established medical care plans for medically necessary services over the following few years. As a result, in 1972 the basic GSMIP coverage was discontinued, and only the supplementary portion was continued to cover GSMIP benefits not included in provincial medicare plans. An improved "comprehensive" plan was introduced in the same year for employees serving abroad and their dependants.

Hospital insurance was strengthened in the 1980s. Optional coverage for the cost of semi-private accommodation became available in 1980; in 1985 a further level of coverage was introduced to cover the cost of private accommodation. These new options were employee funded.

In 1991, the GSMIP shifted from being an insurance plan funded by premiums, to an administrative-services-only plan for which the Treasury Board carries the insurance risk. Coinciding with this change in the basic character of the plan, it was renamed the "Public Service Health Care Plan" the title by which it is known today. This change resulted from a recommendation by the Auditor General,[91] intended in part to reduce the taxes payable to provinces on insurance plans. Subsequently, however, Quebec, Ontario and Newfoundland extended their insurance taxes to apply to administrative-services-only plans as well.

Cost-sharing

Prior to 1989, the only notable change in the employer/employee 50/50 cost-sharing formula was the decision in 1981 by the Treasury Board to fully fund GSMIP basic coverage for members of the Executive (EX) group and their dependants. As we will cover in the next section, in 1988 the Public Service Dental Care Plan (DCP) became 100% employer funded. Negotiations with the main unions led in 1989 to a new 25%-75% contribution split favouring the employees, including the cost of level I hospital coverage. As noted earlier in this section, when the "health insurance remuneration supplements" program was discontinued in 1991, employer contributions on behalf of employees were raised to 90% and for pensioners to 75%. EXs became eligible for employer-paid hospital level III coverage.

In 1992, following the 1991 public service strike and legislated wage freeze, the employer agreed to pay 100% of the PSHCP contributions, including the hospital level I coverage.[92] The pensioner contribution was reduced from 25% to 20%.[93] A condition of these various changes was that the accumulated surpluses relating to the PSHCP (including the hospital portion) were dedicated to covering cost shortfalls until the surpluses would be exhausted. The opening amount was $94.2 million in 1992; by 2000, this source of supplementary funding was fully used up.

Member contribution rates for pensioner coverage were increased significantly in 1997, following a 1996 shortfall. The single rate went from $4.66 to $9.00 per month, and the family rate from $9.03 to $17.65.

Through most of the history of the GSMIP and the succeeding PSHCP, deductibles were $25 per year for single coverage, and either $40 or $50 for family coverage. In 1997 these amounts were adjusted to $60 for single and $100 for family coverage. The co-insurance of 20% of most eligible expenses being paid by the member has been a constant (i.e. claims are reimbursed to 80% of the eligible costs).

Plan costs

Our analysis of the PSHCP distinguished the 2002-03 costs attributable to the various employment domains within the federal government structure. Breaking out costs in this way for past years is more complicated than it is likely worth. Therefore, we decided to concentrate our assessment in this section on the PSHCP as a whole, and merely refer to it in "the retrospect" parts of our analysis of later domains. This is reasonable since the plan is administered in a unified way.

The cost of the PSHCP is the sum of the value of claims paid, administrative expenses of the insurance company managing the plan and taxes payable. Total costs since 1995 have been the following:

Year	Total Costs ($M)
1995	$251.0
1996	$266.9
1997	$271.1
1998	$297.1
1999	$319.5
2000	$354.6
2001	$408.9
2002	$446.2

Within these costs, the administrative and tax element grew from about $12.5 million in 1995 to approximately $22.2 million.

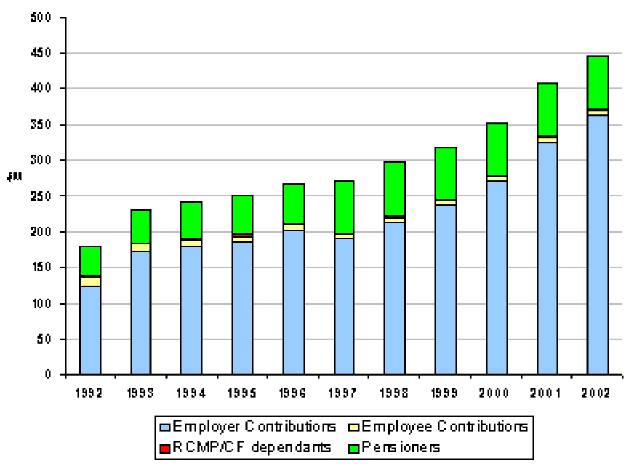
Plan financing

The total amount paid by the Treasury Board on behalf of the Government has been estimated at nearly $84 million in 1990–91, $125 million in 1991–92, $140 million in 1992–93, and $156 million in 1993–94. From 1994–95 to 1999–2000 the annual cost to the employer was about $175 million. This is the period during which the surplus accumulated by the GSMIP was used to cover cost increases, and (after 1997) when monthly pensioner premium rates rose by nearly 100% per member. Since then, the costs have risen markedly, from $283 million in 2000–01 to $350 million in 2001–02 and $422 million in 2002–03.

Figure 2069 plots the track of employer contributions from 1992–93, total costs for the PSHCP, and estimated contributions from other sources. It should be noted that the GSMIP surplus helped hold down employer contributions in the first few years after 1992. Pensioners' contributions are also significant. In the early 1990s, these contributions rose from $33.5 million to around $55 million. From 1997, when pensioner contribution rates were effectively doubled, the total reached about $74 million. Employee contributions are quite small, limited as they are to level II and level III hospital coverage. They have been around $7 million since 1996.

Figure 2069
Sources of financing and total costs for the Public Service Health Care Plan, 1992 to 2002*

Display full size graphic



* Costs are for calendar years and sources of financing for fiscal years. Although there is some distortion, we use calendar years for the horizontal legend. Records on employer contributions before 1993–94 were

destroyed, so earlier figures are reconstructed estimates. The contributions of both pensioners and employees are estimated based on a costing model.

Claims experience

Table 2070 illustrates the Public Service Health Care Plan claims experience and membership as they have developed over the period from 1985 to 2002. From the Table we can see that the membership reached 460,000 or so in 1991, and remained close to that level until 1999. Thereafter membership expanded to reach just over 500,000 in 2002. Considering the rapid changes in the public service during these years, the trend line for PSHCP membership has been notably stable. This reflects the reality that as active employee members decreased by 50,000 between 1991 and 1998 (from the departure of Canada Post from the plan, and program review downsizing), pensioner members grew by nearly 40,000 between 1991 and 2002. They increased their share of total membership from about 36% to 45% during this period.

Table 2070 gives the figures on the growth of PSHCP claims since 1985. In that year claims totalled $63.3 million. The cost per member was $154.30. By 1990, these figures had doubled to $134.4 million on claims and $300 on per-member costs. The next doubling occurred by 1998 when overall costs reached $284.8 million, with per capita costs of $616. As of 2002, the corresponding amounts were $424.8 million and $841.

Table 2070

Summary of membership and claims experience for the Public Service Health Care Plan for selected years, 1985 to 2002

Year	**Total membership**	**Claims paid ($ millions)**	**Claims paid per member ($)**
1985	410,000	63.3	154
1990	448,000	134.4	300
1991	463,279	155.7	336
1992	487,480	178.9	367
1993	465,657	223.8	481
1994	472,515	232.1	491
1995	472,395	238.6	505
1996	462,627	254.9	551
1997	462,157	259.0	560
1998	462,667	284.8	616
1999	467,379	304.9	652
2000	474,657	337.9	712
2001	489,443	389.1	795
2002	505,276	424.8	841

Table 2071 compares the expenditures by category for 1992, 1997 and 2002. From this data we can see that drug costs are the overwhelming driver of cost increase. This category accounted for $184 million of the $246 million difference in the cost of claims between 1992 and 2002, approximately three quarters of the growth. By contrast, the hospital and vision components have increased little in cost, but have fallen as a proportion of total spending.

Table 2071

Breakdown of Public Service Health Care Plan claims by benefit type for selected years, 1992 to 2002

Benefit	**1992**		**1997**		**2002**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**

	($ M)		($ M)		($ M)	
Drugs	83.6	46.8	129.3	49.8	267.3	62.9
Hospital	34.9	19.5	45.8	17.7	35.5	8.4
Vision	13.8	7.7	24.4	9.4	26.9	6.3
Others	34.3	19.2	51.3	19.9	82.5	19.4
Total, Supplementary Plan	166.6	93.2	250.8	96.8	412.2	97.0
Total, Comprehensive Plan	***12.2***	***6.8***	***8.2***	***3.2***	***12.6***	***3.0***
Total PSHCP claims	**178.8**	**100.0**	**259.0**	**100.0**	**424.8**	**100.0**

Claims paid in relation to employee Plan members and their dependants were $84.2 million (46.7%) in 1992, $99.2 million (38.3%) in 1997, and $166.6 million (39.2%) in 2002. Claims relating to pensioner members and their dependants were $75.7 million (42.3% in 1992), $143.7 million (55.4%) in 1997, and $233.8 million (55%) in 2002. The remainder was paid in relation to dependants of Canadian Forces and RCMP members.

Public Service Dental Care Plan

The Public Service Dental Care Plan (DCP) generally covers reasonable and customary dental treatment necessary to prevent or correct dental disease or defect. The main categories of benefit are:

Routine preventative care

This includes such services as diagnostic work, cleaning and polishing teeth, fillings, and root canal therapy.

Major restorative care

Provides for items like crowns, dentures and bridges.

Orthodontic services

Repair of dental problems such as protruding or misaligned teeth.

Members are reimbursed 90% of the standard cost (using the previous year's provincial dental fee guide) for routine preventative work, and 50% for the other two categories of services. There is a lifetime limit of $2,500 on orthodontic work for any beneficiary, and an annual limit in 2002 of $1,400 reimbursement for any beneficiary. There is an annual deductible of $25 per member, and $50 for two or more beneficiaries in one family.

The DCP offers sub-plans for employees represented by the Public Service Alliance of Canada (PSAC sub-plan); and for employees represented by the other 15 bargaining agents participating in the National Joint Council (NJC sub-plan). The latter plan also covers executive, excluded and unrepresented employees, and other groups such as employees of Parliament and judges. These two plans cover members' eligible dependants also. There are as well sub-plans for the dependants of members of the Canadian Forces and the RCMP, and for eligible members of the Canadian Forces Reserve. Benefits and plan terms are essentially the same for all the sub-plans.[94]

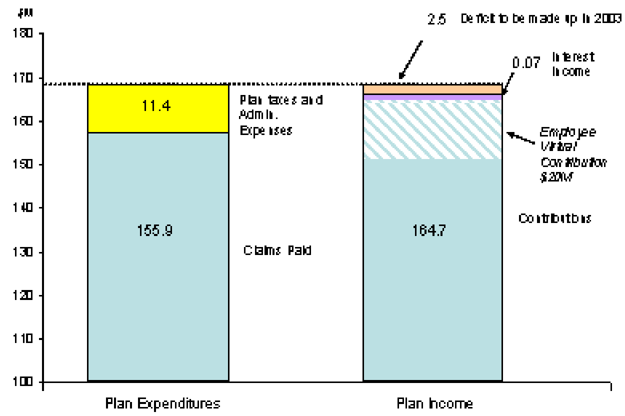
In 2002, DCP membership amounted to about 330,000. This total comprised about 250,000 in the PSAC and NJC sub-plans, about 41,000 in the Canadian Forces dependants sub-plan, about 18,000 in the RCMP members' dependants sub-plan, and around 20,700 in the Canadian Forces Reserve sub-plan.

Claims in 2002 totalled about $155.9 million. Administrative costs and plan taxes took the total cost of the plan to about $167.3 million. The portion of this cost relating to the core public service domain is estimated to have been about $87.6 million. Great-West Life administers the plan on an administrative-services-only basis.

The government pays the full cost of the DCP,[95] (interest income on the float account yields negligible revenue.) In effect, however, employees made what could be called a "virtual" contribution equivalent to about $20 million in 2002. This observation is based on the fact that in 1987 Treasury Board and the public service unions agreed that the rebate on Employment Insurance premiums relating to the existence of the government paid sick leave and maternity leave programs could be directed into the dental care plan. Previously this had been reimbursed to individual employees each year.

Figure 2072
Public Service Dental Care Plan—Income and expenditures, 2002

[Display full size graphic]



The $155.9 million in claims paid in 2002 broke out as follows among the three main categories:

Routine preventative care	$117.1 million
Major restorative care	$ 21.2 million
Orthodontic services	$ 17.6 million

The average cost of claims per member across the whole DCP was about $470 in 2002. On average there were about 10.5 units—a unit is any specific service provided under the Plan—claimed, for an average unit cost of about $45.

Separate employers

Costs for the Dental Care Plan related to the separate employer domain totalled about $32.7 million in 2002.

Retrospective—Public Service Dental Care Plan

Plan coverage and cost-sharing

The DCP was implemented in 1987. Contributions to fund this administrative-services-only plan were set originally at 50/50 for the employer and employees. Almost immediately, however, an out-of-court settlement between the Treasury Board and the public service unions led to the employer assuming 100% of the Plan costs. [96] Aside from this change, however, the terms of the DCP have remained the same since its inception. Coverage is automatic; reimbursement is at the rate of 90% or 50% depending on the service, and the annual deductible is $25 for individuals and $50 for families.

Table 2073 gives the key historical information on membership and claims since the beginning of the DCP in 1988. Plan members include employees of both the core public service and separate employer domains, Canadian Forces reservists, and dependants of members of the Canadian Forces and the RCMP. Total membership grew during the first few years of the Plan to a maximum of about 352,000 members in 1993, then fell during the Program Review period to as few as 291,000 in 1998, and has since risen with the size of the public service to around 330,490 in 2002.

Plan costs and claims experience

Claims data in Table 2073 shows that the total value of claims paid increased fairly quickly as the Plan commenced operations, rising from about $61.1 million in 1988 to nearly twice as much ($118.4 million) in 1993. Claims then remained in the general area of $120 to $130 million until 2000; thereafter claims rose quickly to $155.9 million in 2002. Claims paid per member took longer to double, rising from just over $200 in 1988 to $423 in 1996. Since then per member claims fell and then rose most recently to reach $472 in 2002.

Table 2073

Summary of membership and claims experience for the Public Service Dental Care Plan, 1988 to 2002

Year	Total membership	Total claims paid ($ M)	Average value of claims paid ($)
1988	304,000	61.1	201

1989	306,100	67.3	220
1990	308,900	77.2	250
1991	344,600	88.5	257
1992	347,035	104.1	300
1993	352,300	118.4	336
1994	348,200	123.4	354
1995	322,300	126.4	392
1996	303,405	128.2	423
1997	297,607	117.9	396
1998	291,066	118.5	407
1999	299,713	120.7	403
2000	310,912	130.5	420
2001	324,509	139.0	428
2002	330,490	155.9	472

Total Plan costs have generally run about 7% above the cost of claims alone. The total cost of taxes and administrative expenses billed by the insurance company managing the Plan have risen from approximately $7.3 million in 1992 to about $10.6 million in 2002. Total Plan costs were $111.5 million in 1992, and $167.3 million in 2002.

The distribution of claims among the three main categories over the past decade is illustrated in Table 2074 below. While the share going to routine preventative care has held steady around three quarters of total cost, the proportion going to orthodontic services has risen from 8.2% to 11.3%.

Table 2074

Public Service Dental Care Plan claims by main category 1992 to 2002

	1992		1997		2002	
Category	**Value ($ M)**	**%**	**Value ($ M)**	**%**	**Value ($ M)**	**%**
Routine preventative care	80.1	76.9	87.3	74.1	117.1	75.1
Major restorative care	15.5	14.9	17.6	14.9	21.2	13.6
Orthodontic Services	8.5	8.2	13	11.0	17.6	11.3
Total	**104.1**	**100.0**	**117.9**	**100.0**	**155.9**	**100.0**

Pensioner non-pension benefits

Retired public servants and their spouses and dependants are supported by the federal government through several post-retirement benefits. The most important are the Public Service Health Care Plan (PSHCP), and the Pensioners' Dental Services Plan.

Public Service Health Care Plan—Pensioners

The PSHCP supplements provincial health care insurance, particularly in the areas of prescription drugs, health practitioner costs, hospital charges and vision care. As previously noted, about 227,000 (45%) of the total 505,000 members covered by the PSHCP were pensioners. The portion of the total cost of claims in 2002 attributable to the pensioners and their dependants was about $233.8 million, about 55% of claims under the Plan. Note that this group comprises federal government pensioners of all types, including from the armed forces and the RCMP.

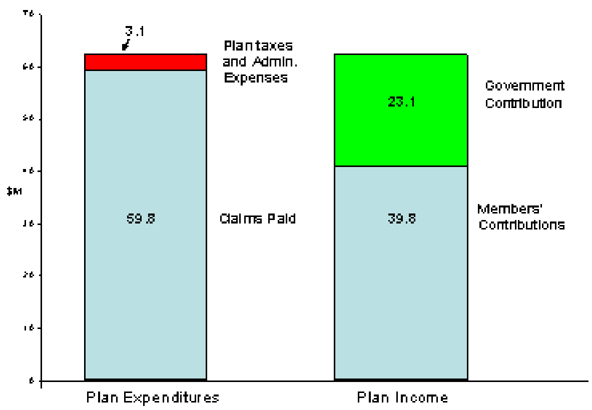
The employer contribution in relation to pensioners' PSHCP benefits was about $163 million in 2002–2003. In 2002 pensioners contributed about $73.8 million towards PSHCP costs, about 89% of the non-employer contributions, or around one-third of the cost of claims by pensioners or their dependents.

Pensioners' Dental Service Plan

The Pensioners' Dental Services Plan (PDSP) is a voluntary plan that was established by the Treasury Board in order to provide public service pensioners and their eligible dependants with a plan for dental coverage. The Plan was introduced in 2001 as one of several benefit improvements affecting pension, life insurance, and the death-benefit plans. PDSP is contributory; pensioners' benefits are paid on the same basis as those paid under the Public Service Dental Care Plan. The plan is administered by Sun Life on an administrative services only basis, the same basis upon which the main plan is administered.

Figure 2075
Income and expenditures—Pensioners' Dental Services Plan, 2002

Display full size graphic



Basic parameters of the Plan have been very stable over its first years. Membership has grown modestly from about 124,000 in the first year to about 134,000 in 2002. About half of members have eligible dependants. Taking account of these, the total number of people covered amounted to about 217,000. Total claims have been very steady at about $59 to $60 million each year so far. The average value of claims per member has actually declined from about $472 in 2001 to around $445 in 2002. This average claim level is very comparable to that in the larger Public Service Dental Care Plan. Total Plan costs have run about 5% higher than claims costs, with just over $3 million per year in administrative expenses and taxes.

At the outset of the Plan, the Government agreed to cover 60% of the costs. So far, the rates set for member contributions have covered more than 60% of the overall costs, reversing in effect the planned employer/employee contribution proportions. Members contribute $16 per month for single coverage, $31.96 for a member and one eligible family member, or $47.96 for a family of more than two. Member contributions were $36.8 million in 2001, increasing to $40.7 million in 2002. The Government pays the difference between actual costs and the members' contribution. In 2001, the Treasury Board paid $24.9 million towards the Plan; by 2002 this had declined to around $22.2 million, about one third of the total. Over time it is expected that the employer will cover about 60% of total costs.

Pensioner non-pension liabilities

Both the PSHCP and the PDCP therefore imply an obligation to pay the employer's share of future pensioners' claims. This is true both in relation to those already retired, and to those currently employed. The *Public Account*s estimate these future costs on an actuarial basis. In March 2003, the estimated value of the PSHCP liability was $5.8 billion, net of members' contributions. This evaluation increased by about $350 million since March 2002, or about 6.3%. The estimate of liability for the PDCP was about $1.39 billion in March 2003, up by the same proportion over the year. These liabilities represent net present value of future payment benefits to retired and current employees, in relation to the portion of their service rendered to date.

Other non-pension benefits

As we described in previous sections, other non-pension benefits provided to retired public servants include:

- the Supplementary Death Benefit,
- Life insurance for executives under the Public Service Management Plan, and
- Disability Insurance or Long-term Disability benefits. These may continue to age 65, to make up any difference between entitlement under these plans and the total of other benefits including the public service pension.

Separate employers

Non-pension benefits for pensioners are also available to most eligible former employees of the separate employers, in the areas of health and dental protection, life insurance, and other benefits for retired employees in receipt of superannuation, generally on the same basis as for pensioners who retired from the core public service.

9. Conclusion—Total Compensation in the Core Public Service and Separate Employer Domains

By way of summary, Table 2076 pulls together the various elements of total compensation in the combined core public service and separate employer domains for three key years:

- 1990–91, which is the starting year for most of our analysis, and the last fiscal year before the freezes of the early 1990s set in,
- 1997–98, which was the low point for employment and total compensation following Program Review; and
- 2002–03, which was the last year for which complete information was available for this Report.

From this summary and our previous analysis, it is clear that the two principal drivers of expenditure growth were salaries and wages and employer pension contributions. Together these grew from 1990–91 to 2002–03 by $4.6 billion, or 88% of the total increase. For the period from 1997–98 to 2002–03, these two components grew by $5.2 billion, an almost identical 87% of total growth.

With this, we conclude our analysis of total compensation in the combined core public service and the separate employer domains. We now shift our focus to the Canadian Forces domain.

Table 2076

Evolution of total compensation for the combined Treasury Board as employer and separate employer domain, 1990–91, 1997–98 and 2002–03

EMPLOYEE BENEFIT **Core public service and separate employer domains**	**EMPLOYER COST** **($ billions)**		
	1990–91*	**1997–98**	**2002–03**
Salaries and wages (Regular payroll)	9.10	8.20	12.50
Performance pay—lump sums only	0.02	0.02	0.06
Terminable allowances and other allowances & premiums	0.35 (93–94)	0.30	0.53
Overtime premiums	0.29	0.21	0.35
Retroactive payments**	0.25	0.25	0.25
Payroll deductions –CPP/QPP –EI –Provincial health premiums	0.32	0.41	0.65
Pensions	0.56	0.83	1.8
Life and Disability Insurances: –Supplementary Death Benefit –PSMIP Life Insurance –Workers' Compensation –Disability Insurance –PSMIP Long-Term Disability	0.20	0.18	0.21
Health and Dental Plans: –Provincial health payroll taxes –Public Service Health Care Plan (PSHCP)	0.40 (93–94)	0.38	0.55

–Dental Care Plan (DCP) –Quebec Sales Tax			
Severance pay	0.12	0.23	0.12
Cash-out in lieu of leave	0.04 (93–94)	0.03 (98–99)	0.04***
Totals	**11.60**	**11.00**	**17.00**

***** Some of the figures included are for the closest years for which data was available. Most pertinently, various numbers attributed to 1990–91 are in fact data related to 1991–92, 1993–94 and in one case 1989–90.

** Applies to previous fiscal years; included in total as typical multi-year amount.

*** Figure includes only core public service domain data.

SECTION TWO - OTHER DOMAINS

10. Compensation in the Canadian Forces Domain

As of March 2003 total regular armed forces and active reserve forces numbered about 84,400. There were about 62,185 regular members of the armed forces (including 1,120 full-time reserve members on operations), and about 22,250 primary reserve members.[97]

Total compensation

As of March 2003, regular salaries for the Canadian Forces domain amounted to about $3.7 billion.[98] The overall estimated cost to the government of all elements of military compensation added up to about $5.3 billion.

Salaries totalled about $3.3 billion for regular armed forces personnel, and about $0.4 billion for primary reserve members. Average salaries were about $52,700, and $17,900 respectively for the two groups.

The basic approach to military compensation blends several perspectives:

- First, the Canadian Forces recognize general federal government compensation principles such as internal and external equity, competitiveness with the external labour market, and affordability.
- Second, compensation must align with the distinctive characteristics of military service. These include emphasis on the need to work as a team, and what is called "posting turbulence." Members of the Canadian Forces may be ordered to re-locate or ordered into battle. They may face prolonged periods of family separation, loss of spousal income and restrictions on personal freedom. Their personal liability to danger is unlimited.
- Finally, the resulting compensation regime needs to ensure that the "profession of arms" enjoys respect such that people will commit to serving with honour for long periods, since military knowledge and expertise cannot be purchased in the marketplace when it is needed.

Base pay

The underlying philosophy of the Canadian Forces approach to pay is a rank-based team concept. The premise is that knowledge and responsibility increase with rank, and that all members of the same rank contribute equally to the attainment of the mission. In effect, all members with the same rank and experience should earn an amount corresponding to the average value of the Force's work at that level. More value is placed on the profession of arms (sailor, soldier, airmen) than on the supporting occupations. This approach aims to tie military compensation to the realities of today's high-level technology and battle space combat tactics. It also ensures that pay does not fluctuate based on the specific job assignment, which facilitates mobility and working on what needs to be done, as members of a team.

Labour market pressures however, lead the Forces to recognize certain specialties as well. Two trade groups, Specialists 1 and 2, in addition to special remuneration for pilots and medical, dental and legal officers, assist in addressing skill shortages and retaining critical expertise.

In line with this underlying philosophy, Canadian Forces base pay is organized according to the structure of the armed forces, as follows:

Non-Commissioned Members

These include, in ascending order of rank: privates, corporals, master corporals, sergeants, warrant officers, master warrant officers, and chief warrant officers. For each of these ranks there are three pay levels:

- Standard covers about 73.8% of NCMs,
- Specialist 1, for such jobs as aerospace control operator, or medical technician, affecting about 24.6%, and
- Specialist 2, relating to a small number of jobs such as flight engineer, with about 1.6% of the members.

General Service Officers

This category includes the ranks of officer cadet, second lieutenant, lieutenant, captain, major, and lieutenant colonel.

Senior Officers

Colonels and all ranks of general.

Specialized groups

These include quite different professions at various levels that are distinguished for the purpose of linking pay to the external labour market more closely. Included are:

- Pilots[99] (paid according to their rank, plus an incentive);
- legal officers (paid at rates corresponding to appropriate levels of the Law group in the core public service);
- medical and dental officers (paid according to the results of surveys of these professions); and
- military judges (generally in line with provincial court judges).

By statute, the Treasury Board is authorized to establish compensation levels for the military. In practice, compensation is managed jointly by National Defence through the Assistant Deputy Minister, Human Resources (Military) and by the Treasury Board Secretariat. DND establishes the actual pay and benefit rates and policies through the Compensation and Benefits Instructions. Treasury Board approves compensation policies affecting the military, as well as any increases in funding.

Each year, a comparison of total compensation is calculated separately for Non-Commissioned Members (NCMs) and for General Service Officers (GSOs) to determine the warranted percentage increase (WPI) for the year. The term "total compensation" in this context refers to a very specific formula that brings together salary, salary-related benefits, certain non-salary benefits, and leave. The basis for comparison for NCMs is a set of Corporal and Master Corporal predominant jobs, numbering 3 to 5 in each of about 80 occupations.[100] About 55% of these have specified comparators in the core public service. Using these comparators, the overall compensation difference with the public service is calculated to yield the WPI.

For General Service Officers, comparators at the rank of Captain, Major and Lieutenant Colonel are matched to the public service using a modified version of the Hay Plan. Again a WPI is calculated using a method similar to that for NCMs.

The actual overall percentage increases approved by the Treasury Board do not normally correspond to the WPI. For 2002–03, because of disagreements over the formula and its calculation, in the interest of a timely decision it was agreed to accept 4.5% for General Service Officers and 4.0% for Non-Commissioned Members, and to conduct a joint review of the method for approving increases in military pay.

Senior officer pay

For senior officers, their pay is tied directly to the pay of Executives in the core public service. Based on an assessment of appropriate benchmarks, the correspondence is set as follows:

- For Colonels the maximum is EX 1 plus 13% of the difference between EX 1 and EX 2.
- For Brigadier Generals the maximum is EX 2, plus 32% of the difference between EX 2 and EX 3.
- For Major General the maximum is EX 3, plus 86% of the EX 3/EX 4 difference.
- For Lieutenant General, the pay range corresponds to that of EX 5.

Using a different pay determination method than for the lower ranks means that at times the Lieutenant Colonel pay rate may approach that of the lowest senior officer rank, that of Colonel. In 2002–03 the gap was only 4.7%.

Included in base pay, in addition to the amount derived from the assessment of comparability are three further components:

- The military factor is equal to 7.5% of pay for NCMs, and 6.5% for GSOs. This is intended to compensate for the increased personal risk and restrictions on personal freedom that are inherent in military life.
- The general provision in lieu of overtime is set at 6% for NCMs, and 4% for General Service Officers.
- The acting pay component is equal to 0.51% for NCMs and 0.66% for GSOs. This element supports members functioning temporarily at a higher rank, without being promoted or getting acting pay per se.

- Senior Officers's pay rates do not include these components.

The resulting standard annual rates of pay for Non-Commissioned Members in 2002–03 ranged from a minimum for privates of $25,968 to a maximum of $71,280 for Chief Warrant Officers. For the most numerous rank of Corporal (which contains almost half of the NCMs), the pay range was from $43,644 to $46,152. Specialist 1 Corporals earn about 9% more at the maximum; for specialist 2 Corporals the difference is about 7% above the Specialist 1 maximum.

For non-specialist officers annual pay rates in 2002–03 went from a low of $42,120 for a new Second Lieutenant, to a maximum of $160,900 for a Lieutenant-General. Pilots earned between $44,580 and $98,688. Medical/dental officers could earn as much as $200,300; legal officers up to $159,700.

The Reserve Force members are paid daily rates that generally correspond to 85% of the comparable pay for a regular member. Those serving less than 30 days receive 9% in lieu of leave. Reserve members who are engaged in operational duty (Class C employment) receive 100% of regular-member pay.

