

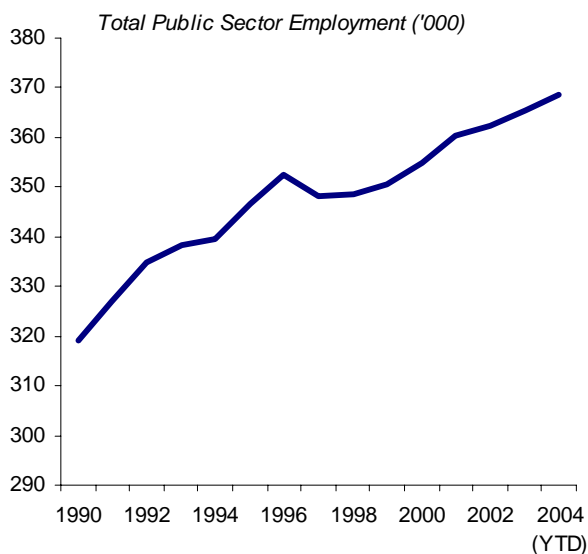
## Business Indicators ♦ January 2005

### What's been happening to public sector employment?

Much attention has been focussed on downsizing that has taken place in the public sector during the last one-and-a-half decades, but how significant was the change that occurred? Data from Statistics Canada suggests that there have indeed been substantial adjustments to the public sector workforce since the early 1990s. However, the extent to which the workforce is shrinking varies within the public sector.<sup>1</sup>

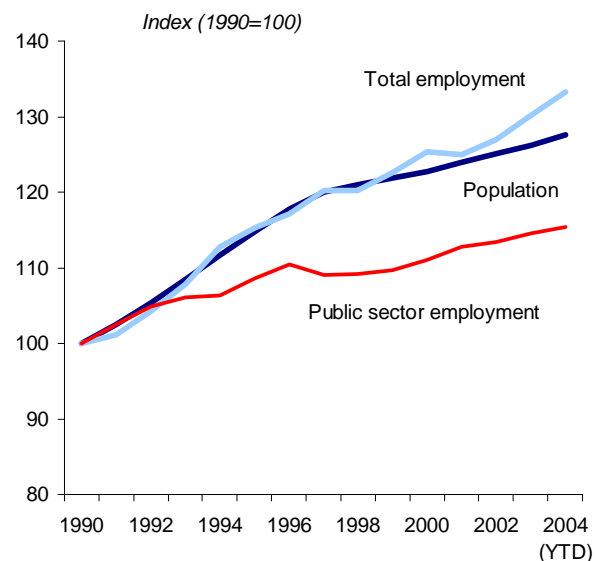
During the first nine months of 2004, total public sector employment in the province—including workers at federal, provincial and local government ministries and agencies, as well as those employed in public institutions and crown corporations—averaged 368,564, or 0.8% more than the average for 2003. Since 1990, the number of people working in BC's public sector has increased 15%.

**Public sector employment has increased 15% since 1990...**



<sup>1</sup> An explanation of how the public sector is defined is included in the appendix.

...about half as much as total employment and population growth over the same period



Between 1990 and 2004, total employment<sup>2</sup> in the province rose 27%, and the population expanded 28%. This suggests that most of the job gains during the last decade and a half have been in the private sector or self-employed, as total employment growth was more than double the increase in the size of the public sector. BC's population also expanded substantially more than total public sector employment, and as a result the public sector employment rate (number employed per 1,000 population) fell from 97.0 to 87.8. The public sector still remains a significant employer in British Columbia, with

<sup>2</sup> Public sector employment figures are those reported by the Public Institutions Division (PID) of Statistics Canada. Total employment is from the Labour Force Survey (LFS). LFS estimates of public sector employment differ from the PID data in part because they are based on a household survey. The PID data is obtained from administrative records and more closely reflects actual employment counts at public sector organizations.

about 17% of the province's 2.1 million-strong workforce employed in the public sector.

### **Public institutions employing more British Columbians**

The overall growth in the number of public sector workers masks divergent trends within the sector. Looking at the components of the public sector reveals that the job growth that has occurred has been primarily concentrated in health care, social services and educational institutions.

