



Alberta Labour Day Reality Check

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About the Canadian Taxpayers Federation

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

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

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

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

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

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



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Government labour costs back to pre-NDP (2014-15) levels

• \$3.5 billion savings every year

At \$27 billion, the Alberta government's labour costs make up more than half of the operating budget.¹ The government's first quarter budget update revealed that the province is expecting a \$24.2 billion deficit and a debt tab of nearly \$100 billion by the end of the fiscal year.² The government must address its labour costs if it has any hope of balancing the budget, paying down the debt and providing tax relief.

The Canadian Taxpayers Federation is calling for the Alberta government to bring its labour costs back to 2014-15 levels, which is when the economic downturn began in Alberta and predates the labour costs increases that occurred under the New Democrats. **This would save taxpayers about \$3.5 billion** and represents a 12.7 per cent reduction to the government's current labour costs.³ The \$3.5 billion yearly savings can be found through a few different ways, including pay cuts or job reductions or a combination of each, as illustrated in the three scenarios below. While pay cuts can occur relatively quickly as it is largely a matter of political will, the phase-in of cuts to government jobs needs to happen over the next few years and can include attrition.

Scenario 1 – Government pay cuts (\$3.5 billion annual savings)

- Bring doctors' costs in line with other provinces = \$900 million savings; and,
- 12 per cent cut to salary and benefits of other employees = \$2.6 billion savings. (Note: 16 per cent salary and benefits cut is needed if no reduction in doctors' costs)

The Alberta government spends more per person on doctors' costs than British Columbia, Ontario and Quebec and would save about \$900 million every year if spending matched the average in these three large provinces.⁴ The Blue Ribbon Panel on Alberta's finances notes that "in 2016/17 the average fee-for-service earning for all Alberta physicians was \$413,000. That is \$107,000 or 35 per cent higher than the average in comparator provinces."⁵ The proposed cut amounts to a 17 per cent reduction in doctors' costs for the Alberta government and taxpayers.

In addition to savings from doctors, the CTF estimates that the Alberta government would need to reduce compensation of all government employees by 12 per cent to achieve pre-NDP labour costs.

¹ Alberta Government Budget 2020, <https://open.alberta.ca/dataset/05bd4008-c8e3-4c84-949e-cc18170bc7f7/resource/79caa22e-e417-44bd-8cac-64d7bb045509/download/budget-2020-fiscal-plan-2020-23.pdf>

² Alberta Government 2020 First Quarter Fiscal Update, <https://open.alberta.ca/dataset/9c81a5a7-cdf1-49ad-a923-d1ecb42944e4/resource/df5d0611-2278-4fdb-aa7b-0c71932479cb/download/2020-21-first-quarter-fiscal-update-and-economic-statement.pdf>

³ \$3.5 billion in savings found by subtracting 2019 forecast costs with 2014 actual costs. 2014 Alberta Government Budget: <https://open.alberta.ca/dataset/c341d72a-c424-4d6d-8c64-4ff250e50775/resource/4d67f16d-21b5-4bf6-b7d0-ec2ebfc66185/download/fiscal-plan-complete.pdf>

⁴ KPMG report to the Blue Ribbon Panel, <https://open.alberta.ca/dataset/108ec686-9c62-4a55-b531-00ad3e12ba7f/resource/cfdb1bc3-3a6d-49e8-8cf1-8318796f6ff2/download/kpmg-report.pdf>

⁵ Blue Ribbon Panel on Alberta's finances, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

Government of Alberta employees receive nearly \$104,000 every year on average, based on 210,028 full time Alberta government employees,⁶ at an annual cost of \$21.8 billion (excluding doctors).⁷ That means to achieve the savings (after doctors' costs are reduced), each government employee would need to take a 12 per cent cut to salary and benefits. If the government doesn't reduce doctors' costs, each employee would need to take a 16 per cent compensation cut.

As will be illustrated in the following sections of the report, Alberta's government employee compensation is inflated compared to government compensation in other provinces and is out of touch with the realities facing Alberta workers outside of government. It's important to note that through these salary and benefit cuts all government services can be maintained at a lower cost to taxpayers.

Scenario 2 – Government job reductions (\$3.5 billion annual savings)

- 16 per cent cut in government employees (33,393 jobs); or
- 13 per cent cut in government employees
(if government loses 6,100 jobs through attrition)

If unions and government employees won't accept salary and benefit cuts, the government will have to reduce its workforce to achieve pre-NDP labour costs. With the average Alberta government employee receiving about \$104,000 per year, there would need to be 33,393 less jobs to achieve the \$3.5-billion savings target.