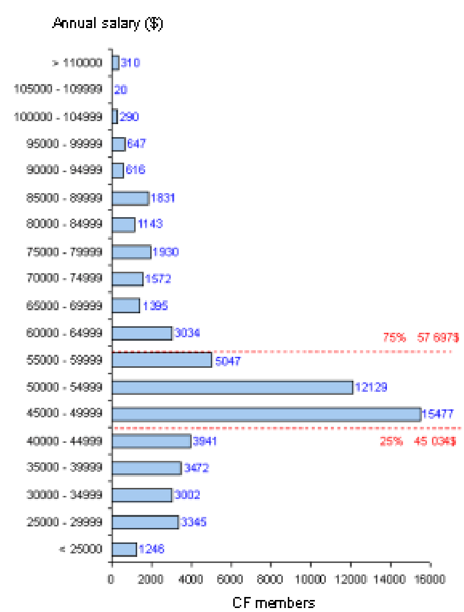
Movement within a pay range to the maximum is achieved through an annual increment known as "incentive pay." This amounts to 1.5% for Non-Commissioned Members and 2% for General Service Officers. These increases are effectively automatic in that they are implemented unless countermanded by the relevant commanding officer, which is very rare.

Advancement through the ranks is based on performance evaluations and the order of merit established by annual promotion boards. Actual promotions from the merit lists depend on the number of vacancies at each rank. Within a rank, pay rises to the next increment each year until the member reaches the maximum salary. It is worth noting that generally members enter at the bottom, either as Privates or Officer Cadets, and then advance through their career. In contrast, employees may enter the public service directly even at the highest levels.

The general distribution of base pay in the regular armed forces is illustrated in figure 2077. In comparison with a similar display for the core public service, although there are considerably more people earning below $35,000 (about 7,600 or more than 12%), the dividing line between the first and second quartile was considerably higher, at about $45,000.

Figure 2077
Distribution of actual annual salaries in the regular Canadian Forces by $5,000 bands, March 2003

Display full size graphic



On the other hand, only about 1% earned over $100,000, which is about one third of the proportion in the core public service. It must be noted that military base pay includes both the military factor and a component in lieu of overtime, so direct comparisons with public service pay need to be interpreted with this fact in mind.

Table 2078 summarizes military base pay by category. The population, the total base pay salary mass, and the category average salary are given. Within the total salary mass, about $235 million is for the military factor, and about $180 million is for the overtime component.

Table 2078

Military pay by member category, March 2003				
Member category	**Employees**	**%**	**Total base pay ($ millions)**	**Average base pay**
Non-Commissioned Members	48,183	57.0	$2,262.9	$ 46,950
General Service Officers	11,935	14.1	$752.4	$ 63,000
Pilots	1,293	1.5	$108.8	$ 84,150
Legal Officers	120	0.1	$12.6	$ 105,000
Medical/Dental Officers	294	0.3	$44.2	$150,300
Senior Officers	360	0.4	$39.7	$110,300
Subtotal Regular Forces	62,185*	73.6	$3,220.6	$52,700***
Reserve Members	22,249	26.4	$397.9	$17,880
Total	**84,434**	**100%**	**$3,618.5****	

* This total includes 1,121 members of the reserve working full time and considered as Regular Forces.

** This differs slightly from the figure of $3.668 billion reported in Table 2080, because of different estimation methods used.

*** Strictly speaking, the figures in Table 2078 yield an average salary of $51,800. We use $52,700 on the basis of the salary total given in Table 2080, which provides comparable data for 1990–91 to 2002–03.

Canadian Forces composition

The distribution of regular members by rank in March 2003, and the average salary for each rank is provided in Table 2079.

From this table it is evident that certain pay differences between ranks are very small, for example between Corporal and Master Corporal, and between Lieutenant-Colonel and Colonel. On the other hand, differences at the maximum are pronounced between Captain and Major (almost 15%), between Private and Corporal (over 20%), and between the various levels of General.

Table 2079
Distribution of regular members of the armed forces, salary range and average salary by rank (excluding special groups), March 2003

	Salary Range					
Rank*	**Population**	**Non-specialists**	**Medical/ dental officers**	**Legal officers**	**Pilots**	**Average salary**
Lieutenant - General	14	136,700-160,900				$158,500
Major - General	18	119,900-141,100				$138,900
Brigadier - General	42	98,600-116,000	171,100-200,300	131,100-159,700		$113,800
Colonel	302	86,100-101,300	163,000-188,800	99,300-139,000		$104,400
Lieutenant - Colonel	1,054	91,200-97,100	154,900-179,400	93,500-119,200	94,600-98,700	$97,800
Major	3,162	78,700-88,200	142,700-182,900	75,100-107,800	88,600-93,600	$86,700
Captain	5,769	58,200-76,900	102,100-146,800	54,200-77,400	62,300-87,700	$71,350
Lieutenant	699	45,900-55,200	48,400-51,500		49,900-59,300	$48,400

Second Lieutenant	1,083	42,100-42,700	39,100-45,200		44,600-45,200	$44,000
Chief Warrant Officer	645	68,400-71,300				$70,100
Master Warrant Off.	1,767	61,600-64,100				$63,800
Warrant Officer	3,642	55,800-57,900				$58,000**
Sergeant	6,684	50,100-52,100				$52,500**
Master Corporal	8,442	45,400-47,900				$49,100**
Corporal	17,363	43,600-46,100				$46,200**
Private	9,417	25,900-38,100				$31,500**
Total	**60,103**					

* These figures do not include the Officer Cadet rank.

** The fact that the average salaries for these ranks exceed the maximum of the salary range is anunexplained anomaly in the data.

Recruitment, promotions and separations

During 2002–03 new recruits numbered about 4,612 NCMs and approximately 1,712 officers. Together, these represented about 10.2% of total strength in March 2003. Applicants totalled about 13,500.

Promotion opportunities emerge as vacancies arise in the various ranks. Over the course of the year, there were about 2,700 promotions among Non-Commissioned Members, about 6% of the population. For General Service Officers, about 690 members were promoted into or within the ranks, also about 6%. During any month of that fiscal year, around 150 members were employed in an acting rank.

Departures in 2002–03 from the armed forces included about 3,130 Non-Commissioned members, and about 470 General Service officers. This constituted about 7 per cent of the total effective strength of serving GSOs and NCMs. Of the NCMs, 1,180 separations were involuntary (about 38% of those leaving), the majority (738) being for medical reasons. An additional 710 were released voluntarily during basic training. There were 1,620 retirees. During the year, 46 members died in service.

Retrospective—Changes in Employment and Compensation

Since the early 1990s, the Canadian Forces have lived important changes in employment and compensation. In a nutshell, this period of 13 years saw four important trends:

a. substantial declines in the number of full-time and reserve members;
b. stability in the proportion of the members in the various ranks, with a small shift from Non-Commissioned Members to General Service Officers;
c. a pattern of salary freezes and later increases in real average salaries which follows fairly closely the trends we noted for the combined core public service and separate employer domains; and
d. some improvements in allowances and benefits.

Changes between 1991 and 2003

The clear pattern of population change in the Canadian Forces has been downward. As set out in Table 2080:

- Regular force members declined in numbers, from over 88,600 in March 1991 to a low of 58,950 in March of both 2000 and 2001. This is a reduction of fully one third. By March 2003, regular members had increased more than 3,000, leaving a net 12-year decline of 30%.
- Active reservists declined by a similar proportion (33.6%) from about 33,500 to around 22,250 between March 1991 and March 2003.[101]
- The combined population thus fell from 122,140 in March 1991 to 84,369 in March 2003.

In current dollars, the combined payroll for the regular and reserve members of the Canadian Forces[102] went from about $3.3 billion in March 1991 to a low of $2.9 billion in 1997, and then grew steadily to about $3.7 billion in March 2003. The net current dollar increase between 1991 and 2003 was $360 million, or 11%. If we compare the low point in March 1998 to March 2003, we find a difference of 27%. This is a real (constant dollar) increase of about 13.8%.

The regular forces' pay fell from a total of about $3.2 billion in 1993–94 to a low of $2.6 billion in 1996–97, and has since grown to around $3.3 billion in 2002–03.

In constant 2002–03 dollars, total military pay fell from $4.2 billion in 1990–91 to $3.6 billion in 2002–03. This latter figure is up from a low of $3.2 billion in 1997–98.

Reservist payroll fluctuates according to the amount of time worked and pay rates. There is no time-related trend evident in this area, with the total reservist payroll ranging widely from $202 million in 1990–91 (when the population was greatest) up to $398 million in 2002–03, a year with a relatively low level of active reserves.

Looking at gross average salaries (total payroll for regular members divided by the number of regular members), we see a growth of about $17,700 between 1990–91 and 2002–03, as measured in current dollars. The actual averages were $35,000 in 1990–91 and $52,700 in 2002–03, indicating a current dollar increase of 50.6%.

Table 2080

Change in the Canadian Forces' regular and reserve population and payroll, 1990–91 to 2002–03

Period	Regular Forces population	Regular Forces payroll ($000s)	Reservists population	Reservists payroll ($000s)	Total military population	Total military payroll* ($000s)	Total military payroll* ($000) Constant $
1990-91	88,629	3,106,375	33,511	202,581	122,140	3,308,956	4,202,403
1991-92	85,077	3,064,433	33,163	225,732	118,240	3,290,165	4,003,538
1992-93	81,376	3,135,657	32,905	239,442	114,281	3,375,099	4,041,164
1993-94	77,125	3,158,001	33,797	233,730	110,922	3,391,731	4,002,337
1994-95	72,795	3,089,931	28,339	224,761	101,734	3,314,692	3,895,511
1995-96	67,090	2,771,811	28,040	211,530	95,130	2,983,340	3,432,624
1996-97	63,495	2,639,667	31,844	214,647	95,339	2,854,314	3,228,093
1997-98	61,663	2,626,392	30,826	261,669	92,489	2,888,061	3,222,595
1998-99	59,938	2,724,800	27,443	265,895	87,381	2,990,695	3,306,203
1999-00	58,950	2,900,052	25,364	312,827	84,314	3,212,880	3,475,465
2000-01	58,950	3,034,489	23,443	323,564	82,393	3,358,053	3,535,050
2001-02	60,459	3,110,204	21,749	363,195	82,208	3,473,399	3,576,942
2002-03	62,120	3,270,799	22,249	397,854	84,369	3,668,653	3,668,653

* Source: Public Accounts, DND

Looking at the same picture in constant 2002–03 dollars, we see growth from $44,500 in 1990–91 to $52,700 in 2002–03, an increase of about 18.4%.

Focusing specifically on the period following Program Review, as we did in analysing the combined core public service and separate employer domains, we see that the current dollar average salary rose from about $42,600 in 1997–98 to $52,700 in 2002–03 or 23.7%. Constant 2002–03-dollar average salaries grew from about $47,500 to about $52,700, or 10.9%. These rates of increase are about 3% to 4% below the increases experienced in average salaries in the combined core public service and separate employer domains during the same five-year period. The Canadian Forces also differed markedly from the core public service and the separate employers in employment change. Whereas employment on the civilian side of the public service grew by about 20% between 1997 and 2003, the active military population continued to shrink after 1997, growing marginally only in 2003, for a net 1997–2003 increase of less than 1% in the regular forces population.

Figures 2081, 2082 and 2083 display graphically these changes in Canadian Forces population and salaries.

Figure 2081
Overview of changes in the number of regular Canadian Forces Members, reservists and total active military population, 1990–91 to 2002–03

Display full size graphic

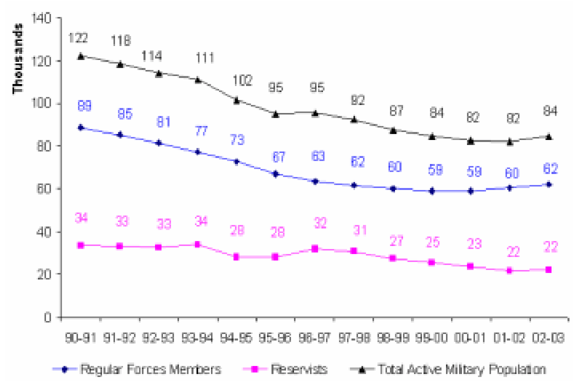


Figure 2082
Changes in total payroll for the regular members of the Canadian Forces and reservists, separately and combined, 1993–94 to 2002–03

Display full size graphic

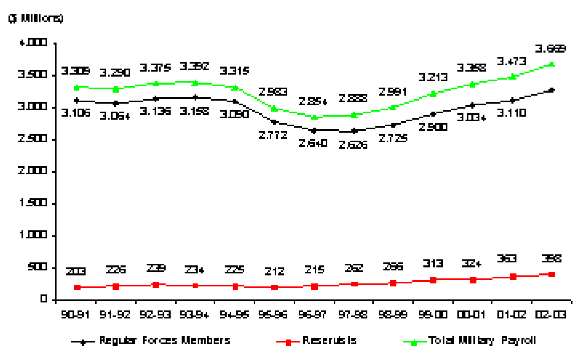
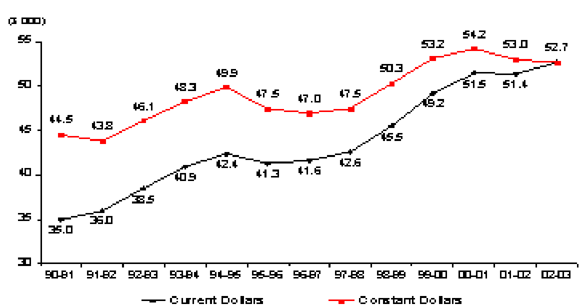


Figure 2083
Evolution of average salaries in current and constant 2003 dollars for regular Canadian Forces members, 1993–94 to 2002–03

Display full size graphic



Tables 2084 and 2085 set out the distribution of regular Canadian Forces members by rank for each year from 1990–91 to 2002–03. In general, the structure has held steady in the sense that the proportion of regular Canadian Forces members at each rank has remained little changed at eight of fifteen ranks reported in the Table: all ranks of General, Colonel, Officer Cadet, and all ranks of Warrant Officer. There was substantial growth in four ranks:

- Lieutenant Colonel (from 1.4% in 1990–91 to 1.7% in 2002–03),
- Major (from 4.4% to 5.1%),
- Captain (8.5% to 9.4%) and
- Corporal (from 23.5% to 28%).

Clear declines occurred in the ranks of:

- Lieutenant (from 2.6% to 1.7%),
- Sergeant (from 12% to 10.9%), and
- Privates of all types (from 18.8% to 15.1%).

Using the military's own broad categories of Senior Officer (Colonel and above), General Service Officer (Officer Cadet and up to Lieutenant-Colonel), and Non-Commissioned Members (Warrant Officers and below), we find a striking continuity. The proportion of Senior Officers declined slightly from 0.63% in 1990–91 to 0.61% in 2002–03. The change for General Service Officers was an increase from 20.7% to 22%; Non-Commissioned Members declined, from 78.7% to 77.4%.

Compensation Changes 1990–2003

Consistent with this modest change in the basic structure of the Canadian Forces, we observe an increase of about 2.7% in the average salary cost of the 2002–03 rank distribution compared with that of 1990–91. As in our analysis of the combined core public service and separate employer domains, we used average salaries by rank for 2003 and applied them to the structure of 1990–91 with the result reported above. If we break this period into two segments, with 1997–98, the low point following Program Review as the dividing line, we see two trends: The segment from 1990–91 to 1997–98 saw an increase of about 4.3% resulting from change in the rank structure; the following segment from 1997–98 to 2002–03 experienced a decline of about 1.5%.

Table 2084

Population of regular Canadian Forces members by rank, 1990–91 to 2002–03*

Rank	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-0
General/ Lieutenant-General	12	14	18	14	16	18	12	11	9	10	11	11	
Major-General	37	35	30	28	31	25	23	17	18	20	19	19	
Brigadier-General	101	90	85	76	69	66	59	46	42	42	45	42	
Colonel	399	386	368	360	331	305	270	244	262	277	280	295	[illegible]
Lieutenant-Colonel	1,218	1,243	1,229	1,210	1,147	1,071	942	905	894	934	955	1,011	[illegible]
Major	3,851	3,864	3,843	3,743	3,584	3,386	3,117	3,015	2,952	2,961	3,017	3,066	[illegible]
Captain	7,459	7,706	7,921	8,145	7,718	6,887	6,401	6,254	6,062	5,891	5,778	5,783	[illegible]
Lieutenant	2,239	2,149	1,872	1,567	1,270	1,067	941	775	860	987	1,030	960	[illegible]
Second Lieutenant	1,136	874	715	580	526	500	418	491	511	542	617	747	[illegible]
Officer Cadet	2,172	2,115	1,829	1,835	1,665	1,447	1,334	1,337	1,415	1,371	1,309	1,427	[illegible]
Chief Warrant Officer	1,054	1,044	1,037	980	912	803	710	602	578	583	598	627	[illegible]
Master Warrant Officer	2,712	2,682	2,627	2,504	2,368	2,152	1,947	1,740	1,654	1,628	1,690	1,728	[illegible]
Warrant Officer	5,255	5,141	5,047	4,907	4,644	4,333	3,958	3,802	3,642	3,579	3,587	3,594	[illegible]

Sergeant	10,497	10,311	9,999	9,481	8,911	8,164	7,352	7,057	6,773	6,590	6,602	6,604	6,
Master Corporal	12,401	12,129	11,819	11,116	10,562	9,932	9,414	8,972	8,665	8,437	8,381	8,422	8,
Corporal	20,595	20,958	21,754	23,095	23,465	21,391	19,139	20,196	19,803	19,326	18,370	17,759	17,
Private (Trained)	4,484	5,660	5,285	3,725	1,606	1,075	1,583	1,312	1,499	1,547	1,219	1,332	1,
Private (Basic)	10,929	7,915	3,980	2,160	2,821	3,204	4,187	4,141	3,446	3,296	3,546	4,660	6,
Private (Recruit)	1,009	674	730	688	421	418	419	171	558	333	554	1,298	1,
Totals	**87,560**	**84,990**	**80,188**	**76,214**	**72,067**	**66,244**	**62,226**	**61,088**	**59,643**	**58,354**	**57,608**	**59,385**	**61,1**

* Total populations in Table 2084 differ somewhat from those reported earlier for regular forces members in Table 208 The figures in Table 2080 are from Statistics Canada and the Treasury Board Secretariat. They are given in a manner compatible with how the related salary mass is reported. The figures in Table 2084 are "actuals" as reported by the Canadian Forces during the process of verification.

The net change of 2.7% in average military salaries between 1990–91 and 2002–03 described here compares with a core public service average salary increase of about 10.6%, attributable to structural changes by group and level. Thus, we conclude that, over the past 12 years, the change in the composition of the Canadian Forces was less than one quarter as significant as was the same factor in raising average salaries in the combined core public service and separate employer domains.

Table 2085

Proportions of regular Canadian Forces members by rank, 1990–91 to 2002–03

Rank	Percentage												
	90-91	**91-92**	**92-93**	**93-94**	**94-95**	**95-96**	**96-97**	**97-98**	**98-99**	**99-00**	**00-01**	**01-02**	**02-03**
General/ Lieutenant-General	0.01	0.02	0.02	0.02	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Major- General	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03
Brigadier- General	0.12	0.11	0.11	0.10	0.10	0.10	0.09	0.08	0.07	0.07	0,08	0.07	0.07
Colonel	0.46	0.45	0.46	0.47	0.46	0.46	0.43	0.40	0.44	0.47	0.49	0.50	0.49
Lieutenant- Colonel	1.39	1.46	1.53	1.59	1.59	1.62	1.51	1.48	1.50	1.60	1.66	1.70	1.72
Major	4.40	4.55	4.79	4.91	4.97	5.11	5.01	4.94	4.95	5.07	5.24	5.16	5.12
Captain	8.52	9.07	9.88	10.69	10.71	10.40	10.29	10.24	10.16	10.10	10.03	9.74	9.42
Lieutenant	2.56	2.53	2.33	2.06	1.76	1.61	1.51	1.27	1.44	1.69	1.79	1.62	1.67
Second Lieutenant	1.30	1.03	0.89	0.76	0.73	0.75	0.67	0.80	0.86	0.93	1.07	1.26	1.46
Officer Cadet	2.48	2.49	2.28	2.41	2.31	2.18	2.14	2.19	2.37	2.35	2.27	2.40	2.56
Chief Warrant Officer	1.20	1.23	1.29	1.29	1.27	1.21	1.14	0.99	0.97	1.00	1.04	1.06	1.05
Master Warrant Officer	3.10	3.16	3.28	3.29	3.29	3.25	3.13	2.85	2.77	2.79	2.93	2.91	2.88
Warrant Officer	6.00	6.05	6.29	6.44	6.44	6.54	6.36	6.22	6.11	6.13	6.23	6.05	5.95
Sergeant	11.99	12.13	12.47	12.44	12.36	12.32	11.81	11.55	11.36	11.29	11.46	11.12	10.83

Master Corporal	14.16	14.27	14.74	14.59	14.66	14.99	15.13	14.69	14.53	14.46	14.55	14.18	13.63
Corporal	23.52	24.66	27.13	30.30	32.56	32.29	30.76	33.06	33.20	33.12	31.89	29.90	27.99
Private (Trained)	5.12	6.66	6.59	4.89	2.23	1.62	2.54	2.15	2.51	2.65	2.12	2.24	2.59
Private (Basic)	12.48	9.31	4.96	2.83	3.91	4.84	6.73	6.78	5.78	5.65	6.16	7.85	10.01
Private (Recruit)	1.15	0.79	0.91	0.90	0.58	0.63	0.67	0.28	0.94	0.57	0.96	2.19	2.51
Totals	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Increasing Salary Levels

Accordingly, we turn our attention to increases in salary levels for the various ranks as the predominant explanation of the increase in average salaries. Since the late 1970s, at the direction of the Treasury Board, military pay (in theory at least) is determined through a process of benchmarking to public service pay known as Total Compensation. This process of detailed comparison of numerous components of compensation yields the warranted pay increase. In the end, however, the approved salary increase is decided by the Treasury Board in the context of many considerations, and does not necessarily follow the calculated warranted pay increase. The total compensation approach emerged from two factors. First, following the unification of the Canadian Forces in the 1960s, there was a search for an appropriate comparator group to which military pay could be tied. In the end it was agreed that the public service was the appropriate comparator. Second, the Treasury Board Secretariat was increasingly concerned that compensation policy take full account of all forms of compensation.

Implementing this approach proved to be "simple in the abstract, excruciatingly detailed in its application."[103] Every conceivable benefit was reviewed to determine which to include. Then followed the development of means to evaluate each element in dollar terms. Finally it was necessary to identify suitable salary benchmarks. For the Non-Commissioned Members (NCM) category, about 60 occupations were evaluated against the relevant public service classification standards, mainly for traditional blue-collar jobs. This analysis yielded salary comparisons at the Corporal level. The salary structure for more senior NCM ranks was established to allow for a smooth progression to the higher ranks. Pay rates for Privates were based on a ratio of apprenticeship and journeyman rates of pay in the Ontario Apprenticeship Program.

Because General Service Officers (GSOs) tend to be employed in non-occupation-specific roles, it proved impossible to agree on suitable benchmarks. As a result, GSO pay was linked to an index of salary increases for officer-type positions in the core public service.

Discontent with the process and a critical Auditor General Report in 1990 led to a joint review in 1992 by a Treasury Board/Canadian Forces Advisory Group on Military Compensation. As a result, a more comprehensive method dubbed "Total Compensation Comparability" was adopted. The specific issue of how to benchmark GSO salaries was resolved through the adoption of a modified Hay plan that had previously been applied by the British army. A randomly selected sample of Canadian Forces officer jobs and officer-type jobs in the public service were assessed, with the independent assistance of Hay Associates.

The Advisory Group recommended pay increases of 14.7% for General Service Officers (9.32% resulting from application of the modified Hay plan to clarify relativities to the public service, and the remainder representing the net effect of changes to other elements of total compensation), and 6.7% for Non-Commissioned Members. These recommendations were overtaken by the pay freezes imposed throughout the federal government under the *Public Sector Compensation Act* and subsequent *Budget Implementation Acts*. An exception was made for a 2.2% increase for NCMs in 1996 that had been recommended prior to the freeze.

Table 2086 below provides a summary of pay range increases for Canadian Forces personnel since 1991. The incentive pay column refers to increments applied annually to advance through the pay range for a given rank until the member reaches the salary maximum. The comparability increase refers to the phasing in of the increases that had been recommended in 1992 by the TBS/DND Advisory Group on Military Compensation. These were seen as being owed to Canadian Forces members once the pay freeze ended in 1997.

The economic increases are those increases that are approved annually by the Treasury Board, which in theory (but not often in practice) correspond to the warranted pay increase derived from the total-compensation-comparability methodology. In fact, since 2000 the Treasury Board Secretariat and the Canadian Forces have been discussing how to put the process of determining military pay increases on a more sustainable foundation. The economic increases for Senior Officers correspond to the increases approved for Executives in the civilian public service.

From Table 2086 we can see that the cumulative economic salary increase to Non-Commissioned Member pay ranges between 1996–97 and 2002–03 was 24.7% in current dollars. Taking account of the phased-in comparability increase of 6.8%, the total general range increase over seven years was 33%. For General Service

Officers, economic increases amounted to a cumulative salary range increase of 20.5% from 1997–98 to 2002–03. The comparability increase added a net 14.7% for an overall increase of about 37.7%.

For Senior Officers, the economic increase amounted to about 21.4%. In addition to the economic increases applied to Executives generally in the public service, the equivalency of senior officer rank in the Canadian Forces to Executive (EX) levels in the public service was re-evaluated effective April 1999. Colonels moved up from direct equivalence to the EX 1 level, to EX 1 plus 13% of the difference between EX 1 and EX 2; Brigadier Generals advanced from EX 2 equivalent to EX 2 plus 32% of the difference between the EX 2 and EX 3 ranges; Major Generals moved from EX 3 plus 50% of the difference between EX 3 and EX 4 to EX 3 plus 86% of that difference. Lieutenant Generals remained at equivalent to EX 5 salaries.

Table 2086

History of salary increases for the Canadian Forces, 1991 to 2003

Year	NCMs			GSOs			Senior Officers	
	Incentive pay	**Economic increase**	**Comparability increase**	**Incentive pay**	**Economic increase**	**Comparability increase**	**Performance pay**	**Economic increase**
1991	Yes	0	0	Yes	0	0	Yes	0
1992	Yes	3.00%	0	Yes	3.00%	0	Frozen	3.00%
1993	Yes	0	0	Yes	0	0	Frozen	0
1994	Frozen	0	0	Frozen	0	0	Frozen	0
1995	Frozen	0	0	Frozen	0	0	Frozen	0
1996	1.5%	0	2.20%	2.0%	0	0	5.0%	0
1997	1.5%	2.24%	2.11%	2.0%	1.59%	3.53%	5.0%	0
1998	1.5%	2.23%	1.20%	2.0%	2.21%	3.53%	4.0%	4.51%
1999	1.5%	8.93%	1.13%	2.0%	5.23%	7.02%	5.25%	2.01%
2000	1.5%	2.73%	0	2.0%	3.00%	0	4.4%	8.00%
2001	1.5%	2.50%	0	2.0%	2.50%	0	Yes	3.10%
2002	1.5%	4.00%	0	2.0%	4.50%	0	Yes	2.30%
Total		**24.68%**	**6.80%**		**20.54%**	**14.70%**		**21.44%**
Grand total			**32.95%**			**37.68%**		

The average salary for all Canadian Forces regular members grew by 23.7% in nominal dollars between 1997–98 and 2002–03. This outcome is lower than might have been expected in view of the range increases implemented in the previous paragraphs. However, staff turnover could well have served to mitigate the effect of range increases on the overall average salary for the Canadian Forces domain.

From Table 2086 we note as well that unusually large economic increases were approved for 1999–2000: 8.93% for NCMs and 5.23% for GSOs. This occurred in response to recommendations from the House of Commons Standing Committee on National Defence and Veterans' Affairs (SCONDVA). The two main components of these changes were:

a. an increase in the military factor component of base pay from 4% to 7.5% for Non-Commissioned Members and to 6.5% for General Service Officers, and
b. a re-evaluation of comparability with the public service.

For NCMs, the major changes were to increase by about 10% the entry-level salary for Privates; for GSOs entry-level salaries were raised by over 5% for Second Lieutenants and Lieutenants, and by about 11.5% for Officer Cadets.

The rationale for increasing the military factor related primarily to greater recognition of personal limitation and liability (increased from 0.5% to 3% for NCMs and 2.5% for GSOs).

Specialist officers such as legal officers and medical/dental officers receive salaries linked to their area of expertise. In the case of legal officers, military lawyers' pay is benchmarked to that of members of the Law (LA) group in the regular public service. The 6.5% military factor was approved for legal officers effective April 2000. For medical and dental officers there was an important policy change adopted in 1999 to shift from benchmarking against public service medical and dental officers to basing pay on surveys of average net incomes for full-time general medical practitioners and dentists in private practice. This shift was motivated by an increase in attrition at the end of compulsory service from a historical rate of 50% to around 80%. The new approach led to salary increases between 1998 and 2002 of around 50% in the maximum salary for medical/dental Canadian Forces members.

By way of summary on average salary increases between 1997–98 and 2002–03, we would make these points:

- Between these years, the average salary of regular Canadian Forces members rose from about $42,600 to around $52,700, an increase of $10,100.
- This difference amounts to about 23.7% in current dollars, which is equivalent to around 10.9% in constant 2003 dollars.
- We estimate that changes in the distribution of members across the ranks, and of the relative salaries between ranks accounted for only about 2.7% of the 23.7% reported above, or less than one eighth of the total.
- The vast bulk of increases in average salaries over the period resulted from decisions to raise salary ranges for the various ranks.