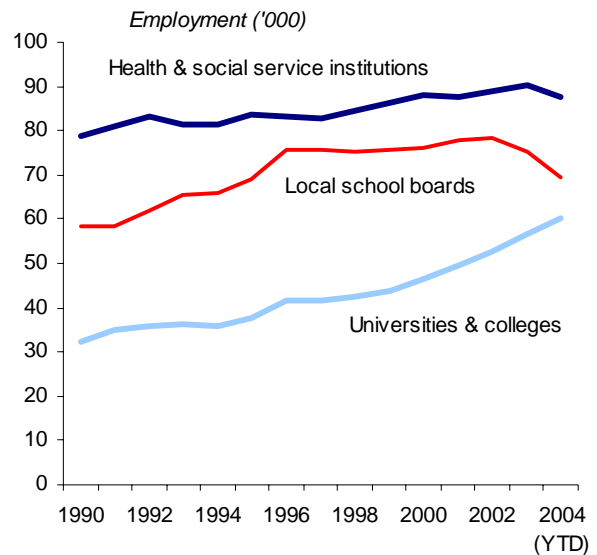
Between 1990 and 2004, the total number of people employed in these institutions nearly doubled, rising from 32,500 to 60,400, and as a result the employment rate in public institutions edged up from 51.5 to 51.9. This was primarily due to post-secondary institutions, where the size of the workforce has burgeoned in recent years, partly because of increases in capacity such as the establishment of a new university in Prince George (the University of Northern BC).

However, this does not explain all of the increase in employment at post-secondary institutions (+86% since 1990). It is likely that some of the job gains are the result of a shift toward more part-time employment at these facilities. The employment figures presented in this article are simple job counts, so they do not differentiate between full-time and part-time workers. This means that a shift away from hiring full-time employees to taking on more part-time workers would show up as an increase in the number of jobs, even if the total number of hours worked by all employees was unchanged.

The total wage bill for post-secondary institutions increased at about the same rate as the number of jobs between 1990 and 2004. For the economy (and the public sector) as a whole, the wage bill grew roughly twice as fast as total employment during this period, reflecting the effect of increases in the remuneration of employees. The fact that employment and the

wage bill for post-secondary institutions have both grown at about the same rate since 1990 suggests that there has been a decline in the average number of hours worked, which is consistent with a shift toward more part-time employment in this sector.

### **More jobs at post-secondary institutions**



Local school boards, on the other hand, have been paring down their workforce in recent years. There were an average of 69,490 school board employees in BC during the first nine months of 2004. (Note that in the figure above, the decline in school board employment in 2004 is exaggerated because only nine months of data are available. School board employment drops during the summer months when schools are closed. However, school board employment during the first nine months of 2004 was down 7.9% from the same period of 2003).

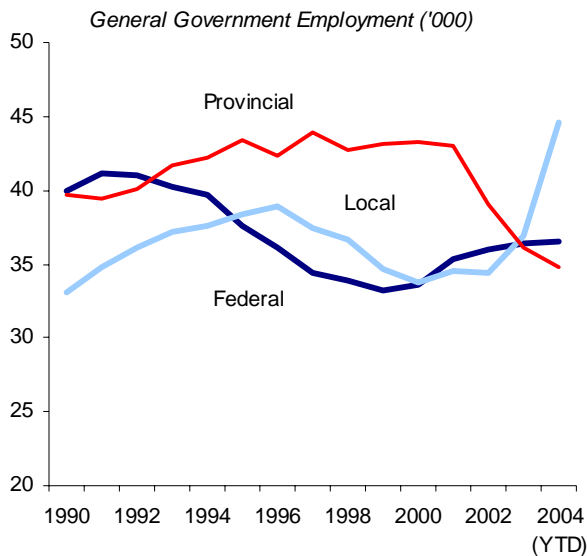
Employment at health and social service institutions has remained quite stable, advancing just 12% between 1990 and 2004 (year-to-date). Despite relatively slow job growth, wages paid to workers in these institutions have increased substantially, nearly doubling over the last decade-and-a-half. This is well above the average for all industries, even though the number of

people working at these institutions has been substantially lower than the average for the province as a whole.