Not including Alberta Health Services staff, 6,100 government positions could be eliminated through attrition. As KPMG explains, "As of June 20, 2019, more than 3,600 employees in

the core departments were eligible to retire with an unreduced pension. Over the next four years an additional 2,500 (average of 625 per year) employees will also be eligible."⁸ If these positions are not filled taxpayers would save nearly \$634 million per year. If these savings are achieved, another 27,293 positions would need to be cut (13 per cent of FTEs) to realize pre-NDP labour costs.

Scenario 3 – Combination of each (\$3.5 billion annual savings)

- Cut 10,685 government employees (pre-NDP levels) = \$1.1 billion savings;
- Bring doctors' costs in line with other provinces = \$900 million savings; and,
- Cut salary and benefits by seven per cent for remaining government employees = \$2.4 billion savings (Note: If no changes to doctors' costs, a 11.5 per cent compensation cut is required).

Reducing the number of government employees to pre-NDP levels (10,685 or five per cent less positions) would save \$1.1 billion annually. Including doctors' savings outlined above, the Alberta government would need to reduce compensation for remaining employees by seven per cent to achieve pre-NDP levels. If the government doesn't reduce doctors' costs, then the remaining government employees would need to take an 11.5 per cent compensation cut.

As illustrated throughout the rest of the report, when considering the size of the Alberta government's deficit and debt, government labour costs compared to realities facing the private sector and Alberta government costs compared to other provinces, it's clear that cuts to labour costs are both needed and warranted.

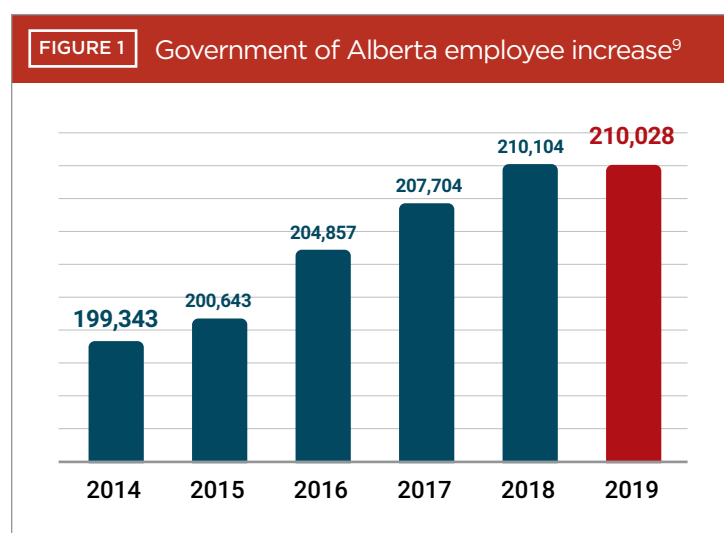
⁶ Alberta government budget 2020, <https://open.alberta.ca/dataset/05bd4008-c8e3-4c84-949e-cc18170bc7f7/resource/79caa22e-e417-44bd-8cac-64d7bb045509/download/budget-2020-fiscal-plan-2020-23.pdf>

⁷ 2019 Alberta government Annual Report, <https://open.alberta.ca/dataset/7714457c-7527-443a-a7db-dd8c1c8ead86/resource/23901819-222f-4be4-87bf-8c22d18eb62d/download/2019-20-goa-annual-report.pdf>

⁸ KPMG report to the Blue Ribbon Panel, <https://open.alberta.ca/dataset/108ec686-9c62-4a55-b531-00ad3e12ba7f/resource/cfdb1bc3-3a6d-49e8-8cf1-8318796f6ff2/download/kpmg-report.pdf>

Alberta government labour costs vs Alberta's private sector since 2014

Since 2014, there has been over 10,000 government employees added (Figure 1).



Since 2014, the government's compensation costs increased by \$3.5 billion from \$23.8 to \$27.3 billion, representing a 14.6 per cent increase. During this time there were numerous reports of Albertans losing their jobs or taking pay cuts.¹⁰ About 100,000 oilpatch workers had lost their jobs by March 2016.¹¹ Throughout the downturn, there were even reports of 50 per cent pay cuts in the private sector to

avoid further job losses.¹² While many Albertans outside of government have been struggling and have been taking pay cuts during the downturn, the Alberta government's last broad pay cut was in 1994, according to research by Secondstreet.org.¹³

While the government has touted wage freezes, these freezes still cost taxpayers millions of dollars. For thousands of government employees, pay freezes over the last few years weren't actually pay freezes. While government employees may not have been rewarded with a new pay grid, they could still receive a raise by moving up their current grid. A freedom-of-information request filed by the CTF shows that the so-called pay freeze for nurses cost taxpayers \$17 million in 2017.¹⁴ The Blue Ribbon Panel made the same observation noting that "even when salary increases remain at zero, unionized employees are eligible to receive annual merit/ in-range increases as they move through the grid, which means that they are eligible for increases as high as 16 per cent over four years."¹⁵