This leaves the question of how the salary increases were financed. Focusing on the period following Program Review and the salary freezes (i.e. from 1997–98 to 2002–03) we note that the salary mass for the Canadian Forces increased from $2.89 billion to $3.67 billion, a difference of $0.78 billion. This was financed principally by a net transfer of about $612 million from the Treasury Board compensation reserve.[104] The remainder was financed mainly by transfers initiated by the Department of National Defence, both through the Annual Reference Level Update (about $77 million net between 1997–98 and 2002–03) and net in-year transfers from other approved budgets into salaries, amounting to about $185 million. Over this period, the process for approving salary budget increases to support approved policies yielded a net decrease for the Canadian Forces totalling around $44 million.[105]

Recruitment, promotions and separations

For the years reported, we observe several points of interest in Table 2087. First, recruitment has been renewed in earnest only since 2000. Second, promotions fell by three quarters from 1990–91 to 1996–97. Since then promotions have increased, but remain below half the level of 1990–91. Voluntary separations are relatively low at 3.4% in 2002–03, but still higher than in the regular public service.

Table 2087

Overview of recruitment, promotions and separations in the Canadian Forces, 1990–91 to 2002–03

	Recruitment		NCMs		Separations				
					Voluntary		Involuntary		
Year	NCMs	GSOs	Promotions	GSOs	NCMs	GSOs	NCMs	GSOs	Deaths
1990-91	n/a	n/a	18,939	3,662	n/a	n/a	n/a	n/a	n/a
1991-92	n/a	n/a	13,448	3,001	n/a	n/a	n/a	n/a	n/a
1992-93	n/a	n/a	13,017	2,545	n/a	n/a	n/a	n/a	n/a
1993-94	n/a	n/a	10,895	2,244	n/a	n/a	n/a	n/a	n/a
1994-95	n/a	n/a	7,033	1,791	n/a	n/a	n/a	n/a	n/a
1995-96	n/a	n/a	5,154	1,543	n/a	n/a	n/a	n/a	n/a
1996-97	n/a	n/a	4,700	1,216	n/a	n/a	n/a	n/a	n/a
1997-98	2,473	641	4,880	1,777	1,611	334	1,192	215	25
1998-99	2,006	761	4,645	1,280	2,103	434	1,166	189	49
1999-00	2,036	673	6,240	1,339	2,070	387	1,120	165	40
2000-01	2,692	695	7,052	1,477	1,990	326	1,324	188	43
2001-02	4,574	816	7,570	1,538	1,681	249	1,243	167	33

2002-03	4,650	1,080	8,226	1,515	1,847	301	1,297	228	44

Performance pay and incentive allowances

Senior officers, medical/dental officers with the rank of Lieutenant-Colonel and above, and legal officers above the rank of Colonel are eligible for performance awards, essentially on the same terms as for executives in the core public service. Legal officers below Colonel benefit from a performance pay system modelled on that for excluded and unrepresented non-executives in the core public service. For senior officers in 2002–03, the total lump sum variable pay awards amounted to about $2.6 million, approximately equal to the 7% guideline. The average award was about $7,350. Salary increases for senior officers based on performance on ongoing commitments totalled about $0.2 million.

For all other eligible officers, the total value of lump sum performance pay in 2002–03 was about $0.8 million, and related in-range salary increases were about $0.4 million.

Retrospective—Performance pay

Consistent with the link to public service models, the availability and level of performance pay has varied over the years.

Table 2088

Comparison of performance pay awards for regular members of the Canadian Forces, 1990–91, 1997–98 and 2002–03

Type of payment	**1990-1991 ($M)**	**1999-2000 ($M)**	**2002-2003 ($M)**
Senior and Specialist Officers			
Lump sum variable pay	n/a	n/a	2.6
In-range salary increases based on performance assessment	n/a	n/a	0.2
Other Eligible Officers			
Lump sum performance pay	n/a	n/a	0.8
In-range salary increases based on performance assessment	n/a	n/a	0.4
Total	**2.0**	**2.3**	**4.0**

From the figures in Table 2088 it is evident that performance pay grew substantially in the Canadian Forces since 1999–2000. This is entirely consistent with the comparable experience of core public service Executives. The in-range increases seem low, although apparently Lieutenant-Colonels are at or near the maximum pay of Colonels on promotion.[106]

Recruitment allowances

The armed forces offer several recruitment allowances. The total value for 2002–03 was about $4.9 million. About $3.5 million went for Non-Commissioned-Member recruitment, for example for those with a post-secondary diploma or certificate in an under-strength military occupation ($1.5 million). About $1.05 million went for officer recruitment, and $335,000 to attract those with medical/dental qualifications. The only retention or terminable allowance, that for pilots, ran out in July 2003 and was not renewed. No payments were made in 2002–03.

Retrospective—Recruitment and retention allowances

During the late 1990s the Canadian Forces implemented selective recruitment and retention allowances to assist in meeting operational requirements. Recruitment allowances for skilled Non-Commissioned Members amounted to $3.5 million in 2002–03, and nil in the early 1990s.

As of 1999, the shortfall of qualified doctors in the Canadian Forces was 21 Captains and Majors against target strength of 173, with a similar gap for dentists. The situation was expected to deteriorate. In response, a Medical and Dental Direct Entry Officer Recruitment Allowance was introduced. This provided a lump sum, after successful completion of three months of basic officer training, of $80,000 per direct entry medical officer and $25,000 per direct entry dental officer.

For pilots, the main issue was retaining trained personnel. By 1998, the attrition rate of 12% was double what had been the annual norm for pilots, mainly as a result of competition from the airlines. Accordingly, from 1998 to 2003[107] re-enlisting pilots could receive special incentives ranging from $50,000 to $75,000. Between late 1999 and 2003 approximately $10.2 million was spent on such retention bonuses.

Other pay, allowances and leave entitlements

Members of the Canadian Forces are entitled to receive other allowances such as the hardship allowance or the submarine allowance. They also receive pay in lieu of overtime, severance pay and statutory benefits such as the Canada Pension Plan. This section examines the nature and cost of these benefits and allowances, along with provisions for leave.

Other forms of allowances amounted to $180.5 million in 2002–03. Table 2089 summarizes the major types of allowances.

Table 2089

Major allowances in the Canadian Forces by category, 2002–03

Allowance	Amount ($M)	%
Hardship allowance	17.2	10%
Foreign service premium	28.3	16%
Risk allowance	8.8	5%
Hardship allowance bonus	0.3	0%
Post Combat Reintegration Allowance	5.8	3%
Subtotal: Operations Allowances	60.4	33%
Sea duty allowance	15.8	9%
Air Crew allowance	8.5	5%
Field Operations	6.5	4%
Submarine allowance	1.4	1%
Paratroop allowance	1.2	1%
Other environment allowances	2.0	1%
Subtotal Environment Allowances	35.4	20%
Post living differential	64.8	36%
Isolated Post/Northern Allowances	2.3	1%
Maternity/Parental Allowance	17.6	10%
Total	**180.5**	**100%**

The principal such allowance is the Post Living Differential (PLD),which attempts to maintain a reasonably predictable cost of living for Canadian Forces members and their families, no matter where in Canada the member is posted. Based on a private sector survey, the PLD provides a monthly allowance that varies by geographic location. The amount is calculated for 52 locations where National Defence has facilities. In February 2003, the allowance went from a low of zero in Kingston, Charlottetown and Corner Brook, to a high of from $863 a month to $1,138 in different parts of greater Toronto. Ottawa-Gatineau was $124. If two spouses are in the Canadian Forces, each receives 75% of the applicable PLD. As noted Table 2089, the total cost in 2002–03 was $64.8 million.

The second largest area, environmental allowances, cover over a dozen distinct types of activities that involve adverse environmental conditions or hazards to which members are not generally exposed. These include such activities as serving as a paratrooper, as a diver, on a submarine, or as a member of Joint Task Force 2. The total value in 2002–03 amounted to $35.4 million.

The third broad area is that of operational allowances, which amounted to $60.4 million over the year. These essentially aim to assist members on deployments, compensating them for the difficulties and hardships associated with particular postings. The level of assistance is generally graded to the hardship of the assigned location. These tax-exempt allowances are based on the Post Differential Allowance element of the public service's Foreign Service Allowances. Also included is a Post-Combat Reintegration Allowance.

Finally, maternity and parental allowances cost about $17.6 million in 2002–03.

Retrospective—Other allowances

Other allowances increased in total value from about $133.2 million in calendar year 1990 to $180.5 million in 2002–03. As a middle reference year, we determined that $114.7 million was paid in 1997–98 in taxable allowances for Canadian Forces members. We were unable to obtain details on the level of expenditures for particular allowances in earlier years. The main apparent differences in total expenditures over time were the introduction of the Post Living Differential, and the increasing value and use of the maternity/parental allowances.

In policy terms, the principal change in allowances since 1990 was the introduction of the Post Living Differential (PLD) in 2000–01. This replaced the previous Accommodation Assistance Allowance (AAA), which provided financial aid to Canadian Forces members renting private housing. The new allowance was designed to reduce for eligible Canadian Forces members the variation in standard of living inherent in moving from one community to another across Canada, in view of the significant differences in the cost of living in various centres. The amount paid in each centre is based on an independent survey, with the amount increased so that in effect, the taxes payable on such a benefit are covered. In its last full year of operation, 1999–2000, the AAA cost about $3.9 million.[108] The PLD paid out approximately $49.2 million in its first year of operation in 2000–01, increasing to around $64.8 million in 2002–03.

Based on 2002–03 expenditures, the second main category of allowances was environmental allowances. These date back to the former mid-1960s navy, army, and air force allowances. They aim to compensate Canadian Forces members for military duties that involve sporadic or continuous exposure to adverse environmental conditions and risks not normally experienced by Canadian Forces members in general. These allowances remain the result of a "force-fit" adjustment to the amalgamation of the armed forces in the mid-1960s with some subsequent ad hoc adaptations. It is unfinished business to ensure that, in relation to the degree and duration of exposure, all Canadian Forces members are equitably treated, regardless of their sea, land or air affiliation.

Up to 2002–03, 18 specialized allowances remained in place. There was little in the way of change over the period under review from 1990–91 to 2002–03, other than regular increases in the level of the allowances. During the freeze period from 1992 to 1996, the allowances remained unchanged; from 1997 to 2003 the rates generally increased by about 29% to 30%, more or less in line with the increase in salary levels.

Operational allowances compensate for hardship, risk, and cost-of-living differentials in operational settings, normally outside Canada. Prior to the 1991 Gulf War, Canadian Forces personnel serving abroad were entitled to a Foreign Duty Allowance (FDA). In theory, this matched the Post Differential Allowance (PDA) provided to civilians serving abroad under the Foreign Service Regulations. In practice, the FDA lagged the PDA, offering only one third to one half of the monetary value by 1991. After various ad hoc changes to compensate members assigned to the Gulf and later to operations in the former Yugoslavia, Cambodia, Somalia, Rwanda and Haiti, the present system was approved in 2003. To reflect the nature of military assignments, for example, the Hardship Allowance Bonus is in six-month increments. The amount spent in this area has been roughly estimated[109] at about $2.8 million in 1990–91 and $36 million in 1997–98. The amount paid for all operational allowances in 2002–03 was around $60.4 million.

Finally, steps were taken during the period under review to make maternity and parental allowances available for Canadian Forces members on the same basis as for public servants in the core public service. Effective 1999, it was agreed that maternity leave would be counted as time qualifying for severance pay. In line with the increased length of maternity and parental leave resulting from changes in the Employment Insurance program in 2001, the amount paid for these benefits had reached $17.6 million by 2002–03.

Retroactive pay is not applied in the case of the Canadian Forces. Salary increases are effective April 1 of each year, and implemented expeditiously. By Treasury Board policy, no approved increase is retroactive to previous years.[110]

Overtime

As previously noted, overtime per se is not paid based on actual hours worked. Instead, a percentage of the pay established through comparability with the core public service is included in base pay as a general provision for overtime. The understanding is that over the course of a member's career, this approach is equitable.

On various occasions studies have indicated that the incidence of overtime is greater than this allowance recognizes. Recommendation 10 of the 1998 report of the Standing Committee on National Defence and Veterans' Affairs on *Quality of Life in the Canadian Forces* reiterated the need to re-evaluate the overtime factor to reflect the workloads experienced by military personnel. Up to 2002–03, however, the allowance remained unchanged.

Severance pay

As in the regular public service, retiring members of the armed forces are eligible for severance pay equivalent to one week's salary at the member's current rate for each year of service up to 30 years. To be eligible at all, members must have at least 10 years' service; between 10 and 20 years the severance is paid at half the full rate. In 2002–03 a total of about $93.8 million was paid out in severance pay and other termination benefits for the armed forces. The severance pay portion amounted to about $63 million for Regular Forces members. Assuming everyone departing was eligible for severance pay (which is certainly not true for literally everyone), the average value of severance pay per departing member was about $18,000. About $21.5 million was provided to assist departing members and their families to move to their intended place of residence.

Retrospective—Severance pay

Entitlement for severance pay and termination benefits remained unchanged during the period under review. The actual amounts paid have fluctuated with the level of departures from the Canadian Forces, as shown below.

Year	Severance Pay and Termination Benefits ($ millions)*
1993-1994	75.9
1994-1995	362.2
1995-1996	190.1
1996-1997	56.3
1997-1998	41.6
1998-1999	56.5
1999-2000	60.6
2000-2001	71.3
2001-2002	70.3
2002-2003	69.9
* These figures include Regular Forces Severance and (after April 1997), the Reserve Force Retirement Gratuity.	

The two years of substantially greater payouts for severance and termination benefits, 1994–95 and 1995–96, corresponded to the years of greatest decline in the population of regular members of the Canadian Forces.

Statutory Benefits

As is required of all employers in certain provinces, the government pays statutory premiums and payroll taxes in relation to the Canadian Forces:

- Canada Pension Plan employer contributions totalled $153.5 million in relation to the armed forces and the reserves in 2002.
- Employment Insurance—The cost to the employer in relation to the armed forces domain was $69.7 million.
- Provincial Health Plan Premiums—These charges, limited to Alberta and British Columbia totalled $3.5 million.
- Health Payroll Taxes—These amounted to about $56.7 million.

Retrospective—Statutory Benefits

Statutory premiums and payroll taxes relating to the Canadian Forces have increased in some areas and decreased in others, as for other employers. The principal items are listed below.

Canada Pension Plan

Canada Pension Plan employer contributions were $80.9 million in 1993–94, and remained in that range until 1998–99 when they began to increase, reaching $153.5 million in 2002–03.

Employment Insurance

Employment Insurance employer contributions conversely declined steadily, reflecting both the population decrease and the reductions in premium rates through the period. Total employer contributions for Employment Insurance in 1993–94 were about $144.7 million; by 2002–03 they amounted to $69.7 million. A small EI rebate is paid to Canadian Forces members. This rose from about $0.67 million in 2000–01 and $0.78 million in 2002–03.[111]

Provincial Health Plan Premiums

These charges were levied during the period only in Alberta and British Columbia. They totalled about $2.8 million in 1993–94 and in 2000–01, and $3.5 million in 2002–03.

Health Payroll Taxes

These added up to around $44.9 million in 1993–94, $39.4 million in 1998–99, $51.8 million in 2000–01, and $56.7 million in 2002–03.

Pay equity

Pay equity has affected Canadian Forces compensation only indirectly, through the comparability formula relating public service to military pay on a total compensation basis. In 1999, an increase of 0.63% was applied as part of that year's warranted percentage increase for Non-Commissioned Members as a result of implementing the settlement with the Public Service Alliance in the core public service domain. There was no element of retroactivity in the case of the Canadian Forces.

Leave entitlements

Annual leave entitlements were:

- 20 days for regular members with up to four years' service (about 21% of the population),
- 25 days for those with 5 to 27 years of service (73%), and
- 30 days with 28 or more years of service (6%).

Members also receive the 11 statutory holidays recognized in the public service, plus 2 additional days at Christmas.

Retrospective—Leave entitlements

Entitlement to leave among members of the Canadian Forces has remained essentially unchanged during the period since 1990. One exception was the increase in maximum annual leave to 30 days after 30 years in the early 1990s, reduced to 28 years in 2002. Also, as previously noted, maternity and parental leave was improved as a result of changes in policy on Employment Insurance in 2001.

We were unable to obtain information on payouts in lieu of leave for active members and for those leaving the Forces.

Sick leave

Sick leave is only recorded for members when a physician approves such leave. For cases requiring less than 48 hours of sick leave, the member's Commanding Officer may authorize it. In 2002–03, about 185,000 sick days were recorded affecting 6,680 members, an average usage of about 27.7 days for these members. For the remainder of the Canadian Forces incidental sick days are not recorded, so any estimate of total usage would lack an empirical base.

Other leave

Various other forms of leave may be granted to members of the Canadian Forces. Examples include:

- Short leave—This covers miscellaneous absences. It is entirely discretionary and therefore varies according to circumstances and the outlook of the supervisor. It is not to exceed two days per month.
- Leave prior to and post deployment, as well as a mid-deployment break—At each of these deployment stages there can be a week or two of leave.
- Maternity and parental leave—This is in line with practice in the broader public service. At the end of March 2003, 81 members were on maternity leave, and about 609 on parental leave.

A gross approximation of time not worked would be 15%. This is based on assuming all members took their full annual leave entitlement and all statutory holidays, plus the two extra days at Christmas, and adding only the recorded sick leave days. Overall, we could expect leave usage to be somewhat higher, since the calculation takes no account of other forms of leave. Using the 15% in any case, the value of days not worked would be at least $498.8 million, based on the average salary cost per day across the Canadian Forces of about $205.

Canadian Forces Pension Plan

In most respects, the pension arrangements for the armed forces mirror those for the core public service domain.[112] The major difference has been that members have generally been able to retire with an unreduced pension at younger ages than in the regular public service. For example, members with an intermediate engagement may retire after 20 years of service, without a penalty.[113]

Members who are on an indefinite period of service may be subject to a reduction in their pension. For Non-Commissioned Members this is the lesser of 5% times the number of years they are younger than 55, or 5% times the number of years by which their service is less than 25 years. For officers committed to indefinite service, the same basic principles apply but the reductions relate to the lesser of the years they are short of the applicable retirement age (normally 55), or of the years of service required for their rank (28 years below Colonel and 30 years for senior officers). As a result of these arrangements, we find that as at the end of March 2002, there were about 20,650 military retirement pensioners under age 55, about 28% of the total.

Member contributions were the same in 2002–03 as for the main plan: 4% of earnings up to the maximum pensionable earnings under the Canada Pension Plan, and 7.5% above that level of income.[114] The total value of member contributions in 2002–03 was about $162.8 million, around 22.2% of total contributions. The government made up the difference in the required contributions, namely $570.7 million (77.8%). Contributions relating to current service since April 2000 are transferred to the Canadian Forces Pension Fund to be invested by the Pension Investment Board.

For context, pensions and retiring allowances paid during the year amounted to about $1.9 billion. Interest credited to the Canadian Forces Superannuation Account was valued at $3.2 billion in 2002–03. An amount of about $940 million was credited to the government's bottom line as part of an ongoing amortization of actuarial gains and losses under accrual accounting of pension benefits for Canadian forces members, past and present.

Retrospective—Pensions

The only fundamental difference between the pension plans for the public service and the military has to do with the normal age of eligibility for an unreduced pension. The public service plans emphasize a minimum age as well as years of service in establishing eligibility; military plans have based eligibility mainly on a minimum of 20 years of service. This distinction has been driven by the view that the military needs to retire its members relatively early in order to maintain an appropriately young workforce capable of handling the rigours of military duty. Indexation of benefits to changes in the cost of living only starts at age 60 unless the retiree is at least 55 with a minimum of 30 years of service.

A second important distinction is that pension credits accrued under the CFSA are only transferable to other federal government organizations, whereas under the *Public Service Superannuation Act* (PSSA) credits may also be transferred to provincial and municipal entities and to many private sector employers.

Otherwise, the changes in benefits, contribution rates and financial arrangements for the PSSA apply to the CFSA as well. One change specific to the CFSA provided in 1992 that CFSA members in receipt of a pension, who accept employment in the reserves on continuous Class B or Class C service for a year or more, began to be deemed to have re-enrolled in the military pension plan. Previously, such annuitant-reservists found that their pension simply ceased after one year of reserve service.

Part of the basic similarity of the CFSA to the PSSA plan is the history of integrated contributions to the Canada Pension Plan (CPP) and to the CFSA plan, until 2000 when the contributions were de-coupled for both plans. Thus the CFSA member contribution rates are those set out for PSSA members in Chapter 7 of this Volume.

Essentially, members contributed 7.5% of salary from 1977 to 1999, covering both CPP and the CFSA. After 2000, the CFSA member rates have been 4% on that portion of salary up to the year's maximum pensionable earnings (YMPE) under the CPP ($39,900 in 2003), with the current CPP contribution rate (4.95% in 2003) added on top of that. Above the YMPE, CFSA members contribute 7.5% of salary.

Appendix Q[115] gives a complete history of contributions under the *Canadian Forces Superannuation Act*. This Appendix includes information on CFSA contributions in relation both to current service (contributions covering pension credits earned in the year in question) and to elective service (past service).

We focus on contributions in relation to current service, since this is the clearest expression of the place of pension costs in total compensation in a given year. Table 2090 provides details on employer and member contributions relating to service during the year in question between 1990–91 and 2002–03. Again, as with the PSSA regime, employee contributions are determined according to the rates specified in Table 2058 in Chapter 7 of this Volume. The Government then contributes the additional amount needed to cover the pension credits earned in that year, according to the current actuarial assessment of these costs.

Table 2090

Details of employer and member contributions to the Canadian Forces pension plan for current service, 1990–91 to 2002–03

Year	Employer share ($M)				Members' share ($M)				Total contribution ($M)
	CFSA	RCA	Total	%	CFSA	RCA	Total	%	
1991-92	392	0.0	392	68%	184	0	184	32%	**576**
1992-93	414	0.0	414	69%	182	0	182	31%	**596**
1993-94	424	0.0	424	71%	173	0	173	29%	**597**
1994-95	426	0.0	426	72%	164	0	164	28%	**590**
1995-96	398	0.6	398.6	73%	148	0.1	148.1	27%	**546.7**
1996-97	379	2.3	381.3	74%	134	0.1	134.1	26%	**515.4**
1997-98	391	1.7	392.7	74%	135	0.1	135.1	26%	**527.8**
1998-99	382	2.0	384	74%	132	0.2	132.2	26%	**516.2**
1999-00	548	9.3	557.3	80%	140	0.7	140.7	20%	**698**
2000-01*	496	10.5	506.5	78%	141	0.8	141.8	22%	**648.3**
2001-02*	509	10.7	519.7	78%	145	0.9	145.9	22%	**665.6**
2002-03*	549	14.5	563.5	78%	155	1.1	156.1	22%	**719.6**
* Contributions to the Canadian Forces Pension Fund (CFPF)									

Employer contributions in respect of Canadian Forces pensions were quite stable through most of the 1990s, remaining generally in the range of $400 million. Only two years, 1993–94 and 1994–95, were materially higher at about $425 million. At the end of that decade, however, employer contributions increased to over $500 million, going as high as $557 million in 1999–2000. Throughout the period under review, member contributions have stayed between a low of $132 million in 1998–99 and a high of $184 million in 1991–92.

Reviewing these figures in light of contemporaneous changes in the population of the Canadian Forces modifies the perspective somewhat. The downward trend in employee contributions from 1991–92 to 1998–99 paralleled the reduction in members; the subsequent increases reflect salary increases as reported earlier. On the employer contribution side, the increases starting in 1999–2000 result mainly from lower expectations for real interest rates and increased forecasts for salary growth. If the military population had not declined as well, employer contributions would have needed to be substantially larger.

The ratio of employer to member CFSA contributions has grown fairly steadily through the period from 1991–92 to 2002–03, increasing from about 2.13:1 in the former year to about 3.54:1 in the latter. The portion of current service costs borne by the employer went up over the same period from about 68% to 78%, leaving employee contributions to decrease as a proportion of total costs from about 32% to 22%.

Two important points of context are warranted, however. First, from a long-term historical viewpoint, the share assumed by the employer is not particularly unusual for this Plan. As set out in Appendix Q, the employer paid a minimum of 80% of costs in at least 17 of the 45 years prior to 1991–92 that are covered in the Appendix. Second, as noted earlier in this section, the view has been that Canadian Forces members should retire relatively early so that the military can retain a relatively young workforce. This implies early retirement and higher costs for the employer, if contribution rates for members are to remain in line with public service norms. [116]

As was the case for the public service pension plan, the ratio of employer to employee contributions for the Retirement Compensation Arrangements Account (covering pensions relating to that part of salary above the limit in the *Income Tax Act*) is strongly in the members' favour. During the period under review the employer share was never less than 90% in relation to current service costs.

The value of benefits paid under the CFSA was about $1.11 billion in 1991–92; by 2002–03, this had risen to about $1.9 billion. The number of beneficiaries, including retired members as well as surviving spouses and children, rose from about 82,700 in 1991–92 to about 104,200 in 2002–03. Of the retired members, in the order of 30% were younger than 55.

Insurance, health and dental benefits

Active members of the armed forces participate in the Supplementary Death Benefit Plan on terms similar to those applying generally in the public service except that the phasing down of coverage occurs five years earlier than for regular public servants. Retired members may elect to continue participation. The coverage is two times annual salary, declining by 10% per year starting at age 61, to a minimum of $5,000 at age70.

Members contribute monthly at the rate of $0.05 per $250 of annual salary. Total contributions from participants under the *Canadian Forces Superannuation Act* in 2002–03 added up to about $12.4 million. The government provided about $2.6 million, or just over 17% of the total.

Like the analogous account for the public service, the Regular Forces Death Benefit Account has a growing balance, albeit at a much slower rate. Interest credited to the account was about $15.7 million; benefits paid added up to about $29.6 million.

Regular and retired members have access to group term life through the Service Income Security Insurance Plan (SISIP) at their own expense.

Senior Officers and Legal Lieutenant-Colonels are covered under SISIP by additional life insurance arrangements identical to those provided to Executives in the core public service. The premiums, which amounted to about $0.4 million in 2002–03, are fully paid by the government. Long-term disability premiums for these officers were also covered by the employer at a cost of $0.6 million during the year.

In recognition of their commitment to a dangerous way of life with unlimited liability, Canadian Forces members are provided with comprehensive medical and dental care. The Canadian Forces Health Service (CFHS) provides medical and dental services for members, at military installations across Canada and overseas, either directly or through cooperative arrangements with civilian health care suppliers. Essentially these services are intended to meet the needs of serving members, both those needs addressed by provincial health insurance, and those covered for public servants by the Public Service Health Care Plan and the Dental Care Plan.[117] The CFHS cost for 2002–03 was about $363 million excluding the cost of infrastructure maintenance and other indirect support costs. This amounts to about $6,000 per regular member of the armed forces.

For Regular Force members who become incapacitated such that they cannot serve as a soldier and must be released, there are three measures to protect their income:

- First, such members become eligible for an immediate annuity (pension) corresponding to their years of service, if the member has at least 10 years of Regular Force service.
- Second, for service-related illness, injury or death, there are benefits payable under the *Pension Act*, which is administered exclusively by Veterans Affairs Canada. The *Government Employees Compensation Act* (workers' compensation) does not cover members of the Canadian Forces. The *Pension Act* is separate from the CFSA. No contributions are made and the benefits are not dependent on average pay or years of service. Benefits payable under the *Pension Act* are estimated through actuarial valuations, in a manner similar to the liability for public service workers' compensation. While the Public Accounts report a total liability of $27.5 billion as of March 2003 in relation to these benefits, the main portion related to war veterans and to the cost of events that have occurred in the distant past. Nonetheless, estimation is made annually for the cost of new events in relation to current military activities. This amount represents the net present value of all future payments to be made as a result of incidents that have occurred during the year, including those incurred but that will be reported only at a later date. In 2003, the Public Accounts reports this annual cost of current service at $504 million.
- Third, they benefit from a long-term disability plan as part of SISIP. Coverage is similar to that provided to the regular public service (although benefits are at 75% of salary, with annual inflation indexing limited to a maximum of 2%. This plan is jointly funded by contributions from members and the government. Employer premiums for 2002–03 amounted to $35.6 million (85%) for the Canadian Forces. Total member premiums were about $6.8 million (15%). Coverage for the reserves (100% government-paid) was about $3 million. Any other annuity or disability income is deducted from the amount payable under SISIP's long-term disability plan, as in the core public service.

Beginning in early 2003 and retroactive to 1972, the Canadian Forces Accidental Dismemberment program provides a lump sum benefit of up to $250,000 to regular and primary reserve members of the Canadian Forces, for injuries attributable to military service. For 2004, the first full year of coverage, the employer cost was $450,000.

Reservists who serve full time for a minimum of 180 days consecutively are entitled for the duration of their service to health and dental support on the same basis as regular Canadian Forces members. Other reservists serving in some capacity with the Canadian Forces, and dependants of Regular Forces members are covered by the Public Service Health Care Plan. The costs, which are fully paid by the government, amounted to $19.2 million. About 40,100 individuals were estimated to be covered.

The general public service Dental Care Plan has sub-plans specifically for dependants of regular military members, and for primary reservists[118] and their dependants. In 2002–03 the Canadian Forces dependants' plan covered about 40,900 people (based on the actual number of claimants), and the reservists' plan covered about 20,700, as reported to Great West Life by National Defence. Dental plan costs for the two sub-plans, fully reimbursed by the government, added up to $18.2 million over the year, including $1.8 million for reservists.