**Fewer federal and provincial government employees, more people working for local governments**

What’s happening in the ranks of the civil service? Among those directly employed by the federal (-9%) and provincial (-12%) governments, there have been substantial job losses. However, local governments have expanded the number of people on their payroll by 34%.

**Provincial general government employment continues to shrink**



The reductions in the size of the civil service stand out even more when they are normalized by the size of the population. Between 1990 and 2004, the employment rate in the federal government fell from 12.1 per 1,000 population to 8.7, while the provincial general government employment rate slipped from 12.1 to 8.3. Local government jobs grew just slightly faster than the overall population rate, rising from 10.1 per 1,000 population to 10.6. While the federal government began downsizing in the early 1990s, the reduction in the ranks of the provincial civil service were not significant until 2002, when the

province introduced programs to encourage early retirement and voluntary departure from the civil service, as well as implementing cut-backs in some areas of government. Ministries were given up to three years to implement budget reductions, so some of the changes resulting from the restructuring would not have been fully felt until March 2004.

It was anticipated that these reductions in employment could translate into substantial budgetary savings, but that does not appear to have transpired. Despite a substantial decline in the number of provincial general government employees, and contracts that offered little, if any increase in pay rates, the total wage bill has grown by about two-thirds since 1990. There are a number of reasons for the increase, including adjustments to classification levels for many provincial government workers who were deemed to have been under-rated. These adjustments were implemented as part of a contractual commitment by the government to address employment equity issues. Incentives offered to departing civil servants also put some pressure on the wage bill, as those who accepted early-retirement, or other severance packages remained on the payroll for some time after they stopped working.

Similar adjustments were made by the federal government, and as a result the federal wage bill increased significantly even though employment declined. In the local government, the wage bill has increased about twice as much as total employment since 1990.

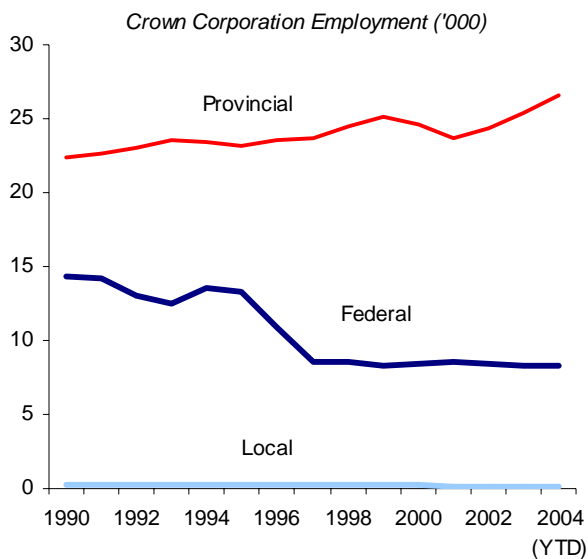
The provincial government continues to undergo restructuring, as the responsibility for some services, such as computer support, which were previously provided by direct government employees, is being transferred to private sector organizations. At the same time, there is a serious effort to avoid duplication within the public sector, and it is hoped that these efforts will result in cost savings over the long-term. It is likely that provincial government employment on a per capita basis will continue to decline as

more of these functions are transferred to the private sector.

### ***Crown corporations making less of a mark***

Governments have been moving away from providing services through crown corporations, and this can be clearly seen in the data on crown corporation employment. In 1990, some 36,940 people in BC worked for federal, provincial and local crown corporations. By 2004, the number had fallen to 35,090. Most of these workers are employed by provincial crown corporations (26,630). Although federal (8,310) and local (150) crown corporations are less important employers in the province, the decline in crown corporation employment is mainly due to downsizing of federal crown corporations. Employment at provincial crowns, the biggest component within this subsector, has increased since 1990, and the total wage bill has changed only modestly.

**Employment at federal crown corporations has declined significantly**



### ***BC now has the second-lowest public sector employment rate in Canada***

In the third quarter of 2004, the public sector employment rate in British Columbia was the second-lowest in the country (88 per 1,000 population), just barely higher than in Alberta, where the rate was 87.6. BC and Alberta were the only provinces where the employment rate was below the national average (89.6). Ontario's employment rate has been creeping up, and surpassed the Canadian average for the first time since 1997 in early 2004.