Retired members of the armed forces, who are in receipt of an annuity, and their dependants, are eligible for the Public Service Health Care Plan, and the Pensioners' Dental Services Plan. The government also continues life insurance coverage for Canadian Forces Senior Officer retirees at a cost in 2002–03 of about $0.2 million.

Retrospective—Insurance, Health and Dental Benefits

The Supplementary Death Benefit Plan is principally funded by the members of the Canadian Forces. Total participants' contributions were around $10 million per year from 1991–92 to 1997–98. Since 1998–99 contributions by members have increased steadily to reach $12.4 million in 2002–03, paralleling the increase in salary mass during these years. The Government has generally contributed each year between $2.2 and $2.8 million.

The actuarial surplus credited in the Regular Forces Death Benefit Account has increased from year to year, growing from $137.8 million in 1991–92 to $193.1 million in 2002–03. However, the annual surplus of contributions and interest credited versus the value of benefits paid has been falling, as demands on the Account have grown. In 1991–92, for example, total revenues exceeded benefits by over $15 million; by 2002–03, revenue exceeded benefits by only about $1.1 million.

Regular and retired Canadian Forces members can purchase at their own expense further group term life insurance through the Service Income Security Insurance Plan (SISIP). Since 1993, the employer has contributed 85% of the cost of long-term disability coverage, as for the core public service.[119] The monthly premium rate was 0.25% of salary from 1971 until 1980, when it rose to 0.40%. In 1997 it was increased to 0.54%, and in 1999 to 1.395% to cover the cost of the definition change described in the next paragraph.

The cost of this coverage for regular members and reservists has grown from about $9.6 million in 1993–94 to around $38.2 million in 2002–03, based on claims experience. In large measure the increase resulted from a change in the definition of disability away from requiring that a member be disabled for "any occupation" in order to qualify for coverage. This closed a gap in coverage whereby a disabled member might be discharged from the armed forces for medical reasons, but be ineligible for disability insurance coverage. Under the new definition such a member would receive insurance benefits for 24 months. (With at least 10 years of service, the member would also receive a pension without penalty.)

Another source of the increase in the total cost was the decision implemented in 1999–2000 to fully include reservists in the coverage. Costs relating to reservists grew from about $12,000 in 1993–94, to $1.4 million in 1999–2000, to over $2.4 million in 2002–03.

Since 1990, Senior Officers and legal Lieutenant-Colonels have received additional life insurance and disability insurance at the employer's expense since 1990. The employer cost for this coverage has been reasonably steady, rising from $0.6 million in 1993–94 to about $1 million in 2002–03.

To provide medical and dental services for Canadian Forces members at military installations, up to the late 1980s the Forces maintained six fully functioning hospitals to satisfy most in-patient services required by military personnel. As the number of members declined in the 1990s, however, it became apparent that this system was unsustainable. Progressively through that decade, all Canadian Forces hospitals were closed. The plan was to rely mainly on the general Canadian health care system for "in-garrison medical care." However, it became apparent that the general health care system in Canada was itself under stress. The Forces consequently developed the Designated Provider Plan. Through a memorandum of understanding with Veterans Affairs, the Canadian Forces participate in a Blue Cross claims processing system that allows members to access specialized health care services within the civilian sector.

Continuing concerns with the health care arrangements and their cost led in 1999 to a further review and a new plan in 2000. Most notably, this process led to the Third Party Contracting initiative, whereby Med Emerg International Inc. provides health services personnel for service within Canadian Forces health care facilities. Off-base fee-for-service care is still provided through the partnership with Veterans Affairs and Blue Cross.

As with medical and dental costs generally in Canada, expenditures in this area have increased since 1990. The available historical data is sketchy. However, in 1989–90, costs for the Canadian Forces hospitals were reported at $233 million.[120] By 1993–94, when the four main hospitals had closed, costs are reported to have been $309 million, excluding infrastructure costs. By 1998–99 the costs are reported to have been $250 million. For 2002–03, this total had increased to about $363 million.

Primary reservists (except for class C reservists who are treated as regular members) and dependants of members of the armed forces are covered by the Public Service Health Care Plan, as described in Chapter 8. The Government covers 100% of the costs of this Plan. Claims in relation to primary reservists and regular members' dependants have grown from about $7.4 million in 1996 to around $19 million in 2003.

Components of the regular Public Service Dental Care Plan are designed specifically to cover dependants of regular Canadian Forces members and of RCMP members, and for primary reservists and their dependants. The number of Canadian Forces regular member dependants covered under the plan was estimated at 48,500 in 1995, declining to around 41,000 in 2000, 2001 and 2002. This decline is broadly in line with the decrease in the number of regular members. The reservists' component only came into effect in 1991, and figures on the number of people covered were estimated consistently at 28,300 until 2002 when the actual figure was reported as 20,654.

Expenditures on these two components evolved with no particular trend, as follows:

Year	Canadian Forces/ RCMP dependants ($ millions)	Reservists ($ millions)
1993	$21.1	$1.7
1994	$22.4	$1.9
1995	$22.5	$1.8
1996	$22.5	$1.8
1997	$21.0	$1.8
1998	$21.8	$2.7
1999	$22.1	$1.8
2000	$23.0	$1.9
2001	$23.6	$1.9
2002	$24.8	$2.0

As previously noted, retired members of the Canadian Forces in receipt of an annuity, and their dependants, may elect to participate in the Pensioners' Dental Service Plan. We cannot conveniently attribute costs in this plan according to what part of the federal government an individual pensioner retired from

Historical overview—Canadian Forces compensation.

Table 2091 pulls together the historical picture on total compensation for the Canadian Forces by setting out as best we can the components of spending in 1990–91, 1997–98 and 2002–03, as we did previously for the combined core public service as employer and separate employer domain.

Canadian Forces total compensation followed the same general pattern as for the combined core public service and separate employer domains, i.e. a decline from 1990–91 to 1997–98, followed by an increase by 2002–03 to a higher level than in 1990–91. However, for the Canadian Forces, the decline was more pronounced, and the recovery much less pronounced than for the core public service and the separate employers. As well, salaries and pension contributions explained only two thirds of the increase in total compensation, versus at least 85% in the combined core public service and separate employers. Other important increases were in the areas of allowances and premiums, and health services costs.

Table 2091

Summary of the evolution of total compensation* for the Canadian Forces domain— 1990–91, 1997–98 and 2002–03

	COMPONENT Canadian Forces	EMPLOYER COST $ millions		
		1990-91	**1997-98**	**2002-03**
1.	Salaries and wages (Regular payroll)	3.30	2.90	3.70
2.	Performance pay—lump sums only	0.02	0.02 (99–00)	0.03
3.	Recruitment and retention allowances, and other allowances & premiums	0.13	0.12	0.19
4.	Overtime premiums**	n/a	n/a	n/a
5.	Payroll deductions for CPP/QPP, EI, provincial health premiums	0.23 (93–94)	--	0.23
6.	Pensions	0.39 (91–92)	0.39	0.57

7.	Life and disability insurance (Supplementary Death Benefit; SISIP Life and Long-term Disability insurance)	0.01 (93–94)	--	0.04
8.	Health and dental plans (CF Health Services, Provincial health payroll taxes, Public Service Health Care Plan, Dental Care Plan)	0.32***	0.33 (98–99)	0.46
9.	Severance pay	0.08 (93–94)	0.04	0.09
	Totals	**4.48**	**3.77**	**5.25**

* Some of the figures included are for the closest years for which we have data. Most pertinently, various 1990–91 numbers are in fact data relating to 1991–92, 1993–94, or in one case, 1989–90.

** Flat rate of 6% or 4% included in base pay

*** This sum reflects available data from the closest years possible. CF Health Service data is taken from 1989–90 and other components from 1993–94.

We now shift our focus from the Canadian Forces' experience in the area of compensation over the past decade or so to compensation changes affecting the Royal Canadian Mounted Police.

11. Compensation in the Royal Canadian Mounted Police Domain

In 2003-03 regular time pay for the Royal Canadian Mounted Police totalled about $1.1 billion. The total cost of compensation of all kinds amounted to around $1.6 billion.

RCMP employees fall into one of three broad groups:

- Regular members, appointed under the *Royal Canadian Mounted Police Act*, numbered about 15,588 in March 2003. These are uniformed employees engaged in police work or the management of such work.
- About 2,441 civilian members, also appointed under the *RCMP Act*, perform policing-support duties in such fields as forensic laboratory services, toxicology, fingerprint and firearms technology, or computer systems and telecommunications.
- About 3,700 public servants support the work of the RCMP.[121]

Table 2092

Change in the population and payroll for the regular and civilian members of the Royal Canadian Mounted Police, 1990–91 to 2002–03

Year	Member population			Salary mass ($M)			Total salary mass (2003 constant $)
	Regular	Civilian	Total	Regular	Civilian	Total	
1990–91	15,860	1,836	17,696	719.2	83.3	802.5	1,019.2
1991–92	15,887	1,899	17,786	775.4	92.7	868.1	1,056.3
1992–93	16,039	1,930	17,969	811.9	97.7	909.6	1,089.1
1993–94	15,994	1,974	17,968	835.4	103.1	938.5	1,107.5
1994–95	15,410	1,985	17,395	813.3	104.8	918.0	1,078.5
1995–96	15,142	1,970	17,112	786.5	102.3	888.8	1,022.7
1996–97	15,102	2,066	17,108	771.1	102.4	873.5	987.9
1997–98	15,058	2,008	17,066	764.6	102.0	866.5	966.9
1998–99	14,840	2,014	16,854	789.5	107.1	896.6	991.2

1999–00	14,537	2,057	18,594	796.4	112.7	909.1	983.4
2000–01	15,139	2,124	17,263	857.5	120.3	977.8	1,029.3
2001–02	14,466	2,232	17,698	914.2	131.9	1,046.1	1,077.3
2002–03	15,588	2,441	18,029	933.3	146.1	1,079.5	1,079.5

Of 126 senior executives, 93 were regular members and 33 were civilian members.

Table 2092 provides a summary of changes in the regular and civilian RCMP populations and related salary mass from 1990–91 to 2002–03. In constructing the figures on salaries we encountered difficulties in reconciling internal data from the RCMP human resources and financial records. After discussion, it was decided to use the data in this table, which are derived from the Public Accounts.

RCMP population in 2002–03

Over 80% of the regular members are constables and corporals. Among the civilian members, about half fall into two areas that are particular to police work. The first, Law Enforcement Support, includes telecommunications operators and intercept staff. The second, Forensic Laboratory Services, covers fingerprinting technicians and other forensic scientific personnel and technicians. The remaining civilian member population is in groups that correspond to groups in the regular public service, of whom by far the most numerous are those involved in computer services.

New recruits in 2002–03 numbered 644 regular members and 314 civilian members. These represented about 4.1% and 12.9% respectively of the total populations in March 2003. Applicants to become uniformed regular members totalled over 9,000 in the course of the year—a ratio of 14 applicants for each job filled.

Members seeking promotion write examinations and attend oral boards in order to establish their qualifications. Promotions occur from among those qualified, as vacancies become available at higher ranks. Although these normally follow the order of merit among those qualified, increasing attention goes to fitting the individual to the job. "Reclassification" as it is understood in the regular public service does not occur. Members do not "own" their jobs, so they are not necessarily promoted if the position they occupy attains a higher classification. In 2002–03, about 1,070 members were promoted, around 5.9% of the March 2003 population. The rate of promotion was somewhat higher among civilian members (8.3%) than among regular members (5.6%) during the year.

Non-retirement-related departures were relatively few, with just over 100 regular and civilian members leaving in 2002–03. This amounted to less than 1% of the March 2003 population. Another 535 members retired during this period.

Retrospective—RCMP population 1991–2003

While the total population of RCMP members has been very stable, increasing by less than 2% between 1991 and 2003, there was a decline of almost 2% in regular members and growth of about one third in the population of civilian members. The total population of members increased by 373 to 18,029, with regular members declining by 272 to 15,588 and the number of civilian members increasing by 605 to 2,441.Determination of RCMP salary

The legal context for pay determination in the RCMP is set by two factors: members do not have the right to form a union and bargain collectively; and the Treasury Board is the employer and has the authority to establish the level of pay and allowances to be paid to RCMP members. Notwithstanding, since 1974 a system of elected staff relations representatives does provide members with a voice in pay determination.

In the absence of a right to collective bargaining for members, the RCMP Pay Council brings together representatives of RCMP management and of the members, as well as an independent Chair. Each year, the Council compares total compensation[122] for the RCMP with that of the two provincial police forces and six large city forces. In recent years, including 2002–03, raises have been set so that RCMP total compensation corresponds with the average of the top three forces in the reference group.

Salaries for regular members are determined by the Treasury Board, taking into account the recommendations of the RCMP Pay Council, as endorsed by the RCMPCommissioner. Although the Treasury Board has accepted to approve salary increases on this basis, it has been careful not to adopt such a policy formally, in the event that in a given year increases for one or more forces might be "unreasonable."

Pay for civilian members follows various approaches. Some civilian members involved in law enforcement support are paid a set proportion of the pay rate for Constables. For example, level 2 of both the Intercept Monitor (IM) and Telecommunications Operator (TO) groups is pegged at 79% of the maximum Constable salary, and the other levels are a set proportion of the pay rate for level 2. Those working in the forensic laboratory are matched to selected public service comparator groups; the remaining civilian members are classified and paid in line with the applicable analogue group in the public service.

Senior Officers are matched to the Executive (EX) group in the core public service as follows:

- The ranks of Inspector and Superintendent have salaries that fall more or less in the middle of the EX 1 and EX 2 ranges respectively
- Chief Superintendent corresponds to EX 2
- Assistant Commissioner in the field to EX 3
- Assistant Commissioner in headquarters to EX 4
- Deputy Commissioner aligns with EX 5

The available data did not permit us to construct a distribution chart of actual RCMP member salaries by $5,000 pay bands in March 2003, as we did for the core public service, for CCRA, and for the Canadian Forces. Nevertheless, it is clear from the RCMP regular member rank structure that the distribution is highly concentrated. In 2002–03, 63% of regular members were constables (2002 pay range of $38,571 to $62,497). Likely not more than 1.5% of RCMP members earned less than $45,000 nor did more than a similar proportion earn more than $100,000.

Retrospective—History of RCMP salary determination

In the late 1960s and early 1970s, there was no apparent methodology to establish RCMP member salaries. In 1974 a joint Treasury Board Secretariat/Royal Canadian Mounted Police Advisory Committee on Compensation was created to develop methods for governing pay determination. This concept was abandoned in frustration after six years. Starting in 1977, surveys of various police forces by the Pay Research Bureau (PRB) of the Public Service Staff Relations Board were used as a basis for setting salaries. By 1987 this survey narrowed its scope to eight large police forces. In the late 1980s the idea of using a "total compensation" approach to compare police forces was discussed but not implemented.

The pay freeze of the mid-1990s left the RCMP at the lower end of its main comparator forces, and frustrated by the lack of a credible process for setting salary levels.

By 1993, the RCMP was found to rank sixth compared with the eight comparator police forces. In that year William M. Mercer prepared a database covering all compensation elements for six major municipal forces (Vancouver, Calgary, Edmonton, Winnipeg, Toronto and Montreal) and the Ontario and Quebec provincial police forces. A second 1994 study by the law firm Stikeman, Elliott recommended the creation of an RCMP Pay Council to develop a more "orderly, independent, transparent and professional" approach to compensation in the RCMP.

In addition to developing pay increase proposals based on research, the Pay Council[123] has examined various other controversial topics such as the appropriate comparator universe, regional pay, the relation of the pay of various ranks, compensation issues related to remote locations, and the possibility of relating pay to business lines or to competencies.

As noted earlier, since the late 1990s, the de facto policy has been to match RCMP salaries and overall compensation to the average of the top three police forces among those included among the eight comparator forces tracked.[124]

Following the Program Review salary freeze period, the Treasury Board approved two extra increases in 1998, one additional increase in 1999, and two special increases in 2000. These increases had a cumulative value of about 8.5%. According to the December 2003 Total Compensation Report from the Pay Council, the RCMP ranked second among nine police forces tracked.[125]

Retrospective—Salary changes, 1991 to 2003

Because civilian members' pay levels track analogous jobs in the core public service, we have not attempted to detail the history of salary changes for civilian members.

RCMP regular member salary ranges rose by a cumulative 40.88% between January 1991 and January 2003, as set out in Table 2093. Changes in total salary mass and average salary for regular and civilian members of the RCMP combined are illustrated in Figures 2095 and 2096. For the period from 1990–91 to 2002–03 RCMP members' average salaries increased from $45,400 to $59,900, a growth of 32%. In real terms (i.e. constant 2003 dollars) the increase was small at $2,300, or 4%.

Table 2093

History of pay increases and salary ranges for Constables in the RCMP, 1991 to 2003*

Effective Date	Approved Increase	Constable Salary Range	
	%	Minimum	Maximum

1991	January	3.50%	29,044	47,060
1992	January	4.20%	30,264	49,037
1993	January	3.00%	31,172	50,508
1994		Frozen		
1995		Frozen		
1996		Frozen		
1997		Frozen		
1998	January	2.00%	31,795	51,518
	April	1.00%	32,113	52,033
	October	0.75%	32,354	52,423
1999	January	2.67%	33,218	53,823
	April	1.00%	33,550	54,361
2000	January (economic)	2.00%	34,221	55,448
	January (comparability)	2.76%	35,165	56,978
	July	2.73%	36,125	58,533
2001	January	3.00%	37,209	60,289
	January	0.15%		
2002	January	3.50%	38,511	62,399
2003	January	2.50%	39,473	63,959
Cumulative increase		**40.88%**		
* In each case, increases became effective on the first day of the month reported. the same percentage increases were applied to all ranks of regular members.				

In the period following Program Review, we find an increase of about 18.0% in members' average salary, from about $50,800 in 1997–98 to $59,900 in 2002–03. In constant 2003 dollars, the growth was 5.6%, from $56,700 to $59,900.

During this period, the increase in RCMP members' average salaries was less than for public servants in the combined core public service and separate employer domains. (The corresponding rates of increase in the core public service were about 27.3% in current dollars, and 14.1% in constant 2002–03 dollars.) One of the factors that contributes to this difference is the effective absence of a change in the composition of the RCMP workforce compared with the core public service, where this factor contributed 5.3% to the increase in the average salary of the core public service.

Table 2094 gives the numbers and total salaries of regular RCMP members by rank, and civilian members by specialization in March for 1991, 1995, 1998, 2000 and 2003.

Combining the Constable and Special Constable populations, we find a numerically stable population over the period i.e., 54.5% of RCMP staff in 1991, compared with 54.7 in 2003. There is a substantial increase in senior management from around 70 in the early to the mid-1990s, to 126 in 2003. Overall, however, senior officers from Staff Sergeant up declined from 7.9% of staff in 1991 to 6.7% in 2003. The absolute numbers of senior officers decreased by almost 200, from 1,398 to 1,200.

Looking closely at the change in the distribution of ranks among regular RCMP members between 1991 and 2003, it appears that if anything the net impact on average salary would be negative. We in fact tested this hypothesis in the same way we did for the combined core public service and separate employer domains and for the Canadian Forces domain. Specifically, we took the average salaries by rank in 2003, multiplied them by the population structure of 1991, and then calculated the resulting average salary for regular members as a whole. In fact the 2003 gross average salary was about $100 less than what the 1991 structure with 2003 salaries would have yielded. We conclude that changes in the composition of the rank structure for RCMP regular members had essentially no impact on average salaries.

Salary changes were, therefore, driven almost entirely by percentage increases approved by the Treasury Board over the years, as set out earlier in Table 2093. For regular members, the percentage increases were the same at every rank, except for members of senior management, whose pay is tied to that of corresponding levels of the Executive (EX) group in the core public service.

Table 2094

Numbers and salaries of regular members by rank, and civilian members by specialization in the RCMP, selected years since 1991

Employee Categories	March 1991			March 1996			March 2000			March 2003		
	Pop.	**%**	**Total Sal. ($M)**	**Pop.**	**%**	**Total Sal. ($M)**	**Pop.**	**%**	**Total Sal. ($M)**	**Pop.**	**%**	**Total Sal. ($M)**
Senior Executives												
Civilian	18	0.1	0.8	17	0.1	0.9	17	0.1	0.9	33	0.2	3.4
Regular	53	0.3	2.4	51	0.3	2.6	66	0.4	3.6	93	0.5	9.6
Sub-total	*71*	*0.4*	*3.2*	*68*	*0.4*	*3.5*	*83*	*0.5*	*4.5*	*126*	*0.7*	*13.0*
Regular Members (other than Executives)												
Superintendant	124	0.7	5.6	119	0.7	6.2	100	0.6	5.5	128	0.7	13.3
Inspector	354	2.0	16.0	357	2.1	18.5	282	1.7	15.5	303	1.7	28.0
Staff Sergeant	920	5.2	41.7	883	5.2	45.8	747	4.5	40.9	769	4.3	62.3
Sergeant	1805	10.2	81.9	1765	10.4	91.7	1593	9.6	87.3	1628	9.0	119.3
Corporal	2955	16.7	134.0	2902	17.1	150.8	2821	17.0	154.5	2806	15.6	187.8
Constable	9397	53.1	426.1	8878	52.3	461.1	8844	53.3	484.5	9782	54.3	509.7
Special constable	248	1.4	11.2	170	1.0	8.8	100	0.6	5.5	77	0.4	4.0
Sub-Total	*15802*	*89.3*	*716.6*	*150744.9*	*88.8*	*783.0*	*14487.6*	*87.3*	*793.6*	*154933.0*	*86.0*	*924.5*
Civilian Members (other than Executives)												
Law enforcement Support	655	3.7	29.7	696	4.1	36.2	631	3.8	34.5	665	3.7	33.6
Computer Services	230	1.3	10.4	238	1.4	12.3	365	2.2	20.0	675	3.7	43.6
Forensic Laboratory	372	2.1	16.9	374	2.2	19.4	365	2.2	20.0	412	2.3	25.1
Administrative	106	0.6	4.8	187	1.1	9.7	199	1.2	10.9	329	1.8	19.2
Technical and operational	425	2.4	19.3	407	2.4	21.2	382	2.3	20.9	220	1.2	12.9
Other scientific/ professional	35	0.2	1.6	68	0.4	3.5	83	0.5	4.5	107	0.6	7.9
Sub-total	*18227*	*10.3*	*82.7*	*1970*	*11.6*	*102.3*	*2025*	*12.2*	*110.9*	*2408*	*13.3*	*142.3*

Total	***17625***	***100.0***	***802.5***	***171120***	***100.0***	***888.8***	***16595.0***	***100.00***	***909.1***	***180270***	***100.0***	***1079.8***
Note: The population figures in this Table differ somewhat from the totals in Table 2092, because of differences in the reporting period.												

Figure 2095
Overview of changes in total payroll for regular and civilian members of the Royal Canadian Mounted Police, separately and combined, 1990–91 to 2002–03

Display full size graphic

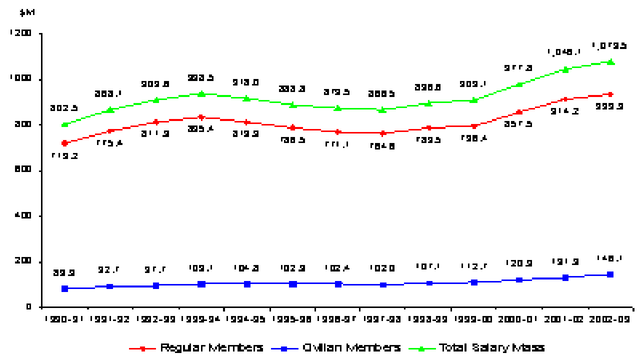
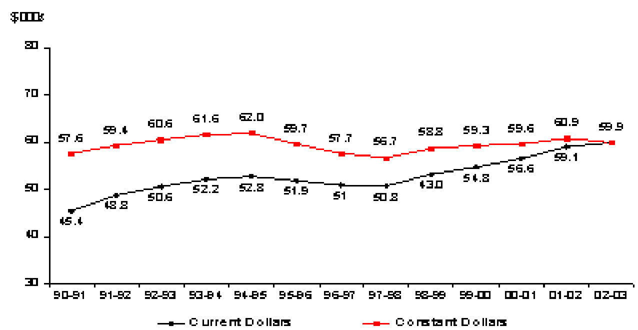


Figure 2096
Overview of the evolution of RCMP average salaries in current and constant 2003 dollars for regular and civilian members combined, 1990–2003

Display full size graphic



Sources of salary increases

The RCMP over-expended their operating budget by more than $8 million in 1997–98, and Pricewaterhouse Coopers was asked to review the RCMP's financial operations and the adequacy of its funding levels. The result was a Treasury Board decision in 2000 to cover salary shortfalls related to contract policing and to strengthen recruitment of civilian members with financial management and other specialized expertise.

From 2000, Treasury Board also approved program-integrity and key policy initiatives and these became the principal source of new salary funding. Policy-driven salary increases were approved, for example, to combat organized crime and smuggling, to upgrade the Canadian Police Information Network, to integrate approaches to border enforcement and the proceeds of crime, and to respond to public safety and security issues raised by the events of September 11, 2001.

We estimate the total value of these two types of increases in salary budgets as adding up to about $247 million net between 1997–98 and 2002–03. In addition, the RCMP received a net increase from the Treasury Board compensation reserve of about $80 million for members' salaries by the end of this period. Transfers into salaries from other approved budgets initiated by the RCMP itself were worth a further estimated net amount of $62 million. These amounts add up to considerably more than the reported salary mass increase of about $215 million between 1997–98 and 2002–03. We were unable to determine how to reconcile these figures.

Other pay and allowances

Members of the Senior Executive, both regular and civilian members of the RCMP, are eligible for performance pay on the same basis as for Executives in the core public service. In 2002–03 lump sum payments in regard to the 126 members affected totalled about $1.24 million,just about 7% of the relevant salary mass. The average amount was just under $10,000. In-range increases for this group totalled about $300,000. In addition, about 50further RCMP civilian members in positions equivalent to those non-executive senior levels eligible for performance pay in the core public service received about $205,000, of which about $106,400 was lump sum payments.

Only one recruitment and retention ("terminable") allowance is provided, for members of the Computer Personnel (CP) group. This matches the allowance for the Computer Services (CS) group in the core public service domain. The total amount paid in 2002–03 for this purpose was about $1.76 million. About 850 members benefited from this allowance.[126]

Other types of pay and allowances amounted to about $76.7 million over the year, as shown in Table 2097 below.

Table 2097

Major allowances in the RCMP by category; selected years

	1990–91	1997–98	2002–03	
Type of Allowance	**Amounts ($M)**	**Amounts ($M)**	**Amounts ($M)**	**%**
Plain clothes / Kit upkeep	4.76	6.18	16.13	21.0%
Shift differential / Stand by	3.68	6.14	14.52	18.9%
Senior Constable Allowance	3.29	4.15	13.35	17.4%
Transfer allowances	5.96	6.3	8.02	10.4%
Isolated Posts	5.34	3.54	7.39	9.6%
Maternity / Parental	0.7	1.24	7.07	9.2%
Annual Service Pay	n/a	n/a	4.69	6.1%
Bilingualism Bonus	n/a	2.23	2.34	3.0%
Other	n/a	n/a	3.22	4.2%
Total	**23.73**	**29.78**	**76.73**	**100%**

The most costly of these allowances are generally provided by other large police forces in Canada. The plainclothes allowance in 2002–03 was $1,735 for male officers, and $1,920 for female. The shift differential allowance paid $1.50 per hour worked between 4 p.m. and 8 a.m. The senior constable allowance was 2% of Constable pay after 11 years of service, or 4% after 7 years' service and passage of the Corporal's examination. Annual service pay entitlements varied from $114 per year after 5 years of service to $912 with 40 years, for a total value of about $4.69 million. Transfer allowances provided one month's pay if transferring with dependents, and half that amount without.

Other allowances are those available on the same basis as in the broader public service such as the bilingualism bonus or salary top-up relating to employment insurance for maternity and parental leave. Isolated posts allowances are especially important in the RCMP, which maintains operations in many communities across the northern territories, and in remote parts of various provinces.

Overtime pay in the RCMP is substantial, amounting to about $99.1 million in 2002–03, or approximately 9% of regular pay. Retroactive pay added up to just under $10 million.

Severance pay and termination allowances are paid on resignation, retirement or death. In the first two circumstances, members leaving with between 10 and 20 years in the RCMP are eligible to receive one-half week's pay for each year of service, or one full week's pay per year if they leave with at least 20 years' service to a maximum of 28 years. On death the benefit is one week per year of service, with no minimum service requirement. The maximum benefit is 28 weeks of pay. The total cost in 2002–03 was about $19.9 million. For the 973 receiving such pay in 2002–03, the average amount was about $20,400.

Retrospective—Other pay and allowances

Amounts for performance pay have fluctuated with the pattern in the core public service. Lump sum payments were about $0.18 million in 1997–98, $0.92 million in 2000–01, and $1.24 million in 2002–03. A few dozen senior civilian members also have access to performance pay on the same terms as certain non-executive staff in the core public service. Amounts paid for these employees were not more than about $8,000 per year in lump sums, and even less in in-range salary increases.

The terminable allowance for the Computer Personnel (CP) group began in 1999 following the implementation of such an allowance for the Computer Services (CS) group in the core public service domain.

The largest proportionate increase (by four times) in other allowances was for the shift differential/stand by category. The shift differential rate was $0.45 per hour worked between 4 p.m. and 8 a.m. This increased to $0.65 in January 1998, to $0.75 in January 1999, to $1.00 in 2000, and most recently in 2001 to $1.50.

Annual service pay increased from $6.50 per month for each five years' service to $9.50 in 2001. Accordingly, the maximum annual amount after 35 years of service rose from $546 as reported in the 1993 "Total Compensation Report" to $798 in the 2003 edition.

The Plainclothes Allowance increased substantially in 2003, especially for male members. The annual rates in 1993 were $1,007 for male members and $1,665 for female members. In 1998, these rates were raised to $ 1,044 for males and $1,723 for females. In 2002, they rose further to $1,736 for male members and $1,919 for female members. The annual allowance for kit upkeep was unchanged throughout these years at $128 for males and $142 for females.

The Senior Constable Allowance was increased twice. In 1993 it provided 2% of a First Class Constable salary for those with at least eleven years' experience. In 1998, this allowance was extended after ten years to Constables who had passed the Corporal qualifying examination. In 2000, the allowance was increased to 4%, and those who had qualified to become Corporals began to receive the allowance after seven years as a Constable.

Maternity and Parental Leave salary top-up to 93% (inclusive of Employment Insurance benefits) of regular pay was extended in 2001 to a full year from six months, in line with the federal government's decision to extend EI benefits.

Between January 1998 and December 2000, the RCMP piloted a Market Adjustment Allowance (MAA). The Pay Council came to this proposal after hearings regarding cost-of-living differences and their impact on the RCMP. The Treasury Board had denied a proposal for a recruitment and retention allowance for members in Greater Vancouver. The option of a general regime of regional pay differentials was rejected by members as divisive and by management as too costly. The MAA option was seen as a temporary measure that would alleviate more acute cost-of-living pressures in high cost areas. As the RCMP salary structure became more competitive with comparator police forces, it could be reduced or phased out.

The MAA was designed to address differences in housing costs. Members not covered by isolated post allowances were eligible, where the average residential selling price in the community around the worksite was not affordable and the nearest comparator force Constable salary exceeded that of the RCMP. Housing costs that were more than four times the Constable maximum salary were defined as unaffordable. During the three calendar years of the pilot, about $11 million was paid out, with just over 3,000 members benefiting each year. Most of the benefit (over 85%) went to "E" Division (British Columbia), mainly greater Vancouver. Small amounts were paid in Ontario and Alberta. The pilot was not renewed, since the MAA was losing its pertinence as the RCMP improved its position among comparator police forces.

The Pay Council has invested considerable energy in investigating compensation issues relating to members serving in remote or isolated areas, publishing a major report in December 2002. There is a strong sense within the RCMP that the revised National Joint Council Directive on Isolated Posts and Government Housing does not address adequately the operational needs of the RCMP to ensure adequate presence in remote and isolated posts. This issue remains under review.

Overtime pay is an important feature of police compensation in view of the unpredictable nature of police work. The policies governing eligibility for claiming overtime have not changed over the period under review from 1993 to 2003. The amount spent fluctuated between $50 million and $66 million, except for the most recent year reported (2002–03) when the amount increased significantly, both in absolute terms and as a percentage of the regular payroll, as set out in Table 2098.

Table 2098

Overtime expenditure trends relating to RCMP members, selected years from 1990–91 to 2002–03

Year	Overtime Costs ($M)
1990–91	66.4
1994–95	49.8

1997–98	59.3
1999–00	66.1
2002–03	99.1

Expenditures on severance pay and termination allowances have generally been in the area of $20 million per year, except in the Program Review period from 1995–96 to 1997–98 when they were approximately double that amount per year.

Pension benefits

Regular and civilian members (except part-time employees) of the RCMP participate in pension arrangements under the *Royal Canadian Mounted Police Superannuation Act* (RCMPSA).[127] These are similar to the provisions that apply to members of the Canadian armed forces, and generally in line with the plan for the core public service.[128]

Entitlement is based on the highest average salary for five consecutive years. Pensionable earnings include regular pay plus annual service pay, plus the senior Constable allowance. For regular members, an unreduced pension is payable after 25 years of service (at least 24 years and one day), whatever the age, or at age 60 with at least 10 years. A reduced pension is available after 20 years' service, with a 5% reduction for each year of service fewer than 25. Civilian members become eligible for an unreduced pension at age 55 with at least 30 years' service, as in the core public service.

Member contributions in 2002–03 were 4% of salary up to the Canada/Quebec Pension Plan maximum pensionable earnings, and 7.5% above that level. In 2002–03, members contributed a total of $62.3 million,[129] about 24.2% of total contributions. The government contributed the remaining amount required, which was about $195.3 million (75.8%).

For context, several other figures merit notice. The total value of benefits paid was about $323.2 million. Interest credited to the Royal Canadian Mounted Police Superannuation Account was about $829.2 million. About $170 million was credited to the government's bottom line as a partial amortization of actuarial gains and losses under accrual accounting of pension benefits earned by current and former RCMP members.

Retrospective—Changes in employer pension contributions

Like the regime for the Canadian Forces, the RCMP plan differs from that applying to regular public servants in the core public service and the separate employer domains in that eligibility for benefits is based more on years of service than age.

From 1977 to 1999 members contributed 7.5% of salary to cover both the Canada and Quebec Pension Plan contributions and RCMPSA contributions. From 2000, these two plan contribution rates were separated, with 4% going for the RCMPSA up to the year's maximum pensionable earnings (YMPE = $39,900 in 2003), with the current contribution for CPP/QPP added on top. Above the YMPE, RCMPSA members contributed 7.5% of salary.

Appendix R[130] sets out the history of contributions relating to the Royal Canadian Mounted Police Pension Plan. This Appendix details RCMPSA contributions relating to current service (i.e. contributions covering pension credits earned in the specified year only), and to elective service (i.e. past service). A summary of contributions relating to current service is offered in Table 2099.

Table 2099

Employer and member contributions to the RCMP pension plan for current service, 1991–92 to 2002–03

Year	Employer Share ($M)				Member Share ($M)				Total Contribution ($M)
	RCMPSA	RCA	Total	%	RCMPSA	RCA	Total	%	
1991–92	105	0	105	64%	60	0	60	36%	165
1992–93	120	0	120	66%	61	0	61	34%	181
1993–94	126	0	126	68%	60	0	60	32%	186
1994–95	126	0	126	68%	60	0	60	32%	186
1995–96	119	0.05	119	68%	57	0.01	57	32%	176
1996–97	120	0.27	120	70%	54	0.02	54	30%	174

1997–98	126	0.27	126	70%	54	0.02	54	30%	180
1998–99	140	0.77	141	73%	53	0.05	53	27%	194
1999–00	159	0.71	160	75%	53	0.06	54	25%	213
2000–01*	143	1.39	144	72%	54	0.13	54	28%	199
2001–02*	179	3.22	182	75%	60	0.19	60	25%	242
2002–03*	185	10.33	195	76%	62	0.29	62	24%	258
* Contributions to the RCMP Pension Fund (RCMPPF)									

We concentrate on reporting contributions relating to current service because these are the costs arising from pension credits earned during the year. The Government is responsible to contribute whatever additional amount is necessary to cover the pension credits earned in that year, according to the current actuarial assessment of these costs.

Employer contributions for RCMP pensions were just over $100 million at the start of the 1990s and then increased to the range of $119 to $126 million until 1997–98. Since then these employer costs have risen to $195 million in 2002–03. Member contributions have remained very stable, fluctuating in a narrow range between a low of $53 million in 1998–99 and a high of $62 million in 2002–03.

In view of the steady growth in the salary mass covering RCMP members, the stability of the members' total contribution to the RCMP Pension Plan may seem odd. However, apparently the increases in salary mass through most of the 1990s were more than offset by annual declines in the proportion of employee pension contributions going to the RCMP Pension Plan, as distinct from the Canada and Quebec Pension Plans. After 1999–2000, employee contributions had in fact increased 15% by 2002–03, a percentage broadly in line with the approximately 19% increase in salary mass.

The ratio of employer contributions to member contributions was unusually low in 1991–92 at 1.75:1. Since then the ratio has grown to approximately 3:1, with 2002–03 at 2.98:1. The share of current service costs paid by the employer increased between 1991–92 and 2002–03 from 64% to 76%, with the member share declining from 36% to 24%. This 3:1 ratio is similar to that for main Public Service Pension Plan in that year. However, the change in relative proportions over the 12 years on which we are reporting was much less pronounced for the RCMPSA (up from 64%) than for the PSSA (up from 51%).[131]

The value of benefits paid in relation to the RCMPSA in 2002–03 was $323.2 million. For 1991–92, the corresponding sum was around $96.3 million. The number of recipients including retired members, surviving spouses and eligible children was 5,421 in 1991–92; in 2002–03 that total had increased to 11,435. As for the Canadian Forces, about 30% of retired members were younger than 55, according to the "Actuarial Report on the RCMP Pension Plan" as at March 31, 2002, by the Office of the Superintendent of Financial Institutions.

Insurance, health and dental benefits

Members of the RCMP are not eligible for the Supplementary Death Benefit, unlike most employees of the broader federal public service. Members may elect to participate in a life insurance plan at their own expense, and may continue coverage after retirement. The basic benefit is $150,000, and additional $11,000 units of coverage may be purchased up to a limit of as much as $198,000, depending on age at entry into the plan. Senior executive members are covered at government expense, on the same terms as are executives in the core public service. For 2002–03, the cost was about $280,000 for serving members, and about $96,000 for retired senior executives.

Regular and civilian members are fully covered by the employer in relation to health and dental expenses. Expenditures by the government for these purposes in 2002–03 totalled about $39.0 million. Based on an estimated population covered of about 18,000,[132] the per-member cost was $2,164.

In regard to short-term disability, regular members have full salary continuation as long as there is a reasonable likelihood that duty will be resumed. For long-term disability, members can receive 75% of their salary (indexed to the cost of living up to 3%) until they recover, reach age 65, or die. This benefit is integrated with CPP/QPP benefits and the pension plan. Premiums are shared by the employer and members in a ratio of 85%/15% respectively. Premiums for senior executive members are fully covered by the government. The cost to the government in 2002 regarding long-term disability insurance was about $9.6 million. Members paid premiums of about $1.7 million.

RCMP members' dependants may participate in the Public Service Health Care Plan (PSHCP), and a sub-plan within the Dental Care Plan (DCP). The cost to the government for the PSHCP in 2002, for around 13,900 dependants, was about $5.9 million; for the DCP, the dependants were estimated at about 18,000, with a cost to the government of approximately $7.1 million.[133]

As for the armed forces, retired members of the RCMP and their dependants are eligible for coverage under the PSHCP and the Pensioners' Dental Services Plan. There has been no attempt to disaggregate the government's costs in these plans according to the organization from which the pensioner retired. Accordingly, these costs are included in the amounts reported in regard to the core public service domain.

Retrospective—Insurance, health and dental benefits

The cost of life insurance provided by the government for active and retired Senior Officers grew modestly, from $0.16 million in 1993–94 to $0.28 million in 2002–03. For retired Senior Officers the cost went from about $54,000 in 1993–94 to $96,000 in 2002–03.

Expenditures on the health and dental needs of regular and civilian RCMP members were approximately $39.0 million in 2002–03, equivalent to nearly $2,162 per member. As shown in Table 2100, this had increased from about $19.3 million or $1,088 per member ion 1990–91.

Table 2100

RCMP health and dental costs per member

Year	Health and Dental Costs ($M)	Member Population (regular and civilian)	Cost per member ($)
1990–91	$19.3	17,696	$1,088
1991–92	$22.4	17,786	$1,206
1992–93	$25.3	17,969	$1,410
1993–94	$25.7	17,968	$1,432
1994–95	$25.2	17,395	$1,446
1995–96	$26.9	17,112	$1,572
1996–97	$26.3	17,108	$1,540
1997–98	$27.0	17,066	$1,584
1998–99	$29.9	16,854	$1,771
1999–00	$29.9	16,594	$1,678
2000–01	$32.2	17,263	$1,868
2001–02	$35.5	17,698	$2,007
2002–03	$39.0	18,029	$2,162

Between 1993 and 2003 the ceiling of $6,000 per month was eliminated as the maximum benefit for the short-term-disability plan; the income limit from all sources was raised from 85% to 100% of salary. As in the regular public service, the employer share of costs increased from 75% to 85%. Premiums for senior executive members are fully paid by the Treasury Board.

The cost to the employer for RCMP long-term disability benefits was about $2.5 million in 1993–94. Since then, the cost has risen steadily, reaching $3.6 million in 1996–97, $7.8 million in 1998–99, and $9.6 million in 2002–03. Member contributions doubled from about $0.83 million in 1993–94 to around $1.69 million in 2002–03.

RCMP members' dependants may participate in the Public Service Health Care Plan (PSHCP), and a sub-plan of the Dental Care Plan that covers Canadian Forces dependants as well. The RCMP dependants' portion of the PSHCP claims was around $1.9 million in 1993; it had grown to about $5.9 million in 2002: for the DCP, costs increased from approximately $6.6 million in 1996 to about $7.1 million in 2002.

The costs for the PSHCP and the Pensioners' Dental Services Plan were included in the amounts reported in relation to the core public service domain.

Statutory premiums and other benefits

The government pays statutory premiums and payroll taxes in relation to RCMP members, as required of employers in certain provinces. These are:

- Canada/Quebec Pension Planemployer contributions totalled about $33.4 million for RCMP regular and civilian members in 2002.
- Employment Insurance—Employer contributions relating to RCMP members amounted to $20.7 million.
- Provincial Health Plan Premiums—These charges, levied only by British Columbia and Alberta, totalled $2.4 million in 2002–03.
- Health Payroll Taxes—These added up to about $12 million for members of the RCMP in the relevant provinces.

There is also a small rebate of EI premiums amounting to $42,800, which is distributed pro-rata to members.

Pay equity has no direct impact on the salaries of regular RCMP members, since their pay has been set for some years to match a set of the best paid among the large police forces across the country. For most civilian members, pay matches that for public servants in analogous positions in the core public service. Civilian members of groups aligned with those receiving pay equity settlements did receive about $11.2 million (including $3.1 million in interest) in 2001. We have not estimated the ongoing impact of these changes on salaries for affected civilian members of the RCMP.

Member entitlements for annual leave were 15 days for the first five years of service, 20 days from the sixth year, 25 days after ten years, and 30 days after twenty-five years. Eleven statutory holidays are recognized as in the core public service. Sick leave is available for members as needed, although a doctor's certificate is required beyond four days' absence. Maternity and parental leave complementing available Employment Insurance is provided on the same basis as in the core public service. Compassionate leave is a general category of leave provided for various family-related purposes such as a critical illness or death in the family or for temporary care for a spouse or dependant. Leave may also be taken in lieu of overtime.[134]

The largest component of leave usage relates to annual leave, which averaged about 17 days per member in 2002–03. The figure for statutory holidays assumes that all members used all 11 available days, or received other leave in lieu of such days. Overall, we estimate that the total of time not worked amounted to about 12.8% of paid time. Using a general average salary per day per member of about $252, this time would have an approximate value of $151.5 million. Officers and Senior Officers may request to receive pay in lieu of leave. In 2002–03, this amounted to about $5.2 million for active members. A further amount of about $6.6 million was paid for this purpose for members leaving the RCMP.

Retrospective—Statutory premiums and other benefits

Statutory premiums and payroll taxes relating to RCMP members have grown in some areas and decreased in others, as they have for other employers. The principal items are these:

- Canada/Quebec Pension Plan
  - employer contributions were $7.33 million in 1993–94, rising over the years to attain $33.4 million in 2002–03
- Employment Insurance
  - employer contributions in 1993–94 were about $8.8 million
  - by 2002–03, they increased to around $20.7 million
- Provincial Health Premiums
  - only Alberta and British Columbia applied these charges from 1993–94 to 2002–03
  - Throughout this period these levies totalled around $1.7 to $1.9 million, until 2002–03 when the amount was $2.4 million
- Health Payroll Taxes levied by certain provinces evolved thus:
  - $10.3 million in 1993–94
  - $9.9 million in 1997–98
  - $12 million in 2002–03

Leave provisions for RCMP members changed over the past decade in only two important ways. The first change, which came into effect in 2001, was an increase in maximum annual vacation leave from 25 to 30 days after 25 years' service. The second change is the doubling of the duration of maternity and parental leave for which a member can be compensated at a net level of 93% of regular salary from six months to a year, as in the core public service.

Historical data on RCMP leave usage is not available corporately from before 2000 so we did not undertake a historical analysis of this topic. As noted earlier, 2002–03 payments in lieu of leave for active members totalled around $5.2 million. Payouts for this purpose for members leaving the RCMP totalled approximately $6.6 million in 2002–03

Historical overview—RCMP compensation

Unlike the data presented previously for the combined core public service and separate employer domains, and for the Canadian Forces domain, total compensation for the regular and civilian members of the RCMP did not shrink and then expand over the period between 1990–91 and 2002–03. This was because the population was fairly stable throughout the period. Eighty-six percent of the increase from 1990–91 to 2002–03 is explained by salary increases and growth in employer pension contributions.

Table 2101				
Evolution of total compensation for the regular and civilian members of the Royal Canadian Mounted Police — 1990–91, 1997–98 and 2002–03				

	Component	Employer Cost ($ millions)		
		1990-91	**1997-98**	**2002-03**
1.	Salaries and wages (Regular payroll)	0.94	0.867	1.08
2.	Performance pay—lump sums only	–	0.002	0.001
3.	Recruitment and retention allowances and other allowances & premiums	0.08	0.03	0.08
4.	Overtime premiums	0.07	0.06	0.1
5.	Payroll deductions for CPP/QPP, EI, provincial health premiums	0.02 (93–94)		0.06
6.	Pensions	0.11 (93–94)	0.13	0.20
7.	Life and disability insurance (Executive Life, Workers' Compensation, Disability/Long-term disability)	0.01 (93–94)	0.08 (98–99)	0.01
8.	Health and dental plans (Provincial health payroll taxes, RCMP Health and Dental, Public Service Health Care Plan, Dental Care Plan)	0.02	0.01	0.07
9.	Severance pay	0.02	0.04	0.02
10.	Cash-out in lieu of leave	–		0.01
	Totals	**1.27**	**1.18**	**1.63**

This completes our review of compensation changes and trends as they affected the Royal Canadian Mounted Police since 1990. We now comment briefly on the "Other Groups" domain.

12. Other Groups—Judges, Parliamentarians, Employees of Parliament, Ministerial Staff and Students

This final section summarizes compensation arrangements for the following groups:

- Federally appointed judges—judges of the Supreme Court of Canada, the Federal Court, the Federal Court of Appeal, the Tax Court, and the superior trial and appellate courts of the provinces and territories
- Members of the House of Commons and the Senate
- Employees of the House of Commons, the Senate and the Library of Parliament
- Minister's staff who are exempt from the application of the *Public Service Employment Act*
- Students who are not employed as part of the regular public service but rather under special programs designed to give students work experience during breaks in their university and college studies

Each of these groups constitutes a world apart. While we have been able to determine reasonably accurate totals for the big items of salaries and pension contributions for these groups, many of the remaining elements are incomplete. The full total compensation amount for these groups was almost certainly at least $725 million in 2002–03.

As will be described shortly, the pay of puisne judges of provincial superior courts, as well as the Federal and Tax courts is set on the recommendation of an independent Quadrennial Commission. Generally, these Commissions support alignment with the DM 3 pay range. Higher judges are paid increments from this basic judicial rate.

From this followed the pay of parliamentarians in 2002–03. The Prime Minister was paid the same as the Chief Justice of the Supreme Court. Members of Parliament (MPs) earned 50% of that amount. Ministers and the Speaker earned 74% of what the Prime Minister earned. Other positions in the House of Commons hierarchy were paid various fixed proportions of the Chief Justice/Prime Minister salary. Senators, and those with special roles such as Speaker or Whip in the Senate, earned the corresponding House of Commons amount, minus $25, 000.[135]

Finally the salaries of agents of Parliament are also tied into this scheme. The Auditor General earns the same as a puisne judge of the Supreme Court, and other agents such as the Chief Electoral Officer earn the same amount as regular judges of the Federal Court.

As described more fully in Volume One, the whole structure (setting aside the pay of Crown corporation CEOs) depended on two decisions: the EX 1 salary, as recommended by the Stephenson Committee; and the regular provincial superior/Federal Court judge's salary, set based on the work of the Quadrennial Commission, which itself tends to tie into the DM 3 salary.

The statutory linking of parliamentary remuneration to judicial salaries meant that nearly all salaries for senior federal officials were interconnected and based ultimately on an assessment at the EX 1 level of comparable compensation in the private and the broader public sectors. The main exception was the salaries of Crown Corporation Chief Executive Officers (CEOs). These, however, followed a similar approach in two ways: first, the salary structure was built on comparability to the private sector (25th percentile in 2002–03) at the first level; second, the rate of salary increase was usually the same or very close to that recommended forexecutives.

Remuneration for federally appointed judges

In 2002–03, there were just over 1,000 federally appointed judges in Canada. Their numbers and salaries are established in the *Judges Act*, as amended from time to time*.* Most judges were paid the standard amount of $210,200 in that year. Higher amounts were paid for the Chief Justice of the Supreme Court of Canada ($270,200 or 1.285 times the regular judges' salary), for the eight regular judges of the Supreme Court ($250,200 or 1.19 times the regular judges' salary), and for the 34 Chief Justices or Associate Chief Justices of the other various courts ($230,400 or 1.096 times the regular salary).

Judges who reach the age of 65, with 15 years on the bench, or age 70, with 10 years on the bench, may elect to become a supernumerary judge. Such judges receive the regular salary of a judge, but work only part time as directed by their Chief Justice.

The annual value of salaries paid for federally appointed judges in March 2003 was about $218.2 million.

Judges received an annual allowance of up to $5,000 for reasonable incidental expenditures. Chief justices, Associate Chief Justices, and judges of the Supreme Court receive representational allowances ranging from $10,000 to $18,750. These allowances were estimated to total about $5.6 million in 2002–03. These amounts are accountable, but not taxable.

The pension plan established under the *Judges Act* pays federally appointed judges an immediate annuity on retirement, provided the sum of age and years of service (minimum of 15 years) is at least 80. The mandatory retirement age is 75. The annuity is equal to two thirds of the judicial salary at retirement, indexed in the same way as for the regular public service pension. In the case of permanent disability, a judge becomes entitled to an immediate annuity. Surviving spouses and eligible children may also receive annuities on the death of a judge. The spousal amount is one third of a judge's salary, or one half of the judge's annuity if he or she is retired. Benefit payments under the plan totalled $61.9 million in 2002–03. Judges' annuities are not integrated with the Canada and Quebec Pension Plans, so there is no reduction at age 65, as under the other federal pension plans.

Judges contributed 7% of their salary, of which 1% was recorded in the Supplementary Retirement Benefits (SRB) Account and the remainder as a reduction of the Government's expense. The Government records an equivalent amount as contribution under the SRB Account and records the expenditure for the judges' pension benefits at the time of payment. No funds are set aside to meet future benefits payments. Given these two mechanisms, both parts of the Plan are unfunded. Since our analysis focuses on a current expenditure approach, we have used these benefit payments as an approximation of the Government's current costs and showed them under the heading of contributions. Under this assumption, the total value of contributions for judges' pensions in 2002–03 was about $61.9 million. Since judges contribute about $10 million, the net cost for the Government was about $51.9 million (around 84%).

In accordance with the *Judges Act*, federally appointed judges and their dependants are eligible for life insurance under the Public Service Management Insurance Plan, as well as participation in the Public Service Health Care Plan and the Public Service Dental Care Plan on the same basis as Executives in the core public service. The related premiums and contributions are fully paid by the Government. Retired judges and their dependants are also eligible for benefits on the same basis as for retired public service executives. These are taxable benefits that are relatively high for judges, given that they are much older on average than executives in the regular public service. Judges do not participate in the Supplementary Death Benefit Plan, since they are not covered by the *Superannuation Act.* Judges do not receive severance pay.

Judges normally receive eight weeks of leave annually, sick leave as necessary, and the usual statutory holidays. Leaving sick leave out of consideration, judicial leave is equivalent to about 20% of the work year; thus time not worked has an approximate minimum value of $43 million. Judges who are temporarily unable to perform their judicial duties due to ill health may receive sick leave of up to six months from their Chief Justice, or for a longer period with the approval of the Governor-in-Council.

Retrospective—Compensation for federally appointed judges

The number of federally appointed judges increased by 185 from 1990 when there were 850 judges, to January 2003 when the number was 1,035. This growth equals nearly 22%.

The vast majority of federally appointed judges are paid the same salary. Table 2102 provides the salary level for regular Superior Court Judges (this also applies to Federal and Tax Court Judges, and to the various provincial and federal appeal courts). Because the mid-point of the salary range for Deputy Ministers level 3 has historically been used as a prime comparator for federally appointed judges, Table 2102 also reports the DM 3 salary mid-point.

It is considered a fundamental constitutional principle that judges should be independent of both the Executive and Parliament, so they can rule on sensitive cases "without fear or favour." Accordingly, the setting of judicial salaries and benefits is a sensitive matter. In practical terms, judges' salaries are set by Parliament through the *Judges Act*, as noted above. The Minister of Justice proposes amendments to that Act. In order to depoliticize the process, thereby maintaining judicial independence, Parliament established in 1982 the first Triennial Commission charged with presenting theMinister of Justice with objective and fair recommendations. The composition of the Commission followed a classic arbitration model, with the two parties (the federal judges and the Minister of Justice) each naming a Commissioner, and these two deciding on a Chairperson. In 1999, the Commission became a Quadrennial Commission.

Table 2102

History of salary levels for regular Superior Court Judges in comparison with the mid-point of the DM 3 salary range, 1980 to 2002

Year	Superior Court Judges	DM 3 – Mid-Point
1980	$ 70,000	$ 77,300
1981 (April)	$ 74,900	$ 86,750
1981 (November)	$74,900	$ 91,750
1982	$ 80,100	$ 97,250
1983	$ 84,900	$102,105
1984	$ 89,100	$105,675
1985	$105,000	$110,950
1986	$115,000	$110,950
1987	$121,300	$126,500
1988	$127,700	$134,550
1989	$133,800	$144,650
1990	$140,400	$150,750
1991	$147,800	$150,750
1992	$155,800	$155,300
1993	$155,800	$155,300
1994	$155,800	$155,300
1995	$155,800	$155,300
1996	$155,800	$155,300

1997	$165,500	$155,300
1998	$175,800	$188,250
1999	$178,100	$188,250
2000	$198,000	$188,250
2001	$204,600	$209,650
2002	$210,200	$214,600

Since 1981, the *Judges Act* has provided for automatic indexation of judicial salaries each April according to the Industrial Aggregate Index.[136] This index is a measure of change in wages in the general economy, and generally is higher than the Consumer Price Index, which tracks changes in the cost of living. This approach was aimed to avoid negotiation and politicization in maintaining the value of judicial salaries.

The question of whether larger salary or benefit increases would be warranted was to be considered by successive Triennial (now Quadrennial) Commissions. Between 1987 and 1993, Commission recommendations on judicial salaries and benefits were generally not accepted. The *Public Sector Compensation Restraint Act* suspended annual statutory salary indexing for five years (from 1992 to 1996), and no other judicial salary adjustments occurred. In 1997, annual indexing resumed. In 1998, pursuant to recommendations of the last Triennial Commission, increases of 4.1% (for 1997) and a further 4.1% (for 1998) were approved. Based on recommendations in the 2000 Report of the first Quadrennial Commission, judicial salaries were raised to $198,000 (including statutory indexing) for 2000, and by an additional $2,000 plus statutory indexing in each of 2001, 2002 and 2003. The proposal to provide higher salaries for Appeal Court Judges was not supported by the Commission, and the existing ratios for the higher salaries of Chief and Associate Chief Justices, and for the Supreme Court of Canada were maintained.

Taking all of this into account, federally appointed Superior Court Judges saw their salary grow from $140,400 in 1990–91 to $210,200 in 2002–03. This is an increase of about 50% in current dollars. In constant 2002–03 dollars, the increase is around 18%. Looking specifically at the post-freeze period between 1997–98 and 2002–03, as we have done with salaries in the other domains, the standard federal judicial salary rose from $155,800 (in March 1997) to $210,200. This equals growth of 35% in current dollars, or 21% in constant 2002–03 dollars.

The total value of federal judicial salaries paid was in the range[137] of $120 million in 1990–91, and $160 million in 1997–98. The actual amount was $218.2 million in 2002–03.

The annual judges' allowance for reasonable incidental expenditures was increased as of April 2000 from $2,500 to $5,000. Representational allowances provided to Chief Justices, Associate Chief Justices and judges of the Supreme Court increased from a range of between $5,000 and $10,000 annually, to a range of from $10,000 to $18,750.

Members of the judiciary are the only group entitled to a pension by virtue of the *Constitution Act, 1867*. The basic entitlement since Confederation has been an annuity equal to two thirds of their salary after 15 years on the bench. In 1971, the concept of supernumerary judge was introduced, whereby at age 70 with 10 years experience a judge could elect to work part time, but with full salary. In 1973, eligibility was extended to age 65 with at least 15 years of service. In 1992, judges were included in the limits on contributions to Registered Retirement Savings Plans, effectively cutting off this area of tax-sheltered savings for judges. In 1998, voluntary retirement with an annuity of two thirds of salary was authorized for judges whose combination of age and a minimum of 15 years of service equalled 80.

Finally, pursuant to recommendations of the 2000 Quadrennial Commission, there were several further changes to the judges' pension plan:

- Judges eligible for an immediate annuity had their contribution rate reduced from 7% to 1%.
- An early retirement option with prorated benefits was introduced for judges with at least 10 years' service.
- Judges could now elect a higher survivor benefit up to 75% of the judge's pension, with a commensurate actuarial reduction in his or her own pension.