British Columbia and Ontario (both at 8.8) have the lowest provincial general government employment rates in the country. Compared to the population, employment at BC health and social service institutions (22.1 compared to a national average of 23.6) is among the lowest in the country, but relatively more British Columbians work at post-secondary institutions (14.7, compare to 8.4 nationally).

### ***A sea change in the public sector***

There has been a sea change in the public sector in recent years, as both the federal and provincial governments have taken steps to reduce the size and impact of the public sector on the economy. At the same time, a growing and aging population is putting pressure on the health care, social services and education system, and some public sector institutions are responding by taking on more workers, or by changing the way they manage their demand for labour (for instance, by hiring more part-time people). Higher wages, especially at health and social service institutions, have kept the public sector wage bill on an upward trend. Other wage pressures have come from cost of living increases and job reclassifications.

Reducing the number of provincial government jobs is a highly visible way of cutting back on spending, but even large reductions in staff levels can have only a limited effect on the overall budgetary picture, since wages make up a relatively small percentage of total government

spending. The wage bill<sup>3</sup> for government ministries and agencies accounts for about a tenth of total spending by the provincial government.

The bulk of provincial government spending goes to pay for health care, education and social services. Those expenditures not only support public institutions (and pay the wages of the people working in them), but they also pay for income assistance, drug coverage, visits to doctors and various types of social programs.

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<sup>3</sup> This data comes from Statistics Canada, and differs from the information in the Public Accounts because it uses a broader definition of government.

### **Appendix 1: Measuring the size of the public sector.**

Defining the public sector is not as straightforward as it might seem. In Canada, there are three levels of government. Employees of federal, provincial and local government ministries are obviously public sector workers. However, there are a lot more people who are on the public payroll.

Provinces can choose how they will deliver a broad range of services. In some cases, these services are provided directly by employees of provincial ministries or departments. In other cases (e.g., the Workers' Compensation Board or the Liquor Distribution Branch), agencies have been created by the government to provide certain services. These agencies may operate at "arms' length" from the government, but they have been established by legislative authorities and are funded from the public purse. People who work for government agencies and authorities may not, strictly speaking, be public servants, but to all intents and purposes they are part of the public sector. Statistics Canada, the source of the information presented in this article, defines **general government** to include all government ministries, departments and agencies.

It should be noted that about half of the workers in provincial general government are employed in establishments that are classified to industries other than public administration. These cover a wide range of activities, from tree planting to construction work, accommodation and food, and insurance services.

The **government sector** has a somewhat broader definition. In Canada, the responsibility for providing health and education services rests with the provinces, but these services are not delivered using the same mechanisms in all parts of the country. In New Brunswick, for example, school employees are considered provincial government workers. In the rest of Canada, they would be considered part of the

local government, as provinces provide funding to local school boards that are responsible for providing public primary and secondary education.

Public universities and colleges are also funded by the government, but employees of these organizations are not always thought of as civil servants. Similarly, employees of hospitals and other types of health care facilities receive their pay from the public purse. In some provinces, hospital employees are considered to be provincial government workers. In other parts of the country, hospital boards play a role similar to that of school boards, and are responsible for running publicly funded hospitals and other health care institutions. Thus, the government sector includes federal, provincial and local government ministries, departments, agencies plus health & social service institutions, universities, colleges, trade & technical institutions, and municipal school boards.

Crown corporations, or government business enterprises (GBEs) form a third layer within the **public sector**. GBEs are usually created by the government to provide services such as power generation, liquor distribution (in some provinces), transportation services and so on. These services are typically ones which the private sector would not provide or which, for philosophical reasons, governments wish to be involved in. Since the 1980s, there has been a general trend toward privatizing or otherwise devolving the responsibility for providing these services from the GBEs into the private sector. Well known examples include the privatization of Air Canada, Canada Post, Alberta Liquor Control Board stores, and in BC, the divestiture of the government's interest in BC Ferries. Crown corporations that are effectively controlled by one of the three levels of government are included in the public sector.