Prior to 1975, judges' pensions were non-contributory. The financing arrangements for the judges' pension plan established at that time are unique, reflecting sensitivities about judicial independence. Since no funds are set aside to meet future benefit payments, the judges' Plan is unfunded. All payments of benefits are made directly from the Consolidated Revenue Fund[138] and charged to expenditure at the time of payment. Nonetheless, irrespective of this accounting, the Government also records pension costs and liabilities for this plan on a full accrual basis of accounting. As of March 2003, the value of this liability in the Public Accounts approximated $1 billion. Judges contribute 1% of their salary to the Supplementary Retirement Benefits Account (to cover the cost of indexation to the cost-of-living), and the Government records an equivalent amount as contribution.

Table 2103 summarizes the amounts contributed by the judges and the Government towards the judges' pension plan since 1990. The judges' contributions have increased with the level of their salaries, and the reduction in the number of judges who had been appointed before February 1975. Since 2000, there has been some reduction in the total judges' contribution, as a result of the decision to reduce to 1% the contribution of serving judges eligible for an immediate annuity. The share of pension costs contributed by the judges was 25% in 1990–91, and 16% in 2002–03. The ratio of Government to judges' contributions increased from 3.05:1 in 1990–91 to 5.41:1 in 2002–03.

Table 2103

Government and judges' contributions to the judges' pension plan, 1990 to 2002

Year	Benefit Payment ($M)	Judges' Contribution ($M)				Net Government Contributions ($M)			
		Pension	Supplementary Retirement Benefits Account	Total	% of Payment	Pension	SRBA	Total	% of Payment
1990–91	**23.1**	**5.0**	**0.9**	**5.9**	**24.8**	**17.1**	**0.9**	**18.0**	**75.2**
1991–92	**26.0**	**5.6**	**1.0**	**6.6**	**24.6**	**19.3**	**1.0**	**20.4**	**75.4**
1992–93	**28.8**	**6.3**	**1.2**	**7.4**	**24.8**	**21.4**	**1.2**	**22.6**	**75.2**
1993–94	**30.8**	**6.6**	**1.2**	**7.8**	**24.4**	**23.0**	**1.2**	**24.2**	**75.6**
1994–95	**33.7**	**6.7**	**1.3**	**8.0**	**22.8**	**25.8**	**1.3**	**27.0**	**77.2**
1995–96	**36.6**	**7.0**	**1.3**	**8.3**	**22.0**	**28.3**	**1.3**	**29.7**	**78.0**
1996–97	**39.6**	**7.2**	**1.4**	**8.6**	**20.9**	**31.0**	**1.4**	**32.4**	**79.1**
1997–98	**42.6**	**7.3**	**1.4**	**8.8**	**19.9**	**33.8**	**1.4**	**35.2**	**80.1**
1998–99	**44.3**	**8.6**	**1.7**	**10.3**	**22.4**	**34.0**	**1.7**	**35.7**	**77.6**
1999–00	**48.3**	**8.7**	**1.7**	**10.3**	**20.7**	**38.0**	**1.7**	**39.7**	**79.3**
2000–01	**52.3**	**8.8**	**1.7**	**10.5**	**19.5**	**41.8**	**1.7**	**43.5**	**80.5**
2001–02	**57.7**	**7.3**	**1.3**	**8.6**	**14.6**	**49.1**	**1.3**	**50.4**	**85.4**
2002–03	**61.8**	**7.8**	**2.2**	**10.0**	**15.6**	**51.9**	**2.2**	**54.1**	**84.4**

Since 1990, there have been improvements in the benefits available for judges, both serving and retired, and their dependants. In summary, the Government has largely brought judges' benefits into alignment with what is available to Executives in the public service. For example, as a result of the 2000 Quadrennial Commission, retired judges and their dependants obtained premium-free coverage under the Public Service Health Care Plan (PSHCP). Improvements were also made to life insurance coverage. A special sub-line for Judges was created within the Public Service Management Insurance Plan (PSMIP) in 2001 so there would be no cross-subsidization. [139] Premiums for all lines of coverage have totalled around $5 million per year since then. So far the plan enjoys a surplus. Following a recommendation from the Quadrennial Commission, retired judges and their dependants were covered in the new Pensioners' Dental Services Plan. Leave arrangements for judges have remained throughout the period as described in for 2002–03.

Parliamentarians' compensation

Parliamentarians include the 300+ Members of Parliament (MPs) elected to serve in the House of Commons, and the up to 105 Senators (there were 98 Senators in March 2003) appointed to serve in the Senate. In 2002–03, the basic MP salary was $135,000. As noted earlier, this was equivalent to 50% of the salary of the Chief Justice of the Supreme Court. The basic salary of a Senator was $110,000, which was equal to $25,000 less than an MP's salary. MPs or Senators who serve as a Cabinet Minister or hold particular positions in Parliament such as Speaker, Committee Chair, Parliamentary Secretary, Whip, or in various other roles, received additional salaries or allowances. A Minister, for example, received total pay of $199,800 in 2002–03. The total of salaries paid in 2002–03 to Members of the House of Commons and Senators was about $52.5 million.

The pension planfor Members of Parliament (both MPs and senators) is fairly complex, since its terms were changed effective in 1981, 1992, 1995 and 2001. In general, Members accrue benefits for each year that they serve. For those years during which Members have extra salaries relating to being a Minister, House Leader or another parliamentary leadership role, they may accumulate benefits relating to that income as well as their basic MP or Senator salary. Benefits accumulate in two accounts: the Members of Parliament Retiring Allowances Account(covering income up to the *Income Tax Act* limit for registered pension plans, which was $99,000 in 2002), and theMembers of Parliament Retirement Compensation Arrangements (RCA) Account(covering income above that limit).

The rate of benefit accrual per year has evolved through the various changes to the plan. Since January 2001, the rate for MPs has been 3% per year of pensionable service. For service between July 1995 and December 2000, it was 4% per year; for service prior to that date, it was 5%. A maximum pension would provide 75% of the average salary of a Member's best five years. For Senators, the accrual rate has always been 3%.

Members are eligible for a retirement allowance if they contribute to the plan for at least six years. For service up to July 1995, they may receive an immediate annual allowance. For later service, they must wait until age 55. There is annual indexing beginning when a Member reaches age 60, corresponding to the increase in the Consumer Price Index. Once indexing begins, however, payments reflect the cumulative CPI increase since the Member left Parliament. Under the Public Service Management Insurance Plan, long-term disability benefits are also payable in cases of disability, and life insurance is payable in the case of death.

Benefits are suspended if a Member returns to Parliament. If he or she receives remuneration from the federal government above $5,000 in a year, the allowance is reduced dollar for dollar by the amount of that remuneration. If a Member serves less than six years, he or she is entitled to a withdrawal allowance consisting of a return of their contributions plus interest compounded annually at 4%.

Member contributions for current service in 2002–03 (equal to 7% of their pensionable salaries) amounted to about $3.9 million. Government contributions totalled about $20.3 million, the amount required (after taking account of members' contributions) to cover the future benefits Members earned during the year. The Government's share of costs was about 84% of the total. Benefits paid during the year amounted to about $18.1 million. The regular Member of Parliament pension account is in an excess position when compared to the actuarial liability; the RCA account is in a deficit position that is currently being made up by payments of $9.8 million per year.

Members of the House of Commons and the Senate, their spouses and eligible dependants participate in the Public Service Management Insurance Plan (PSMIP), the Public Service Health Care Plan (PSHCP), and the Public Service Dental Care Plan (PSDCP) on the same basis as Executives in the regular public service. Premiums and contributions are fully paid by the House of Commons or the Senate Administration. The premiums are a taxable benefit. The Supplementary Death Benefit Plan does not cover members of Parliament. Retired MPs and Senators and their spouses and eligible dependants continue to participate in the PSMIP, PSHCP, and the Pensioners Dental Services Plan (PDSP).

Under the *Parliament of Canada Act*, Members of Parliament are eligible for a severance allowance when he or she is not re-elected, or becomes unable to continue as a member because of a permanent illness or infirmity. The allowance is a lump sum generally equal to half of the total annual salaries the MP or Senator was receiving prior to the election, or becoming incapacitated. The *Act* also provides for disabled Members at least 65 years old to receive a disability allowance equal to 70% of their salary at the time of becoming disabled.

Retrospective—Parliamentarians' salaries

During the period from 1990 to 2003, the number of House of Commons seats increased from 295 to 301. The number of Senate seats increased from 104 to 105 when the territory of Nunavut was created (except during the period 1990–91 when extraordinarily the number was raised to 112).

At the beginning of the period under review (1991), Members of Parliament (MPs) and Senators earned an annual sessional indemnity of $64,400. MPs received a non-taxable expense allowance of $21,300 (with the rate varying by the Members' electoral district), and Senators received $10,100 for this purpose. MPs also benefited from an additional expense allowance of $6,000.

The Prime Minister earned an additional salary of $73,600; Ministers, the Leader of the Opposition and the Speaker received an additional $49,100. Additional salaries ranging from $10,100 to $29,500 were paid for other positions such as House Leader, Other Parties, and Leader, Other Parties. The Speaker of the Senate earned an additional $31,000, with various lesser amounts for other recognized parliamentary leadership roles.

This basic structure remained in place through the 1990s. For 1991, parliamentary salaries and allowances had been increased by 3.78%.[140] For 1992, MPs' and Senators' compensation was frozen. The supplementary salaries for the Prime Minister and Ministers were reduced by 5% to $69,920 and $46,645 respectively. All forms of compensation were then frozen from 1993 through 1997.

For the next three years, 1998 through 2000, salaries and allowances were increased by 2% per year, and in 2001 by about 1.3%. By 2001, the sessional indemnity for MPs and Senators was $69,100; the MPs' non-taxable expense allowance was $22,800, and for Senators $10,800. According to the Commission to Review Allowances of Parliamentarians in 2001 the equivalent taxable basic salary was $109,500 for MPs and $88,200 for Senators. Salaries for additional House of Commons responsibilities were $75,100 for the Prime Minister, and

Ministers received $50,000. Additional salaries for the Speaker and the Leader of the Opposition had been increased more than for Ministers, to $52,700.

Following the Commission's recommendations, parliamentary pay was restructured and increased. Most notably, the tax-free expense allowance was abolished and a unified fully taxable salary rate was established. The rate for MPs was increased by 20% from the equivalent amount cited above for 2001, yielding an MP salary of $131,400. For Senators, the new salary was $106,400. The amounts for extra parliamentary duties were increased in a similar fashion. The extra salary for the Prime Minister was set (at $131,450) so that his total salary would equal that of the Chief Justice of the Supreme Court. The additional salary for Ministers was set at $63,100, and that for the Leader of the Opposition and the Speaker was brought back into alignment with that of Ministers.

Finally, the Commission recommended, and Parliament so enacted, that in future salary increases for parliamentarians would remain tied to those of the federal judiciary. The Prime Minister's salary would equal that of the Chief Justice of the Supreme Court, and other parliamentary salaries and allowances would increase by the same percentage as the Prime Minister's. On this basis, the 2002 MP salary was $135,000 and the Senator salary was $110,000.

Using the same factor (1.77) to convert the previous non-taxable allowance to taxable income as was used in the 2001 Commission report, we can say that MPs' salary increased from about $102,100 in 1991–92 to $135,000 in 2002–03. This increase of $32,900 is 32.2% in current dollars, and about 8.7% in 2002–03 constant dollars. If we focus only on the period from 1997–98 to 2002–03, the current dollar increase is the same, but the equivalent increase in constant 2002–03 dollars was about 19.6%. The increase in Senator salaries was about $27,000, roughly the same increase in percentage terms as for MPs.

The total paid in parliamentary salaries (i.e. for MPs and Senators) in 1991–92 was about $26.5 million; the tax-free allowance amounted to about $7.4 million. Converting the latter to its taxable equivalent, total parliamentary salaries were about $39.6 million in that year. For 1998–99, the totals for the same items were $27.3 million, $7.7 million, and $40.9 million respectively. For 2002–03, with the new salary approach fully implemented, the total of salaries paid to Members of the House of Commons and Senators was around $52.5 million.

Retrospective—Parliamentary pensions

The Members of Parliament Pension Plan (covering both MPs and Senators) underwent substantive changes in 1992, 1995 and 2001. The main features of these revisions may be summarized as follows.

For context, we note that the rate at which Members of Parliament accrued pension entitlements was set at 5% per year for MPs and 3% for Senators in August 1981. In both cases, the maximum accrual was 75% of the average of the best six years. Thus MPs required 15 years and Senators 25 years to achieve a maximum pension entitlement. The Plan covers the basic MP or Senator salary, plus any further salary relating to additional parliamentary duties. The contribution rate for MPs was 11%, for Senators 7%, and 7% on the Prime Minister's salary.

In 1992, the *Members of Parliament Retiring Allowances Act* (MPRAA) was amended, much in the way other public service pension legislation was revised, to accomplish the following:

- The MPRAA was brought into alignment with the *Income Tax Act*. To accomplish this, the plan was divided into two parts. The first part, respecting the limits for registered pension plans, limited annual accrual of entitlement to 2%. The second part, a Retirement Compensation Arrangement Account, provided for benefits above that accrual rate, or relating to salary amounts above the limit set in the *Income Tax Act*.
- At the same time, the Supplementary Retirement Benefits Account (which provided for the cost of indexing benefits to the cost of living) was merged with the main account under the MPRAA.

Further amendments to the MPRAA came into force in July 1995, providing the following:

- The annual entitlement accrual rate for MPs was reduced from 5% to 4% on service after that date.
- The MP contribution rate was reduced from 11% to 9%.
- A requirement was introduced that members be at least 55 before they can collect pensions relating to service after July 1995.
- A double-dipping provision required that a member's pension be reduced by any amount beyond $5,000 earned from a federal government source.
- Existing MPs were permitted to decide whether to participate in the MPRAA pension plan.

Finally, amendments to the Act in 2000 and 2001 made these changes:

- Effective September 2000, all MPs must participate in the MPRAA.
- Effective January 2001, the benefit accrual rate for MPs was reduced to 3% for future service, and the contribution rate to 7%.
- Benefits would henceforth be calculated based on the best five, instead of the best six consecutive years of paid earnings as a member.
- Disability allowances were made payable to members over 65.

- MPs or Senators serving prior to June 2001 could opt to remain under the previous provisions of the MPRAA.

As set out in Table 2104, compared with the other federal public sector plans, the MPRAA Plan has had a volatile history since 1990, as a consequence of changes to the accrual and contribution rates, and changes in the salary level. As with the other plans, MPs and Senators contribute a specific proportion of their income, with the Government assuming responsibility for whatever additional amount is needed to cover the actuarially projected cost of the pension entitlements earned during the year. For members, the reduction in the contribution rate from 11% to 9% in 1995 explains the mid-1990s reduction in member contributions. The increase after 2001 results from the salary increase implemented in that year.

For the government, the reduction in the benefit accrual rate from 5% annually to 4% in 1995, combined with the multi-year freeze in salaries and allowances led to reduced costs in the mid-1990s. Again, the salary increases after 2001 largely explain the increase in the Government's share, along with less favourable economic assumptions.

Table 2104

Government and Member current service contributions to the *Members of Parliament Retiring Allowances Act* Pension Plan, 1990–91 to 2002–03

Year	Government Share ($M)				Member Share ($M)				Total Contribution ($M)
	MPRAA	RCA	Total	%	MPRAA	RCA	Total	%	
1990–91	**2.2**	**N/A**	**2.2**	**50%**	**2.2**	**N/a**	**2.2**	**50%**	**4.4**
1991–92	**2.2**	**2.8**	**5.0**	**68%**	**1.9**	**0.4**	**2.3**	**32%**	**7.3**
1992–93	**2.1**	**11.0**	**13.1**	**84%**	**0.9**	**1.5**	**2.4**	**16%**	**15.5**
1993–94	**2.1**	**10.4**	**12.5**	**83%**	**0.9**	**1.6**	**2.5**	**17%**	**15.0**
1994–95	**1.9**	**9.1**	**11.0**	**81%**	**1.0**	**1.6**	**2.6**	**19%**	**13.6**
1995–96	**1.7**	**6.0**	**7.7**	**79%**	**0.9**	**1.2**	**2.1**	**21%**	**9.8**
1996–97	**1.6**	**4.9**	**6.5**	**77%**	**0.8**	**1.1**	**1.9**	**23%**	**8.4**
1997–98	**1.7**	**5.4**	**7.1**	**62%**	**0.8**	**1.1**	**1.9**	**38%**	**9.0**
1998–99	**2.3**	**6.9**	**9.2**	**80%**	**1.0**	**1.3**	**2.3**	**20%**	**11.5**
1999–00	**2.7**	**7.4**	**10.1**	**82%**	**1.0**	**1.2**	**2.2**	**18%**	**12.3**
2000–01	**2.9**	**7.8**	**10.7**	**79%**	**1.0**	**1.8**	**2.8**	**21%**	**13.5**
2001–02	**3.8**	**15.3**	**19.1**	**84%**	**1.3**	**2.4**	**3.7**	**16%**	**22.8**
2002–03	**4.4**	**15.9**	**20.3**	**84%**	**1.3**	**2.6**	**3.9**	**16%**	**24.2**

The ratio of government to member total pension contributions relating to the MPRAA Plan rose from:

- 1.0:1 in 1990–91 to
- 5.45:1 in 1992–93,
- 3.42:1 in 1996–97,
- 3.82:1 in 2000–01, and
- 5.21:1 in 2002–03.

For context, pension benefits paid to former members and their survivors in relation to the MPRA Account and the RCA Account combined amounted to about $6.4 million in 1990–91, $22.1 million in 1994–95 and in 1998–99, and $30.3 million in 2002–03.

Members of the House of Commons and the Senate, as well as their spouses and eligible dependants participate in the Public Service Management Insurance Plan (PSMIP), the Public Service Health Care Plan (PSHCP), and the Public Service Dental Care Plan (PSDCP) on the same basis as Executives in the regular public service. Premiums and contributions are fully paid by the House of Commons or the Senate Administration, except for optional levels two and three hospital insurance for which members may opt to contribute (though the Senate Administration pays the full amount for level three hospital insurance). Retired MPs and Senators, their spouses and eligible dependants continue to participate in the PSHCP, and can apply for coverage under the Pensioners' Dental Services Plan (PDSP).

Severance benefits for Members of Parliament who are not re-elected, or who become unable to continue as members because of permanent illness or infirmity have not changed since 1995.

Compensation for employees of Parliament

Employees in several categories serve the following employers:

- Individual Members of the House of Commons;
- The House of Commons itself under the Board of Internal Economy;
- Individual Senators;
- The Senate itself; and
- The Library of Parliament.

In 2002–03, there were about 1,400 political and administrative employees working directly for MPs. Maximum pay is governed by the by-laws established by the Board of Internal Economy. In 2002–03, this maximum was $68,400. As set out in the *Parliament of Canada Act*, the Speaker of the House of Commons chairs the Board, which includes two Ministers and representatives of all parties with elected MPs. MPs' employees are not unionized, and serve only as long as the Member wishes. Employees are not entitled to overtime, but may receive compensatory leave instead.

Serving the House of Commons as a whole in 2002–03 were about 1,500 regular employees, varying widely in their occupations, for example from legal advisors, to financial analysts, to procedural clerks, to security staff, to messengers and clerks. The Clerk of the House is the administrative head (analogous to the deputy minister of a department) for the staff of the House. As a distinct employer, the House of Commons establishes its own classification standards, and negotiates its own collective agreements with its unionized workers. Broadly, however, salaries and working conditions are similar to those in the regular public service. Two distinctions of note relate to the hours of work. The workday for the House of Commons is 7 hours, compared with 7.5 in the public service. Also, annual leave entitlements provide particular levels of leave after fewer years of service.

Staff working directly for Senators numbered about 150 in 2002–03. They are employed on terms similar to those applying to MPs' employees.

About 400 employees were serving the Senate as an institution, under the management of the Senate Standing Committee on Internal Economy, Budgets and Administration, which is similar to its analogue in the House of Commons but rooted in custom rather than statute. Terms and conditions of work are similar to those for employees of the House of Commons.

The Library of Parliament is also a distinct employer, reporting jointly to the Speakers of the two Houses of Parliament. The Library's about 375 employees in 2002–03 worked under terms and conditions of employment that largely match those of the House of Commons and the Senate.

The total cost of salaries and wages in 2002–03 for these five categories of employees serving Parliament and its Members was about $169 million. The largest part was about $130 million, covering MPs' employees and employees of the House of Commons. Overtime and allowances amounted to about $6.9 million.[141]

All of these employees participate in the pension and benefit programs generally available to regular employees of the public service. These include most notably, the Public Service Superannuation Plan, the Supplementary Death Benefit Plan, the Public Service Management Insurance Plan (for executives and other non-unionized employees), the Public Service Health Care Plan, the Disability Insurance Plan, and the Public Service Dental Care Plan.

Employer cost for these employee benefit plans amounted to about $36 million in 2002–03, including just over $27 million for MPs' employees and employees of the House of Commons.

Severance pay over the course of the year totalled about $2 million. Lump sums for performance pay added up to about $550,000. Employer contributions for the Canada/Quebec Pension Plans and Employment Insurance amounted to $10.6 million. Employer health payroll taxes were approximately $3.4 million. Payments in lieu of leave were about $0.3 million.

Retrospective—Compensation for employees of Parliament

As noted, employees, in effect, serve one of five distinct employers.

Individual Members of the House of Commons

These are the political and administrative staff directly supporting individual MPs. These have grown somewhat in numbers over the years, from about 1,060 in 1990–91 to around 1,400 in 2002–03. Their maximum pay is set by the Board of Internal Economy, which is chaired by the Speaker. In 1990–91 the maximum was $58,700; in 2002–03 it was $68,400.

The House of Commons, under the Board of Internal Economy

These employees serve the House as a whole, reporting to the Clerk of the House. There were about 1,700 such employees in 1990–91, and around 1,500 in 2002–03. Their salaries and working conditions are determined through collective bargaining, and are broadly similar to those for analogous jobs in the regular public service.

Individual Senators

These employees are employed on terms similar to those applying to MPs' staff. There were just over 100 in 1990–91 and 150 in 2002–03.

The Senate

As for the House of Commons, the Senate has dedicated staff serving under the direction of the Senate Standing Committee on Internal Economy, Budgets and Administration and reporting to the Clerk of the Senate. There were about 349 such employees in 1990–91 and around 400 in 2002–03.

The Library of Parliament

This is also a distinct employer reporting jointly to the Speakers of the two Houses of Parliament. There were about 252 employees in 1993–94 and 375 in 2002–03.

Total salaries and wages

The total cost of salaries and wages (including overtime and allowances) for these five categories of employees of Parliament was about $138.2 million in 1990–91 and remained close to that total as late as 2000–01, when the total was about $152.1 million. By 2002–03, this amount had increased to approximately $202.8 million.

Table 2105

Changes in expenditures in other areas of compensation for employees of Parliament, selected years since 1990

	1990–91	1995–96	1999–2000	2002–03
Severance Pay	**$898,900***	**$2,303,051**	**$996,917**	**$1,844,700***
Lump sum Performance Pay	–	–	**$115,100**	**$561,040**
Employer contributions for CPP/QPP and EI	**n/a**	**n/a**	**$8,660,344**	**$9,561,948**
Payroll Health taxes	**n/a**	**n/a**	**n/a**	**n/a**
Pay in lieu of leave	**$183,700***	**$352,084**	**$461,575**	**$509,606***

* Figures include data on the Library of Parliament

Expenditures in these areas are broadly similar in pattern to those evidenced by other employers in the federal public sector, driven as they are mainly by policy decisions on staffing levels and contribution rates.

Ministerial staff compensation

The Prime Minister and Cabinet Ministers also employ staff to assist them. In 2002–03 there were about 75 employees in the Prime Minister's Office (PMO), and about 400 Ministers' exempt staff. Salaries paid in relation to the PMO were about $4.5 million; for Ministers' exempt[142] staff, the total was about $27 million.

For 2002–03, the Guidelines for Ministers' Offices[143] stated that the normal complement in a Minister's office was 13 exempt staff members, including one Executive Assistant, with a salary equivalent to EX 2 in the regular public service, various Special Assistants, and support staff. The individual salaries could not exceed a total salary budget of $820,000 for a Minister's office.

As for other special groups of employees covered in this part of the chapter, Ministers' exempt staff generally participate in the same pension and benefits plans and leave entitlements as employees in the regular public service. On termination, exempt staff may receive severance pay equal to two weeks' pay for each year of service, and discretionary separation pay of up to four months' salary (or six months if the employee is subject to the Post-employment Code for Public Office Holders).

Retrospective—Compensation for Ministerial staff

Turning to a historical perspective, Table 2106 below lists the staff levels f or the PMO and Ministers' offices for selected years from 1990 to 2003.

Table 2106				
Exempt staff, PMO and Ministers' offices, selected years, 1990 to 2003				
Year	**PMO Exempt staff complement (n)**	**Ministers' offices exempt staff complement (n)**	**Total exempt staff—PMO & Ministers' offices (n)**	**Total exempt staff salaries —PMO & Ministers' offices ($ millions)**
1990–91	**99**	**361**	**460**	**22.4**
1994–95	**76**	**351**	**427**	**20.5**
1999–00	**80**	**445**	**525**	**28.4**
2002–03	**75**	**436**	**511**	**31.5**

Since at least 1984, there have been Treasury Board guidelines governing the complement of Ministerial offices and staff remuneration. The 1984 document, entitled "Information on Budgets and guidelines on Terms and Conditions of Employment for Ministerial Staff," set out the following guidelines:

- Each Minister was authorized to have a Chief of Staff whose salary could not exceed the maximum salary for EX (Executive) 4, the normal level for Assistant Deputy Minister positions.
- Each Minister was also permitted to appoint one Executive Assistant with a salary not higher than the maximum of the Program Administration (PM) 6 level.
- Each Minister could hire any number of Special Assistants (salary up to the PM 5 maximum), Private Secretaries (salary up to the maximum of Secretary level 4), or other lower level clerks and secretaries, provided the total salary expenditure for that Minister's exempt staff did not exceed $400,000 ($325,000 for Secretaries of State).
- Because the maximum number of departmental staff was reduced to 10, the total budget for a Ministerial Office was reduced by 11% from $740,000 to $660,000.
- No overtime was to be allowed for exempt staff, but a premium of up to 10% was allowed on the employee's salary in lieu of overtime and bilingualism bonus.
- Severance pay was permitted for long-serving staff in the event of resignation, retirement, lay-off or death. Up to two months of separation pay was permitted when the Minister terminates employment without notice.

In subsequent years the maximum pay rates were amended to keep pace with increases applying to comparable public service positions. In some cases the Treasury Board authorized salaries above the declared comparator maximums for individual exempt staff. As of 1986 separate additional budgets were authorized for some Ministers with exceptionally large responsibilities. By the 1991 revision, separation pay was permitted to a maximum of six months' pay for exempt staff members subject to Part III of the Conflict of Interest and Post-Employment Guidelines. Other staff could receive up to four months' salary on termination.

In 1993, the Guidelines for Ministers' Offices were substantially revised, as follows:

- The top exempt staff position was designated "Executive Assistant" with a maximum salary equal to the top of the EX 2 pay range.
- There could be up to four Special Assistants, three paid up to the PM 6 maximum, and one to the PM 4 level.
- Ministers could also appoint up to seven support staff earning no more than the pay of an Administrative Services (AS) 3 level employee. The total of exempt staff in a Minister's Office was thus limited to 12.
- A maximum salary budget was set each year accordingly.

In later years, some additional staff was authorized for Ministers with large portfolio or political responsibilities. In December 2003, following the period analyzed in this report, the title of Chief of Staff was revived, with maximum pay equal to the EX 4 level.

Ministers' exempt staffs generally participate in the same pension and benefits plans as employees in the regular public service at the same level.

Students

Each year the departments and agencies within the core public service domain hire over 10,000 students for temporary jobs in the core public service. The main vehicles for this hiring are the:

- Federal Student Work Experience Program (with about 9,000 assignments each year),
- Post-secondary Co-op/Internship Program (with about 4,000 assignments in recent years),
- Research Affiliate Program, and
- International Exchange Program.

There are also unpaid assignments, for example, under the Secondary School Co-op Education Program. Additional students are employed by other federal employers.

Students are normally hired under an exclusion order pursuant to the *Public Service Employment Act,* and are not considered regular public servants. For post-secondary students, hourly pay ranged in 2003 from a low of $9.99 for first-assignment college students to $20.05 for doctoral students with experience. Secondary school students earn between $8.34 and $9.18 per hour depending on the province in which they are employed. The number of students employed fluctuates over the course of the year, peaking naturally during the summer. The total estimated cost of student salaries in 2002–03 was about $126.8 million.

Students have access to overtime pay and other allowances (but not the bilingualism bonus) on the basis of the collective agreement that relates best to their work assignment. They receive vacation pay equal to 4% of their total salary. Students are normally paid for designated holidays, and are eligible for bereavement leave but not sick leave.

Retrospective—Student compensation

The two main programs have been in place since 1990, throughout our period of focus. The Federal Student Work Experience Program (FSWEP), previously known as the Career-Oriented Summer Employment Program, offers employment opportunities intended to enrich their academic studies, help fund their education, develop their employability, and help students evaluate future job choices, including within the federal public service. In 1995, the Public Service Commission assumed responsibility to administer this program.[144]

The other main program is the Post-secondary Co-op/Internship Program (previously the Cooperative Education Program), which provides students with assignments related to their field of study, in cooperation with their academic institution.

Table 2107 summarizes the average number of students employed at month end over the year under these programs, and the total annual cost of the associated student salaries. It should be noted that there is considerable seasonal fluctuation in the number of students employed at any given time (e.g. there are likely more students during the summer months). The total number of individual students employed during the course of a year would likely be more than double the figure indicated in Table 2107. From the Table it is evident that while the average monthly level of student employment has increased by about one tenth since 1997, the payroll has risen by about one third.

Table 2107

Average monthly student population and related salary costs in the core public service domain, 1997–98 to 2002–03

Year	Average population	Annual payroll ($ millions)
1997–98*	**4,693**	**92.8**
1998–99	**4,411**	**90.5**
1999–00	**4,614**	**101.4**
2000–01	**4,778**	**108.2**
2001–02	**5,278**	**125.0**
2002–03	**5,188**	**126.8**

*This figure is an estimate based on the best available data.

Historical overview—Other groups domain

Table 2108 provides a roll up of compensation cost trends in the Other groups domain for 1990–91, 1997–98 and 2002–03. Our information is more incomplete for this area than for earlier sections of the report, but it is reasonably solid for the two major components of salaries and government pension contributions.

Table 2108

Summary of the evolution of total compensation for the Other groups domain, 1990–91, 1997–98 and 2002–03.*

COMPONENT Other goups domain (MPs, Senators, judges, students)	Employer cost ($ millions)

		1990–91	1997–98	2002–03
1.	Salaries and wages (Regular payroll)**	**420**	**467**	**632**
		Judges 120 **Parl. (HofC) 31** **Sen. 9** **EE Parl. 138.2** **MO/PMO 22.4** **Students ~100**	**Judges 160** **Parl. 32** **Sen. 9** **EE Parl. 152.1** **MO/PMO 20.5 (1994)** **Students 92.8**	**Judges 218.2** **Parl. 41.5** **Sen. 11** **EE Parl. 202.8** **MO/PMO 31.5** **Students 126.8**
2.	Pensions	**20**	**42**	**74**
		Judges 18 **Parl. 2.2**	**Judges 35** **Parl. 7.1**	**Judges 54** **Parl. 20.3**
	Totals	**~440**	**~500**	**~700**

* This chart, unlike comparable charts earlier in this chapter, focuses exclusively on salaries and wages and pension costs. The reasons for this are three-fold. First, there is a lack of uniformity in what elements of compensation are available to the various groups which make up this domain (i.e. compensation such as overtime or performance pay are available to some but not all groups). Second, many of the costs related to these benefits are covered by the Treasury Board directly, and factored into the figures used to described the core public service domain. Finally, the data that is available on other compensation elements is incomplete and the total amounts relatively small.

The incompleteness of the available data renders it inappropriate to offer any overview observations for this domain.

We now proceed with a brief review of compensation in the federal business enterprises and other Crown corporations domain.

13. Compensation in Federal Business Enterprises and Other Crown Corporations

Our interest in compensation in this domain is limited for several reasons. First, Crown corporations generally operate with significant autonomy from the federal government. Their broad strategy and financial plans need to be approved through submission to the Treasury Board of periodic corporate business plans, and the President/Chief Executive Officers and Boards of Directors are appointed by the Governor-in-Council. Consultation on key policy decisions may also occur with the responsible minister or deputy minister. Within this framework, however, the federal government shareholder leaves the management of the Crown Corporation, under the direction of its Board, to get on with running its business.

Second, many Crown corporations operate with little or no direct funding (i.e. appropriations) from the federal government; in fact, some pay dividends to the shareholder. To the extent that they are self-financing, we feel it is inappropriate to count their compensation costs as part of federal compensation.

Finally, as a consequence of their substantial independence, Crown corporations report relatively limited compensation-related information to the Treasury Board Secretariat.[145] Some information of this type can be gleaned from public annual reports but it is generally not extensive. Gathering comparable information would be a much more time-consuming task than we could undertake.

Accepting these realities, this section takes only a very brief and selective look at compensation in the federal business enterprises and other Crown corporations domain.

Attribution of compensation costs

The Treasury Board Secretariat's *2003 Annual Report to Parliament—Crown Corporations and other Corporate Interests of Canada* provides an overview on 43 parent Crown corporations and three wholly owned subsidiaries directed to report as parent Crown corporations for the purposes of the *Financial Administration Act*. Among the 45 entities reporting, about half (22) received no funding through federal government appropriations. Among the remaining 23 entities, six accounted for over three quarters (78%) of total funding from Canada. These organizations were:

- the Canada Mortgage and Housing Corporation (CMHC),
- the Canadian Broadcasting Corporation (CBC),
- the Canadian Air Transport Security Authority,
- VIA Rail,
- Canada Post, and
- the Canada Council.

Looking at these organizations, it is evident that relatively little of their compensation costs are effectively charges on the federal government. CMHC, for example, had an appropriation in 2002–03 of about $1.9 billion. However, 96% of this amount was allocated to assist Canadians with their housing needs. CMHC's revenues that year from non-appropriation sources amounted to about $2.2 billion. In this context, the Corporation's reported 2002 personnel costs of $124 million (for 1,772 staff-years) cannot really be considered as financed from the taxpayers.

This situation is even more evident in the case of the largest federal Crown Corporation, Canada Post. Revenues in 2002 totalled just over $5 billion;[146] appropriations were about $240 million. This federal government subsidy was provided for specific public policy objectives, most notably mail for the blind and free mail to and from parliamentarians, as well as an instalment of the multi-year transfer of pension funds from the public service plan to the Post Office's own plan. Personnel costs (salaries and benefits) for Canada Post (only) in 2002 amounted to about $3.07 billion. Again, it would be unrealistic to count Canada Post's personnel costs as a federal government expense.

On the other hand, some Crown corporations such as the CBC and VIA Rail are significantly funded through appropriations. For the CBC, 2002 expenditures amounted to just under $1.5 billion, with appropriations at nearly $1 billion. Salaries and benefits stood at close to $780 million at the end of March 2003. In effect, about two thirds of this (about $520 million) can be thought of as funded by the taxpayer. At VIA Rail, expenditures in 2002 were about $444 million, and appropriations for 2002–03 around $257 million. Even allowing for the misalignment of information based on the calendar year and the fiscal year, it is evident that something in the order of 60% (about $112 million) of the $193 million spent in 2002 on compensation and benefits could be thought of as provided by Parliament.

We do not have sufficient information to specify confidently the total amount spent from appropriations by federal Crown corporations on their compensation arrangements. Nevertheless, using what fragmentary data is available (much of which we have summarized above), we suggest that an amount in the range of $600 to $750 million in salaries expended by Crown corporations can be considered to be federal spending from tax revenues. The remaining approximately $3.2 to $3.3 billion of Crown Corporation compensation spending was spent from commercial or other non-appropriation revenues.

Some Observations

Despite the reality that only a minority of Crown corporation compensation costs can be considered federal expenditures, compensation practices among the Crowns resonate within the broader federal public service, with influence flowing in both directions.

Starting at the top, the regular salaries and performance pay ranges, and the actual pay rates, for the President/Chief Executive Officers of all Crown corporations are determined by the Governor-in-Council. The pay ranges are normally set each year on the recommendation of the Advisory Committee on Senior Level Retention and Compensation (know as the Stephenson Committee), through a process similar to that used for setting Deputy Minister and Executive pay ranges, as described in Chapter 3 of Volume One. For the CEOs of Crowns, Hay Associates compares the remuneration of Group 1 (the lowest level) positions with the median, (i.e. 50th percentile), compensation for a set of private sector jobs at the same level in order to propose any appropriate salary range adjustment (prior to 2005, it was the 25th percentile). Salaries for higher groups are based on relativities among the Crown corporations. Between 10% and 25% of salary may be earned as at-risk pay.

For 2002–03, the salary range for group 1 CEOs was from $98,400 to $115,800, with up to 10% for at-risk pay; at the top level (level 10), the pay range was from $339,100 to $398,900, with up to 25% in at-risk pay. The actual salaries of any individual CEO could be lower than the range for their position. The Board of a Crown Corporation may decide to provide benefits other than remuneration, although they are required to inform the responsible Minister and the Clerk of the Privy Council.

Remuneration for Crown corporation vice-presidents and other executives is the responsibility of the Board of Directors, although it may be delegated to a Board committee or to the President. Concerns expressed about "pay inversion" (i.e. vice presidents earning more than CEOs) led to a review whose results were reported in the May 2003 report of the Stephenson Committee. According to a December 2002 Auditor General report, inversion occurs in some cases because the variable pay for vice-presidents is not limited as for CEOs, but follows more closely the higher levels found in the private sector.

Overall, the Committee reaffirmed the established policy, noting that recruitment of qualified CEOs had generally been possible within that policy. The Committee also concluded that the existence of some pay compression or inversion was not out of line with experience for public sector corporations in other countries or jurisdictions. Nevertheless, in the course of our work, we did hear some continuing disquiet on this subject.

More general information on Crown corporation employee salaries and wages is not readily available. Approaches clearly vary according to the nature of the various institutions. The largest Crown corporation, Canada Post, is about three-quarters unionized. Its compensation philosophy is to pay at the market average in order to balance costs with the need to attract and retain the required talent. For example, Canada Post defines its comparator market as a group of about 20 large, profitable employers that operate nationally.

Other corporations are essentially non-unionized. Canada Mortgage and Housing Corporation (CMHC), for example, composed largely of professional staff, aims to set total cash compensation at the 75th percentile of the base pay line of the Hay Associates All Organizations survey, which covers over 400 public and private employers across Canada. The Bank of Canada generally targets the median of established comparison markets. However, to ensure it can attract and retain the specialized staff it needs to carry out its work, the Bank provides special market adjustments on a temporary basis to specified occupational groups who are in high demand in the market and can draw significantly higher salaries externally.

Practices in the area of variable or performance pay go much further in some Crown corporations than in the rest of the federal public sector. For executives and non-unionized staff, there are several cases of a two-tier incentive pay structure, recognizing both overall corporate (or team) and individual performance. At CMHC, the corporate incentive award rewards employees for the achievement of specific objectives as set by the Board and published at the beginning of each year. For 2002, the payment was up to 3% of salary for employees with a performance rating of at least "succeeds." In addition, a lump sum individual incentive award can be earned based on an employee's performance rating and position level. Maximum awards for an outstanding rating range from 10% at lower levels of the organization to up to 15% at the Vice President rank. In addition to these two potential lump sum amounts, employees may receive a general salary adjustment incorporating a market adjustment, if applicable, and a progression increase for employees below the range maximum for their position.

Canada Post's plan for executives and non-unionized staff provided a corporate team incentive based on overall Canada Post performance, as well as individual awards based on performance against pre-set objectives. The corporate performance component is based on an assessment of three factors:

- profit vs. financial targets, 40%;
- service levels against standards, 30%; and,
- customer satisfaction survey results, 30%.

For senior executives, the combined value of these two awards could be as much as 25% to 40%.

Starting in 2003, Canada Post agreed with two of its unions, the Public Service Alliance of Canada (about 2,400 employees) and the Association of Postal Officials of Canada (about 3,050 staff) to apply the corporate team incentive to these employees. This incentive could be up to 3% of salary (or more, if targets are exceeded) based on results on the three components described above, which were specified for staff in advance.

Pensions

Pension arrangements vary among Crown corporations, but are broadly similar to that of the core public service. All offer defined benefit plans, with benefits based on years of service and average salary over a specified period. In some cases, the terms are more favourable for executives, for example using the three instead of five consecutive best years as the basis for calculating average salary. The larger Crowns manage their own pension plans, which are funded. Accumulated contributions are invested in the market. At a given time, such funds may have an actuarial surplus or deficit. CMHC and the Bank of Canada, for example, reported pension surpluses in their annual reports for 2002. Canada Post and the CBC, on the other hand, reported a deficit as a result of adverse market results over the year. Many smaller Crowns, including all the cultural Crown corporations, participate in the plan that applies to the core public service and the separate employers.

The CBC offers Flexplan, an interesting retirement investment option for its employees. Under CCRA rules, the plan allows the difference between 9% of compensation and the employee's required contribution to the CBC Pension Plan to be invested each year. These contributions are deductible from taxable income, and do not interfere with the employee's Registered Retirement Savings Plan (RRSP) contribution room. These savings can be invested in a variety of vehicles across the risk spectrum. At retirement these savings can be used to augment the employee's lifetime pension earnings.

Employee benefits

Employee benefits are an area of significant cost pressure for the Crown corporations. At Canada Post, for example, benefit costs rose in 2002 by 5.6% to $548 million, mainly because of increases in the Canada/Quebec Pension Plan employer contributions and in post-retirement benefit costs. Canada Post succeeded in negotiations with its main union, the Canadian Union of Postal Workers (39,900 workers) to reduce benefit cost pressures in several ways. For example, a new multi-tiered formulary will distinguish life-sustaining drugs from less vital offerings. There will be incentives to use less costly generic drugs. Employees will also pay a share of the drug and dental plans.

Severance pay

Severance pay is generally paid to eligible departing employees in a manner similar to the policy of the core public service. However, at least two Crown corporations have taken steps to limit eligibility to severance pay in relation to future service. Beginning in March 2003 for new management and exempt employees, Canada Post has ended the accumulation of entitlement to severance pay, and in 2004, existing employees in these groups would accumulate no additional severance eligibility. The options offered include a payout of the existing entitlement in 2004, or a deferral of the payment until retirement, reflecting their salary at that time. As part of the tradeoffs in Canada Post's most recent CUPW collective agreement, the union also agreed to eliminate the further accumulation of entitlement to severance pay for its members.

The Bank of Canada also took steps to limit eligibility to severance. As of 2003, in lieu of these benefits, new employees are provided an allotment of benefit dollars (equal to 1% of pay), which they can use on an annual basis toward the purchase of benefits. Current employees' accumulations were protected and they were given a one-time choice to continue accumulation of the benefit or end accumulation to begin receiving 1% of salary.

Retrospective—Federal business corporations

The basic story for federal business corporations over the period between 1990–91 and 2002–03 was decline in employment and salary expenditures.

The portfolio of federal business enterprises and other Crown corporations has evolved substantially over the years since 1990. For example, in the 1990–91 Treasury Board President's *Annual Report to Parliament on Crown Corporations and other Corporate Interests of Canada* (then published with the Public Accounts), there were reported to be 58 parent and three acting parent Crown corporations with a total employment of 135,000 people. By the 2002–03 Report, there were only 43 parent and three acting parent Crown corporations, with total employment of about 71,800. During the intervening years such major enterprises as Canadian National Railways, Petro-Canada and Teleglobe were privatized. The first two of these alone employed nearly 47,000 workers in 1990–91.

With such vast changes in the nature of the workforce employed by the portfolio of Crown corporations over the years, it is not pertinent to this study to undertake any further analysis of trends in Crown corporation compensation. We reiterate as well that half of Crown corporations receive either nothing in appropriations, or very little in relation to their personnel costs and revenues. In 1990–91, for example, of 61 parent or acting parent Crown corporations, 22 had no budgetary funding from the federal government, and 8 more had funding worth less than one quarter of their revenues. Of 135,000 employees reported as employed by parent Crown corporations in 1990–91, about 104,000 were employed by enterprises that had little or no budgetary funding.

It would be interesting to calculate more precisely the evolution of that portion of salary spending in this domain that can reasonably be considered to have been funded through parliamentary appropriations. However, our estimate that in 2002–03 only about $600 to $750 million in salaries expended by Crown corporations can be thought of as federal spending from tax revenues, is in the order of only about 3% of total federal salary spending from appropriations. The analytical investment required for the exercise of determining the comparable amounts in earlier years is beyond the scope of this study.

It would also be intriguing to explore compensation policies and practices within Crown corporations, and how these have changed over the past decade. Again, however, it would take extensive research to compile such an overview. Unfortunately, with available resources, we could not undertake such an examination.

CEO Compensation

One area that does demand our attention in this study is the salary level of Chief Executive Officers of federal Crown corporations.

Prior to 1990, Crown corporations were assigned to one of three groupings based on the nature of their mandate: Government Services (public service corporations), Quasi-Commercial, and Commercial.

CEO positions of smaller organizations and those providing government services, such as the Pilotage Authorities, the Canada Council, and the Standards Council, were generally classified within the GIC (Governor-in-Council) 1 to 11 structure. The salary ranges of these levels were roughly equivalent to the rates for PM 5 to DM 3 positions in the regular public service, depending on the entity's mandate.

The salary ranges for CEOs of Quasi-Commercial (e.g. Marine Atlantic, or the Canada Mortgage and Housing Corporation) and Commercial (e.g. Canada Post, or Petro-Canada) corporations were set individually, taking into account the recommendations of the Advisory Group on Executive Compensation in the Public Service.

When the Strong Committee was established in 1997, the issue of salaries for CEOs of Crown corporations figured prominently in the Committee's work. In their first report, in January 1998, the Committee observed that the general freezing of federal public sector salaries over most of the first half of the decade had had a perverse effect on internal relativities within these enterprises, and "in many cases among the larger corporations, …led to retention and recruitment difficulties."[147] As an interim step, the Committee proposed, and the Government agreed that CEO job rates be increased by 17%, the same proportion recommended for DM 2 positions.

As a result, a comprehensive review was undertaken of these key jobs. With the assistance of Hay Associates, the Crown corporation CEO jobs were allocated to one of ten groups, corresponding to their level of responsibility. William M. Mercer surveyed compensation among three groups: provincial public services, the broad public sector (e.g. municipalities and universities), and the private sector. However, this survey was weak on comparisons for larger, more commercial Crown corporations. The Committee then called on Hay Associates to furnish the needed data.

The results indicated that existing total cash compensation for the 10 groups lagged well behind the Hay medians for analogous jobs with financial/industrial employers. The compensation approach that was adopted on the basis of the Strong Committee recommendations was the policy described in Chapter 3 of Volume One. In essence, this involves benchmarking the group 1 CEO salary range to the 25th percentile of actual salaries of incumbents of private sector jobs of equivalent scope in the Hay position evaluation database. Higher group job rates are then set at a fixed differential ranging from 12% for the lower- to 20% for the upper-level groups. At-risk pay would be paid in addition, based on performance, to a maximum of 10% of salary for the lower groups, to 25% for the one group 10 Crown corporation.

The job rates established in 2000 were, for example, $107,400 for group 1, $150,900 for group 4, $169,000 for group 5 (groups 4 and 5 together comprise about one third of the CEO positions covered), and $370,200 for group 10 (which includes only Canada Post).[148] The Strong Committee recommended 5.39% increases for 2001 based on an update of the Hay Associates comparison of total compensation at group 1 to comparable private sector positions in financial/industrial organizations.

For 2003, the proposed increase was 2.3%. Comparing the job rate of the smallest Crown corporation CEO job in 1991 with that of 2003, we observe an increase of 41.5% in current dollars, and 14% in constant 2002–03 dollars. Looking only at the post-freeze period (1997–98 to 2002–03), we see a current dollar increase of 37.4% and 21% in constant 2002–03 dollars. For the highest ranked CEO position the job rate grew by 61.3% from 1997–98 to 2002–03 in current dollars and 42% in constant 2002–03 dollars.

In their report of March 2003, the Stephenson Committee reported on further comparative work carried out by the Privy Council Office on the Committee's behalf. Overall, "the survey found that the compensation policy objectives and the compensation regime for CEOs of Canada's federal Crown corporations are consistent with other public sector practices, whether in Canada or abroad."[149]

Bibliography

Archibald, T. Ross and Darroch A. Robertson. *Survey of Pension Plans in Canada*. Financial Executives Institute Canada. Eighth Edition. [n.d.]

Benefit Survey Report. [n.p.] 1996.

Bank of Canada. *Annual Report 2002*. Government of Canada. Ottawa: [n.d.]

Booth, Patricia and Judy Lendvay-Zwicki. *Compensation Philosophy, Principles and Implementation Practices: Selected Jurisdictions/Organizations in the Public and Private Sectors*. Conference Board of Canada. Ottawa: January 2003.

Boudreau, Susan. *Brief for the President of the Treasury Board Re: Pension Entitlements of Former Public Servants*. Government of Canada. Ottawa: June 2003.

Brooks, Richard. *Pay and the Public Service Workforce*. Institute for Public Policy Research: July 2004.

Canadian Federation of Independent Business. *A Healthy Balance: Small Business Perspective on Health Care*. Willowdale: September 2002.

Canadian Federation of Independent Business. *A Comparison of Public Sector and Private Sector Wages*. Willowdale: August 1999.

Ibid. October 2003.

Commonwealth of Australia. *State of the Services 2002–03: Australian Public Service Statistical Bulletin 2002–03*. Canberra: 2003.

Conference Board of Canada.*Compensation Outlook: Cost Concerns Call for Smart Spending*. Outlook 2004. Ottawa: 2004.

Conference Board of Canada. *Compensation Philosophy, Principles and Implementation Practices, Selected Jurisdictions/Organizations in the Public Sector and Private Sectors*. Outlook 2004. Ottawa: 2004.

Coles, James K. *A Fresh Start for Federal Pay: The Case for Modernization*. United States Office of Personnel Management: April 2002.

Finkelman, J., Q.C. *Employer-Employee Relations in the Public Service of Canada: Proposals for Legislative Change, Parts I, II & III*. [n.p.]: 1974.

Franklin, Templeton Investments. *Annual Report*. [n.p.] Toronto: December 2003.

Fryer, John. *Working Together in the Public Interest. Advisory Committee on Labour Management Relations in the Federal Public Service, Final Report*. Government of Canada. Ottawa: June 2001.

Gordon, W.L. *Report of the Royal Commission on Administrative Classifications in the Public Service*. Government of Canada. Ottawa: 1946.

Glassco, J. Grant. *Management of the Public Service, Part 1. The Royal Commission on Government Organization*. Government of Canada. Ottawa: July 1962.

Gouvernement du Canada. *Comité consultatif sur le maintien en poste et la rémunération du personnel de direction*. Ottawa: March 2000.

Gouvernement of Canada. *Compendium des conventions collectives*. March 2003.

Government of Canada. *Report of the Royal Commission on Technical and Professional Services*. Ottawa: February 1930.

Government of Canada. *Report of the Preparatory Committee on Collective Bargaining in the Public Service.* Ottawa: 1965.

Government of Canada*. Report of the Special Committee on the Review of Personnel Management and the Merit Principle*. Ottawa: September 1979.

Government of Canada. *Pension Benefit Survey: Contributions 1958 to 1986*. Ottawa: 1986.

Government of Canada. *Advisory Committee on Senior Level Retention and Compensation*. Ottawa: January 1998.

Ibid. Ottawa: March 2000.

Ibid. Ottawa: December 2000.

Ibid. Ottawa: August 2002.

Ibid. Ottawa: May 2003.

Ibid. Ottawa: January 2004.

Government of Canada*. Report of the Task Force on Classification and Occupational Group Structures*. Public Service 2000. Ottawa: July 1990.

Government of Canada. *The Renewal of the Public Service of Canada*. Public Service 2000. Ottawa: December 1990.

Government of Canada. *Directions for the Future: A Public Service Learning Organization from Coast to Coast to Coast*. Ottawa: June 2000.

Government of Canada. *Appearance Before the Public Accounts Committee: Briefing Material*. Ottawa: June 2003.

Government of Canada. *Classification Review. Report to the Treasury Board of Canada Secretariat.* Ottawa: November 2003.

Government of Canada. *Pay Equity Review*. Ottawa: May 2005.

Government of Canada. *Public Accounts of Canada 2002–2003*. Ottawa: [n.d.]

Government of Canada. *Senior Level Retention and Compensation: Reports 1 to 6*. Ottawa: [n.d.]

Government of Canada*. Size and Distribution of the Public Service*, *Vol. 1 Management of the Public Service, Personnel Management, The Royal Commission on Government Organization*. Ottawa: 1963.

Ibid. Ottawa: December 2000.

Ibid. Ottawa: March 2002.

Green, Cathy. *Benchmark Study for the Public Service Health Care Plan*. National Joint Council of the Public Service of Canada. Government of Canada. Ottawa: December 1998.

Gunderson, Morley. *Public-Private Sector Wage Differences with Emphasis on Federal Government: Report to the Treasury Board*. Government of Canada. Ottawa: October 2003.

Gunderson, Morley, Douglas Hyatt and Craig Riddel. CPRN Discussion Paper, *Pay Differences between Government and Private Sectors: Labour Force Survey and Census Estimates.* Human Resources in Government Series: CPRN Discussion Paper No. W/10. Canadian Policy Research Networks. Ottawa: [n.d.]

Hall, Gordon M. *Mercer Handbook of Canadian Pension and Benefit Plans*. CCH. 1996.

Hallamore, Christopher. *Industrial Relations Outlook: Job Security versus Productivity*. Conference Board of Canada. Ottawa: 2004.

Institut de la statistique du Québec. *Rémunération des salaires, État et évolution comparés*. Gouvernement du Québec. Québec: 2004.

Kroeger, Arthur. *Governing in the Millenium: How Much Less Government*. Queen's University. Kingston: November 1995.

KVK Dyadic Consulting Inc*. A Review of Management Issues and Practices Related to Federal Government Employee Insurance Benefits Programs*. [n.p.] March 1999.

Lahey, J. *The Future of the Public Service, Papers of Interest*. Government of Canada. Ottawa: [n.d.]

Lambert, Allen. *Royal Commission on Financial Management and Accountability: Final Report*. Government of Canada. Ottawa: March 1979.

Lendvay-Zwicki, Judy. *Pay Equity in the Public Sector: Experiences in Selected Jurisdictions in Other Countries*. Conference Board of Canada. Ottawa: September 2003.

Lendvay-Zwicki, Judy. *The Canadian Industrial Relations System, Current Challenges and Future Options*. Conference Board of Canada. Ottawa: April 2004.

Les provisions salariales. 2004.

Martin, Brendan. *Reform of Public Sector Management: A Relevant Question for Unions in the Public Sector*. EPSU/ETSUI Conference. Brussels: October 23–24, 1997.

Mercer Human Resources Consulting. *Benchmarking International Armed Forces' Pay and Allowances*. London, England: December 2004.

National Defence. *Cost Factors Manual 2003–2004*. Government of Canada. Ottawa: [n.d.]

National Defence. *Cost Factors Manual 1999–2000*. Government of Canada. Ottawa: [n.d.]

National Defence. *Cost Factors Manual 1998–1999*. Government of Canada. Ottawa: [n.d.]

National Defence. *Cost Factors Manual 1997–1998*. Government of Canada. Ottawa: [n.d.].

National Defence*. Cost Factors Manual 1996–1997*. Government of Canada. Ottawa: [n.d.]

National Defence*. Annual Report 2001–2002: Canadian Forces Superannuation Act*. Government of Canada. Ottawa: [n.d.]

Occupational Groups, Foundation for Classifications. [n.p.] March 2002.

Office of the Auditor General of Canada. *Public Service Management Reform: Progress, Setbacks and Challenges*. Government of Canada. Ottawa: February 2001.

Office of the Chief Actuary. *Actuarial Report on the Pension Plan for the Federally Appointed Judges*. Government of Canada. Ottawa: March 2001.

Office of the Chief Actuary. *Actuarial Report on the Pension Plan for the Members of Parliament*. Government of Canada. Ottawa: March 2001.

Office of the Chief Actuary. *Actuarial Report on the Pension Plan for the Public Service of Canada*. Government of Canada. Ottawa: March 2002.

Office of the Chief Actuary. *Actuarial Report on the Pension Plan for the Royal Canadian Mounted Police*. Government of Canada. Ottawa: March 2002.

Personnel Policy Branch. *Compensation Determination for Represented Employees: Future Directions*. Government of Canada. Ottawa: December 1992.

Public Policy Forum. *Canada in Transition*. Ottawa: October 2003.

Public Sector Pension Investment Board. *Annual Report 2003*. Government of Canada. Ottawa: [n.d.]

Public Service Commission of Canada. *Annual Report 2002–2003*. Government of Canada. Ottawa: [n.d.]

Public Service Pension Advisory Committee. *Understanding the Value of the Pension Plan: Part II. A Comparison with Provincial Pension Plans*. Government of Canada. Ottawa: September 2002.

Royal Canadian Mounted Police. *Total Compensation Report*. Government of Canada. Ottawa: December 2003.

Royal Commission on Government Organization. *Compensation in the Public Service—Comparisons with Outside Employment*. *Vol. 1, Management of the Public Service, Personnel Management.* Government of Canada. Ottawa.

Smith, Jennifer L. and Susan Snider. *Facing the Challenge: Recruiting the Next Generation of University Graduates to the Public Service*. Public Service Commission of Canada. Government of Canada. Ottawa: 1998.

Staff Relations Branch. *Compensation Briefing Notes*. Government of Canada. Ottawa: March 1984.

Treasury Board of Canada Secretariat. *Report on the Administration of the Members of Parliament Retiring Allowances Act for the Fiscal Year Ended March 31, 1996*. Government of Canada. Ottawa: [n.d.]

Treasury Board of Canada Secretariat. *Report on the Administration of the Members of Parliament Retiring Allowances Act for the Fiscal Year Ended March 31, 1997*. Government of Canada. Ottawa: [n.d.]

Treasury Board of Canada Secretariat. *Report on the Administration of the Members of Parliament Retiring Allowances Act for the Fiscal Year Ended March 31, 1998*. Government of Canada. Ottawa: [n.d.]

Treasury Board of Canada Secretariat. *Report on the Administration of the Members of Parliament Retiring Allowances Act for the Fiscal Year Ended March 31, 1999*. Government of Canada. Ottawa: [n.d.]

Treasury Board of Canada Secretariat. *Report on the Administration of the Members of Parliament Retiring Allowances Act for the Fiscal Year Ended March 31, 2000*. Government of Canada. Ottawa: [n.d.]

Treasury Board of Canada Secretariat. *Report on the Administration of the Members of Parliament Retiring Allowances Act for the Fiscal Year Ended March 31, 2001*. Government of Canada. Ottawa: [n.d.]

Treasury Board of Canada Secretariat. *Report on the Administration of the Members of Parliament Retiring Allowances Act for the Fiscal Year Ended March 31, 2002*. Government of Canada. Ottawa: [n.d.]

Treasury Board of Canada Secretariat. *Report on the Administration of the Members of Parliament Retiring Allowances Act for the Fiscal Year Ended March 31, 2003*. Government of Canada. Ottawa: [n.d.]

Treasury Board of Canada Secretariat. *Evaluation of Current Salary Comparability Practices and Total Compensation Comparability Methodology*. Government of Canada. Ottawa: September 1992.

Treasury Board of Canada Secretariat. *Resource and Management Review of the Royal Canadian Mounted Police*. Government of Canada. Ottawa 1999.

Treasury Board of Canada Secretariat. *Analysis of Employment and Personnel Spending*. Government of Canada. Ottawa: August 2001.

Treasury Board of Canada Secretariat. *Evaluation of Current Salary Comparability Practices and Total Compensation Comparability Methodology*. Government of Canada. Ottawa: September 1992.

Treasury Board of Canada Secretariat. *Draft Annual Compensation Plan Fiscal Years 2003/2004 to 2005/2006*. Government of Canada. Ottawa: October 2002.

Treasury Board of Canada Secretariat. *Joint Committee Report on Federal Correctional Officers*. Government of Canada. Ottawa: April 2000.

Verma, Antil and Zsuzsanna, Lonti. *Changing Government Workplaces*. Canadian Policy Research Networks. Ottawa: May 2001.

Endnotes–Volume Two

Chapter 1. Introduction

[1] Statistics Canada reported the RCMP population as 17,455. The discrepancy apparently arises from methodological issues. We use the RCMP's number in order to facilitate multi-year comparisons.

[2] This domain fluctuates in size more than most over the course of the year because of variation in the number of students employed.

[3] Economic increases are the general salary increases negotiated through collective bargaining; restructuring increases are adjustments to the pay ranges of particular groups and levels such as the addition or deletion of pay increments, the consolidation of regional pay rates, or the consolidation of the pay bands of two or more occupational groups.

[4] We use the term "employee movement" here as a shorthand term for the combined effect of salary increments within pay bands, classification change, and external mobility on average salaries.

Chapter 2. Total Compensation in the Core Public Service and Separate Employer Domains

[5] To provide details by compensation component, it is necessary to use estimates. For salaries and wages (payroll), in fact, we have three estimates. The figure of about $9 billion that appears in Table 2001, was calculated as described in that chapter. A second estimate of about $8.8 billion was estimated using average salaries and monthly figures on population, and the number of days worked per month. This method is consistent with the method used to estimate other compensation components as well. The third estimate, about $9.2 billion is used where we want to calculate average salaries for specific classification groups and departments at a point in time, namely March 2003. In consideration of these complexities, we use the middle figure, $9 billion, for our analysis of total compensation. In consideration of these complexities, we use the middle figure, $9 billion, for our analysis of total compensation.

[6] Further to the above footnote, we use $9 billion as the most reasonable estimate for salaries and benefits over the whole fiscal year. The average salary of $54,410, which appears in Tables 2006 and 2007 and elsewhere is the estimated average salary for March 2003.

[7] Appendix D of Volume One defines the separate employer domain.

[8] As noted earlier, we are describing the organization as it existed in March 2003.

[9] It is important to note that March is a low staffing period for Parks Canada. During the summer, employees usually number over 5,000.

[10] In 1987, Statistical Survey Operations was established as a separate employer reporting to the Minister Responsible for Statistics Canada. SSO employs interviewers who are engaged in survey collection activities. The interviewers' work is managed by Statistics Canada's regional offices.

[11] Note that some separate-employers cost elements, such as employer contributions for the Supplementary Death Benefit, are included in the core public service totals, because we were not able to disaggregate them.

[12] The salary total in March 2003 was $3,489 million. The figure given in Figure 2008 is an estimate for 2002–03 as a whole.

[13] Excluding CSIS, as noted earlier in this chapter. CSE is not reported separately.

Chapter 3. Why Overall Employment and Average Salary Increased

[14] Most of the remaining reduction (about 4,500 employees) resulted from the transfer of the Coast Guard to the Department of Fisheries and Oceans. There was a further reduction in corporate services staff of at least 1,000.

[15] We were unable to obtain a specific estimate.

[16] We are not suggesting these amounts cover an equivalent volume and quality of services.

[17] This figure is limited to adding the two PWGSC and one HRDC cases described. The estimated salary figure results from multiplying 2,750 by the average 2003 core public service salary. Other cases of privatization and devolution would likely add at least another 1,000 equivalent staff effectively funded by the federal government. As one other example, we would cite the case of flight training in the Department of National Defence, which transferred about 160 employees.

[18] Note that this figure covers the whole federal government, not just the core public service and separate employer domains.

[19] Up to 1994–95, approved contracts were reported by fiscal year. Starting in 1995, to comply with NAFTA requirements, the reports are by calendar year. Evidently the reports for 1994–95 and for 1995 partly overlap and count some contracts twice. The figures given include contract amendments. The actual amounts spent may be less than the amounts approved.

[20] The Public Accounts figures differ from the PWGSC contracting report numbers for several reasons: the former counts spending in a given year, the latter contract awards, some of which may cover several years. The PWGSC numbers also include some items from other standard objects besides 04.

[21] During this period, Public Accounts figures on legal services contract expenditures rose from about $60 million to over $130 million. The difference between these figures and the Crown agent expenditures is likely attributable to cost recovery of legal services by Justice from other departments.

[22] Even when funding is allocated by Cabinet through a policy decision, the detailed allocation of funds to a Department must be approved by the Treasury Board.

[23] As we have emphasized before, employee totals vary according to the point in time used, and exactly what source is used. The data used here are the average of the end-of-quarter annualized figures, derived from the payroll system. CCRA became the Canada Revenue Agency in December 2003, when the Customs element was transferred to the new Canada Border Services Agency.

[24] Note that funding to cover salary increases will be considered separately later in this section.

[25] This analysis is based on studying items included in the Annual Reference Level Update (ARLU) used to adjust departmental budgets. The categories, and the allocation of items to the categories, are based on our assessment. Some of the choices are debatable but our purpose is to illustrate the nature of new resource approvals, not to give a definitive accounting.

[26] Three quarters is the approximate proportion that the March 2003 population for the combined core public service and the separate employer domains (240,000) bears to the whole population covered by these transfers (about 330,000).

[27] On the same basis as described in endnote 13.

[28] A recent Treasury Board analysis suggests for the whole government the size of these components was: capital (-$0.9 billion), non-personnel operating (-$0.7 billion), grants and contributions (-$0.4 billion), and increased revenues ($0.6 billion).

[29] The Public Service 2000 working group on classification recommended that these categories be abolished, mainly because they were seen as perpetuating what could be thought of as "castes" in the public service. They are still useful, however, as an analytical frame.

[30] Note that the populations represented in Table 2019 and Figure 2013 are somewhat larger than we reported earlier. They include categories such as students, ministerial staff, and Order-in-Council appointees whose inclusion has little impact on the reported patterns.

[31] Appendix M is entitled "Summary of Population Changes Since 1991 in Classification Groups with at least 2,000 Members in March 2003."

[32] Appendix G is entitled "Analysis for Selected Classification Groups of the Distribution of Employees by Classification Level, 1991–2003."

[33] Note that we included the former Senior Manager (SM) group with EX1 in 1991 because amalgamation was implemented shortly after.

Chapter 4. How Structural Change Occurs

[34] The exception was Assistant Deputy Minister positions (EX levels 4 and 5). Positions proposed at these levels required, until recently, classification approval by the Treasury Board. TBS also continued to provide advice to departments on interpreting the standards.

[35] We have generally considered the core public service and the separate employer domains together in this volume. In this case we have limited the data to the core public service domain, and made the appropriate exclusions in the early years to ensure a consistent base. Because we are only offering this information as a broad indication of trends, we concluded the extra effort and complexity of adding the separate employers data was not justified.

[36] The figure of 5,604 indeterminate appointments differs from figures presented in Figure 2029, in that the 5,604 number includes full-time, part-time, and seasonal indeterminate appointments.

[37] While a significant change may have occurred, a majority of the work must remain the same.

[38] The reclassification data was constructed jointly by the Classification Program Management Division of PSHRMAC and by the Appointments Information and Analysis Directorate of the PSC. The Classification Division's Position and Classification Information System (PCIS) records were analyzed to develop a profile of each reclassification. These profiles were extracted and reconciled with data in the PSC's Job-Based Analytical Information System (JAIS). This process generated the number of reclassifications that resulted in promotion activity affecting indeterminate full-time employees for the years 1996–1997 through 2003–2004.

[39] We understand that about 1,420 positions were earmarked for reclassification. We do not have the exact number of incumbents (actual employees) who were affected, but 1,100 seems a reasonable estimate.

[40] Data before that year are *not* considered reliable, so we omitted them.

[41] These figures have been validated jointly by the Appointments Information and Analysis Directorate of the PSC and the Organization and Classification Branch of PSHRMAC. There are no doubt some errors relating to reporting rigour, but we believe the figures are satisfactory for analyzing trends, which is our purpose here.

[42] The figures for the period from 1999 onwards exclude the Canada Customs and Revenue Agency, the Canadian Food Inspection Agency, and the Parks Canada Agency. For the period before 1992 they include employees in the Senior Manager (SM) group, as well as the Executive (EX) group.

[43] The 10% maximum is for the EX 1 to 3 levels, which include over 90% of EXs. For Assistant Deputy Ministers (EX4 and EX 5 levels) the maximum is 15%. For Deputy Ministers, the maximum ranges from 15% to 25% according to their level.

[44] It must be noted that the estimated cost increase relating to in-range salary adjustments overstates the actual net cost. This is because when an Executive retires, for example, his or her replacement likely starts at or near the bottom of the salary band, thus countering the effect on the total salary mass of salary increases for other Executives.

[45] In accordance with the 2003 *Public Service Labour Relations Act*, most LA employees are expected to become union members with the right to negotiate their remuneration through collective bargaining. Under the previous Act, Department of Justice lawyers were prohibited from joining a union.

[46] Strictly speaking we have only included the three largest separate employers (i.e. CCRA, CFIA and the Parks Canada Agency), due to data limitations for small agencies. In March 2003, these three organizations constituted 88% of the separate employer domain.

[47] The figures for these years were as follows, with the constant 2003 dollar figure in brackets for each year: 1982–83 - $25,113 ($45,431); 1983–84 - $27,238 ($46,823); 1984–85 - $28,469 ($47,078); 1985–86 - $28,827 ($45,794); 1986–87 - $30,925 ($47,180); 1987–88 - $31,876 ($46,597); 1988–89 - $32,355 ($45,417).

[48] We should note in relation to Table 2038 that the substantial jump in constant dollar salaries in the core public service and the corresponding drop for the separate employer domain from 1998–1999 to 1999–2000 resulted mainly from the transfer of Revenue Canada to the status of a separate employer as the Canada Customs and Revenue Agency.

[49] We must note the impact of the separation of CCRA, CFIA and Parks Canada from the core public service domain during the years under review. Because CCRA is large, with a lower average salary than the rest of the core public service, its establishment as a separate employer generated a sudden upward shift in the average salary of the core public service domain. The total cumulative increase in average salaries reported in Figure 2040 covers both the core public service and the separate employer domains. However, the collective bargaining data is only available for the core public service domain.

[50] Table 2041 is based on calendar year data. Our general approach is to focus on fiscal years. Because most of 1997 (i.e. nine months of the 1997 calendar year) falls in the fiscal year period from 1997–98 to 2002–03, and most of the 2003 calendar year falls outside the period), we disregard the 2003 information in this analysis.

[51] In practice, "economic increases" are normally agreed somewhere in the middle of the period to which they apply. Thus, they partly involve forecasting what inflation will be.

[52] Growth rates are multiplicative rather than additive. All of the increase for 1997 were included because they were not fully implemented until after March 1998.

Chapter 5. Financing increases in the Total Salary Mass

[53] For new policies, the Cabinet provides the substantive approval. However, the specific resourcing proposals to implement the policy must be accepted by the Treasury Board. Salary mass growth relating to recognized workload increases or investments to strengthen an existing program are dealt with directly by the Treasury Board. Thus all spending increases pass through the Treasury Board for detailed approval.

[54] The wide variance in the estimate results from the fact that Treasury Board systems are not designed to record detailed information for the purpose of tracking salary approvals specifically. We reconstructed the figures, despite our inability to resolve various ambiguities definitively.

[55] Departments could also, in certain cases, have transferred money from autonomous revenues such as fees charged to the public or other departments.

[56] We obtained this by adding the average salaries for 1998–99 through 2002–03 and dividing by 5. We use this average to reflect the fact that salary mass increases were approved gradually over the whole period. This is, however, almost certainly a conservative estimate, since there are many indications that new employees were generally highly skilled and educated, and therefore better paid.

[57] This proportion corresponds to the difference between the estimate of $1.8 billion as the cost for hiring 37,000 new employees over the five years, and the evaluation at about $1.3 billion to $1.6 billion as the amount of policy/workload salary approvals through Cabinet and the Treasury Board.

[58] We used the current dollar figure, since this is what must be financed.

Chapter 6. Other Compensation Elements

[59] This figure includes about $48 million for the separate employers. This makes the totals for 1994–95 and 2002–03 reasonably comparable.

[60] It is important to observe that this is a clear example of the federal government as an employer deciding to "set an example" on a social policy matter, in this case promoting a close relationship between parents and their new child during his or her first year of life.

[61] The 52-hour workweek is reported in the November 2002 preliminary findings of the Association of Professional Executives (APEX) report *The Health Status of Executives in the Public Service of Canada,* page 3.

[62] In practice, the employer likely pays somewhat more than the employees. Employees may receive a refund for overpayments, whereas employers cannot.

[63] Prior to a wide-ranging legislative reform in 1997, this program was known as Unemployment Insurance.

[64] Note that the salary mass is divided by 261 (the full year minus weekends) to yield this figure. The salary mass used is an estimation based on average salaries, monthly figures on population and the number of days worked per month.

[65] In this analysis, we count all employees who used any sick leave during the year. With term and casual employees moving in and out during any given year, this total is higher than the March populations we report normally as the "population."

[66] Average sick leave usage in CCRA in 2002–03 was 13 days, 12.5 days in 2001–02, and 13 days in 2000–01.

[67] See page 6.30 of the Public Accounts of Canada, 2002–03, in the chapter on "Interest-bearing debt."

[68] For the period before 1998–99, this line is based on an estimation model that is believed to be reasonably accurate.

[69] In fact, the data in Figure 2055 shows a much lower rate of separations in the few years following Program Review compared with the few years just before.

[70] This link to sick leave credits was later dropped. The original requirement seems to underpin the idea among some employees that unused sick leave was at one time cashable at the time of departing from the

public service.

Chapter 7. Public Service Pension Plan

[71] On January 1, 2006, the contribution rate rose to 7.8% and 4.3% respectively. It will increase further in coming years as explained in Chapter 13 of Volume One, which includes the pension recommendations.

[72] This surplus is the subject of litigation by the public service unions, which claim that any surplus should be shared by the employer for the benefit of employees.

[73] The Quebec Pension Plan is distinct from the Canada Pension Plan, and managed independently. However, the salient features of the QPP such as contribution rates and benefits have in practice remained identical to the CPP.

[74] We chose 1986 as the starting point, since this was the last year that the CPP/QPP rates were the same as in the start-up year of 1966. We use calendar years because CPP/QPP rates are set on that basis.

[75] The CPP/QPP year's basic exemption was $2,500 in 1986. It rose annually until 1996, when it reached $3,500. It has been fixed at that level ever since. The year's maximum pensionable earnings was $25,800 in 1986. It has been adjusted upward each year, reaching $39,900 in 2003.

[76] Note that these contributions relate to both the regular pension plan, and the amounts contributed to the Retirement Compensation Arrangements Account (RCA) which covers that portion of pensionable salary that exceeds the limits provided for in the *Income Tax Act.*

[77] Key examples of other types of contributions include contributions for past service, amortization and indexing charges; Appendix P.

[78] For another perspective, employer pension contributions as a proportion of salary in the combined core public service and separate employer domains grew more or less from year to year, from about 6% in 1991–92 to about 14.5% in 2002–03.

Chapter 8. Insurance and Other Employee Benefits

[79] This reduction in the Supplementary Death Benefit value after age 66 was also the subject of private litigation. In January 2006, the British Columbia Superior Court rejected the claim that the phasing out of the Supplementary Death Benefit represented discrimination on the basis of age. The judgement is currently being appealed by the plaintiffs.

[80] Both the employer and employee contributions cover pensioners and certain Crown corporations that participated in the plan. Over the years some of these have withdrawn, most notably Canada Post in 2001.

[81] Between these two dates, the premiums remained relatively low until 2000–01, mainly because of various premium holidays.

[82] The figures here are for the calendar year 2002, since the insurance underwriter reports on that basis. Figures in the overview of total compensation for the core public service domain in Chapter 9 have been prorated to cover the fiscal year 2002–03.

[83] This figure is derived by dividing the number of current claimants by the existing insured plan population. Because some individuals began their claims years ago and may not be part of the employee population at this time, this figure is not exact, but rather an illustrative indicator. An increase over time in the disability rate for a given plan indicates that the population is using the plan more intensively.

[84] The other source of DI Plan funding was interest on the accumulated surplus.

[85] This amount is estimated based on the number of injury-on-duty leave days reported (50,752) and the average salary of employees.

[86] This is the current title. This was part of Human Resources Development Canada (HRDC) until December 12, 2003 at which point the title was change to Human Resources and Skills Development Canada. On February 6, 2006 the current title was adopted.

[87] "New claims" relating to workers compensation is only a gross indicator of volume since the same individual may have more than one claim, and some claims may be rejected or not entail any costs.

[88] As for the insurance plans, the health and dental plan administrators report on a calendar year basis.

[89] This amount is a prorated amount based on the ratio of population between the core public service and the separate employer domains.

[90] The NJC was established in 1944 by Order-in-Council to provide a forum for the federal employer and employee representatives to work together on issues of shared concern.

[91] This recommendation is in paragraph 6.47 of a 1988 Auditor General report. The AG forecasted savings of $2.2 to $2.5 million from reduced provincial taxes

[92] Interestingly, 1992 was also the year that as many as 50,000 members left the PSHCP as Canada Post established its own plan. PSHCP membership nevertheless fell only by about 28,000 as the move to 100% employer funding induced many public servants to join the Plan.

[93] Apparently this reduction was intended to continue only until the surpluses were exhausted. Although this occurred in 2000, the pensioner contribution rate has not reverted to 25%.

[94] This is true in practice. However, since the PSAC and NJC sub-plans are negotiated separately, differences could emerge in the future.

[95] PSDCP employer contributions are a taxable benefit in Quebec, as are employer contributions under the PSHCP.

[96] The Federal Court found that some allowances, which had been frozen by the *Public Service Compensation Restraint Act* in 1983, were in fact subject to indexing. At the same time, the unions agreed that the Government could terminate the "Unemployment Insurance premium rebate program," and apply these savings toward the cost of the Dental Care Plan. In effect, full premium payment by the Treasury Board was a tradeoff for leaving the allowances alone and for dropping the UI premium rebates. (The rebates are premium reductions granted to employers with health care plans that reduce or eliminate recourse to UI sickness benefits.)

Chapter 10. Compensation in the Canadian Forces Domain

[97] Determining the number of reserve members is not straightforward. The number on the books includes, for example, reservists who have left the organization, but have not yet been released, and those exempt from training and duty. And the number fluctuates through the year, as people come and go and change their category of service. So we are using the best available estimate of what could be termed the "active" reserve members.

[98] This is the total reported by National Defence as the end-of-year annualized cost. In this case the estimated cost of $3.686 billion is a product of the population on March 31, 2003 and the pay rates of April 2002. Statistics Canada reports a figure of about $4 billion, but we understand that this includes base pay as well as allowances, regional differentials and severance pay. For this more detailed analysis, we considered it preferable to use the National Defence estimate.

[99] Technically pilots are considered General Service Officers with a pay differential to meet labour market pressures.

[100] Note that there are separate entry-level benchmarks as well for the ranks of Private and Second Lieutenant, and internal relativity benchmarks such as Chief Warrant Officer to Captain.

[101] There is believed to have been some imprecision in counting active reservists for the period prior to 2000. Nevertheless, these figures are as reported by Statistics Canada.

[102] Data were not available to separate regular members' pay from reservists' pay before 1993–94.

[103] This phrase is extracted from a 1998 DND aide-mémoire on "Total Compensation."

[104] The "Compensation reserve" is an amount earmarked in the Government's fiscal framework to cover the anticipated costs for salary increases from collective bargaining or Treasury Board decisions to increase the salaries of unrepresented staff.

[105] These inputs to the salary mass for the Canadian Forces add up to about $0.83 billion, which is greater than the actual increase of about $0.78 billion. Such a variance is not unreasonable since some of our estimates depend on assumptions about the split in funding between the military and civilian sides of the Department that are difficult to verify.

[106] This has been the case since the late 1990s, when General Service Officers (including Lieutenant-Colonels) received a 14.7% comparability adjustment, but Colonels did not, since their pay is tied to the public service Executive pay rates.

[107] This incentive program ran out in July 2003 and was not renewed since competition from external employers had subsided.

[108] Where the value of the AAA was greater than the PLD, the latter has continued to be paid on a grandfathered basis. Such cases by now are rare.

[109] These amounts are educated guesses by a Treasury Board analyst familiar with the history of these allowances.

[110] Canadian Forces management is not satisfied that this policy treats members fairly, compared with public servants. For the latter, collective bargaining agreements are implemented back to the expiry of the previous contract.

[111] The CF pays a reduced EI premium given that CF members will not generally benefit from EI. The total associated EI rebate for the Canadian Forces was $2,675,958 for 2002–03. This money is not returned to members but is directed to the Canadian Forces Dental Care program. The exception was the approximately $0.78 million that was returned to those approximately 15,000 to 20,000 CF members that elected not to participate in the CF Dental Care program.

[112] The Canadian Forces pension plan is compulsory for regular members. Reserve members who are former contributors or annuitants and who serve full time ("class C reserves") for a period of more than a year are deemed to be re-enrolled in the plan. A plan is now being developed to provide pension benefits under a special plan for other members of the reserves.

[113] The rules for entitlement to an unreduced pension were changed by legislation in late 2003. Until these amendments, the vesting period was 10 years. Those leaving with less service were only entitled to a return of contributions with modest interest. As for the main plan, the contribution rate for Canadian Forces members rose to 4.3% and 7.8% in January 2006.

[114] As for the main plan, the contribution rate for Canadian Forces members rose to 4.3% and 7.8% in January 2006.

[115] Appendix Q is entitled "History of Employer and Member Contributions to the Canadian Forces Pension Plan, 1946-47 to 2002–03." This Appendix does not include contributions to the Retirement Compensation Arrangements (RCA) Account, but it does include elective contributions in respect of past service. The RCA Account handles contributions in respect of that part of a member's salary that exceeds the pensionable salary limits set out in the *Income Tax Act.*.

[116] The issue of whether to allow retired military members to collect their full military pension while accepting full-time employment with the regular public service was controversial at some points in the past. In 1923, for example, it was agreed that retired officers who had served abroad in World War I could retain that part of their military pension equal to the difference between their public service salary and the salary level on which their military pension was based. In 1950, this approach was extended to retired military members generally. In 1975 it was decided to eliminate reductions in CFSA pensions for members re-employed in the public service, in order to facilitate the hiring of well-qualified military retirees into the public service.

[117] The Canadian Forces Dental Service provides comprehensive dental care to all members. Services are limited to normal established treatments, and do not include cosmetic treatment, unless it is required due to accident or traumatic injury. Major restorative, prosthodontic and surgical services, unless required as a direct result of military service, are normally limited to members with at least three years of completed service, who have sufficient time remaining in their current service commitment to complete the procedures and required follow-up.

[118] These can opt in, in certain circumstances. Their dependants are only covered if the reservist serves full time.

[119] The cost-sharing was 50/50 from 1971 until 1990. In July 1990, the formula was changed to 67%/33% favouring the members, and in September of the same year to 75%/25%.

[120] This figure was taken from a 1990 Auditor General report. It appears that the stated amount included infrastructure costs for the four largest military hospitals, but not for smaller facilities. See paragraph 23.15 of the AG report..

Chapter 11. Compensation in the Royal Canadian Mounted Police Domain

[121] These are included in the core public service domain described in Section 1, so they are not considered further in this section.

[122] The RCMP Pay Council has its own specific definition of "total compensation" which has been accepted by the Treasury Board. It is comprised of salary, allowances and benefits including pension entitlement.

[123] This report provides only a brief overview of the work of the Pay Council. For more detail, refer to the document entitled *The History of the RCMP Pay Council*, March 2004.

[124] In 1999, Calgary was dropped and Halifax added to the comparator forces to attain better national balance.

[125] The regular work day for RCMP members is 8 hours, not the 7.5 hours standard in the regular public service.

[126] This number is larger that the 675 CP members identified in Table 2094. The larger number includes anyone who would have received the allowance at some time during the year.

[127] The RCMPSA was passed in 1960, following the modern PSSA by six years.

[128] In 2002–03 there were differences. For example, there was a vesting period of 10 years for RCMP members, two for PSSA members. This has since been reduced to two years by regulation, to align with the other public service pension plans.

[129] This amount, and the employer contribution, include amounts attributed to the Superannuation Account, the Pension Fund, and the Retirement Compensation Arrangement Account for current service.

[130] Appendix R is entitled "History of Employer and Member Contributions to the Royal Canadian Mounted Police Pension Plan, 1949-1950 to 2002–03." This Appendix does not include contributions to the Retirement Compensation Arrangements (RCA) Account, but it does include elective contributions in respect of past service. The RCA Account handles contributions in respect of that part of a member's salary that exceeds the pensionable salary limits set out in the *Income Tax Act.*

[131] As for the other plans, the employer/member contribution ratio in regard to the Retirement Compensation Arrangements Account is very favourable to the members. In 2002–03 the employer contributed about 97% of the costs covering pension credits relating to the portion of an individual's salary above the *Income Tax Act* limits for registered pension plans.

[132] This covers regular and civilian members, and a small number of CSIS employees who had been RCMP members.

[133] For the PSHCP, the count covers members with dependants; for the DCP, the number counts the number of dependants with claims.

[134] Information on leave usage is from the RCMP's internal reporting system. That system indicates the leave relates to a total of 21,560 members. This number certainly involves some people coming and going over the year. In calculations, we have used the March 2003 population of regular and civilian members (18,026) reported at the beginning of the section on the RCMP.

Chapter 12. Other Groups—Judges, Parliamentarians, Employees of Parliament, Ministerial Staff and Students

[135] In autumn 2004, the Government announced its intention to amend the legislation to decouple parliamentary compensation from that of federally appointed judges. To this end, Bill C-30, *An Act to amend the Parliament of Canada Act and the Salaries Act and to make consequential amendments to other Acts* was introduced in the House of Commons December 3, 2004 and received Royal Assent on April 21, 2005.

[136] This historical summary is largely distilled from the May 2000 Report of the Judicial Compensation and Benefits Commission, chaired by Richard Drouin.

[137] The figures for the first two years cited are based on multiplying the judges' salary by the number of judges, so the actual amount could be as much as $10 million off. For 2002–03 the figure is as reported by the Office of the Commissioner for Federal Judicial Affairs.

[138] This is the Government's general-purpose account. Judges appointed before February 1975 contribute only 1.5% of their salary.

[139] This was done because the average age of judges is much higher than that of public servants, so the claim experience could be expected to be higher.

[140] This increase is included in the salaries and allowances reported in the previous paragraph. The amount, according to the *Parliament of Canada Act* was the lesser of the Industrial Aggregate Index minus 1%, or the Consumer Price Index minus 1%.

[141] $26.3 million relates to the Senate and about $13 million to the Library of Parliament.

[142] "Exempt" refers to not being subject to the requirements of the *Public Service Employment Act.*

[143] In December 2003, new guidelines were adopted, providing for senior exempt staff to receive higher salaries, but within the total salary budget in place.

[144] It, and its predecessor program, had been administered through the Canada Employment Centres since 1983.

Chapter 13. Compensation in Federal Business Enterprises and Other Crown Corporations

[145] Not only is information spotty, but different sources give very different numbers. This no doubt arises from the use of different definitions of "employee," for example. Depending on the source, data could reflect full-time permanent employees, or all those drawing a pay cheque; or it could deal just with the parent corporation, or consolidate data from its subsidiaries.

[146] This relates to Canada Post only, and leaves out its various subsidiaries such as Purolator.

[147] Page 14 of the *First Report of the Advisory Committee on Senior Level Retention and Compensation*, January 1998.

[148] It is important to observe that the amount paid to any individual CEO may be above or below the declared job rate. For example, it was reported publicly that the Canada Post CEO in 2002–03 was paid below the job rate for group 10.

[149] Refer to page 9 of the Advisory Committee's Sixth Report, May 2003. In December 2004 in its *Seventh Report to the President of the Treasury Board*, the Advisory Committee recommended that the Privy Council Office compensation policy for CEOs of Crown corporations be based on a comparison of Group 1 total compensation to total compensation at the 50th percentile of the Hay Total Canadian Market. The government implemented this practice in 2005.