As illustrated in the figure below, Alberta government compensation costs increases between 2014 and 2019 are out of touch with the realities facing Alberta's private sector workers.¹⁶

⁹ 2014-2018 see Blue Ribbon Panel: <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>; 2019 see Alberta government 2020 budget: <https://open.alberta.ca/dataset/05bd4008-c8e3-4c84-949e-cc18170bc7f7/resource/79caa22e-e417-44bd-8cac-64d7bb045509/download/budget-2020-fiscal-plan-2020-23.pdf>

¹⁰ See CTF column in Calgary Herald for summary of private sector job losses: <https://calgaryherald.com/opinion/columnists/opinion-alberta-government-union-leadership-has-lost-touch-with-reality>

¹¹ Calgary Herald, <https://calgaryherald.com/business/energy/nexen-lays-off-more-canadian-employees-as-oil-price-slump-persists>

¹² Calgary Herald, <https://calgaryherald.com/business/energy/trican-cuts-wages-moves-to-variable-pay-as-slump-slows-fracking-business>

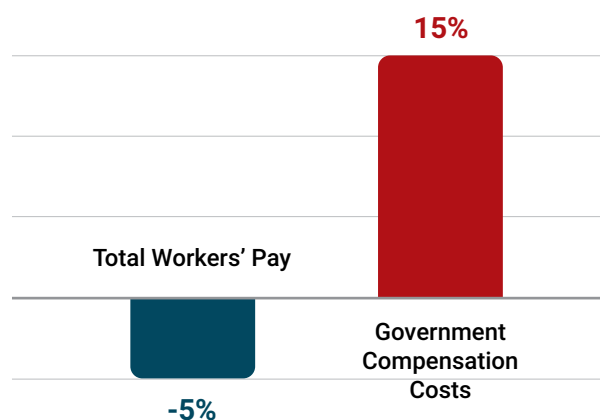
¹³ Secondstreet.org, <https://www.secondstreet.org/wp-content/uploads/2020/08/Policy-brief-%E2%80%93-The-last-government-pay-cut-Final.pdf>

¹⁴ Alberta Health Services Freedom of Information Request, [https://www.taxpayer.com/media/FOI%20%E2%80%93%20Nurse%20Pay%20Increases\(2\).pdf](https://www.taxpayer.com/media/FOI%20%E2%80%93%20Nurse%20Pay%20Increases(2).pdf)

¹⁵ Blue Ribbon Panel on Alberta's Finances, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>

¹⁶ Statistics Canada, uses April-March to align with government's fiscal year, <https://www150.statcan.gc.ca/t1/tbl1/en/cy.action?pid=3610020501# timeframe>

FIGURE 2 Total workers' pay vs government compensation (2014-2019)



The current economic downturn from COVID-19 and the shutdown has disproportionately harmed private sector workers. Writing for the Financial Post in May 2020, University of Calgary economist Jack Mintz noted that “almost all of the current job losses (96 per cent) are in the private sector.”¹⁷ The Fraser Institute made similar observations noting that “government employees have gotten through the economic shutdown largely unscathed.”¹⁸ The CTF crunched the Alberta-specific numbers provided by Statistics Canada and found that between February and May private-sector employment shrank by 20 per cent, while government employment had been reduced by eight per cent.¹⁹

The Fraser Institute has also demonstrated that government employees receive a wage premium compared to their private sector counterparts. After controlling for factors such as gender, age, marital status, education, tenure, size of firm, job permanence, immigrant status, industry, occupation, and full- or part-time status, the think tank found that Alberta’s government employees (all levels of government) receive a 9.3 per cent wage premium compared to their counterparts working outside of government. This wage premium doesn’t factor in non-salary benefits, where government employees also enjoy a premium.²⁰ Table 1 illustrates the wage and non-wage premiums Alberta’s government employees receive.

TABLE 1 Alberta’s compensation gap – business vs government (federal, provincial, municipal)

Categories	Business	Government
Salary premium	-	+9.3%
Workers with workplace pension	20.3%	70.2%
Workers with defined benefit pension	6.3%	66.8%
Probability of losing a job	3.2%	0.6%
Retirement	-	1.8 years earlier

¹⁷ Jack Mintz, Financial Post, <https://financialpost.com/opinion/jack-m-mintz-how-about-some-public-sector-sacrifice-too>

¹⁸ Fraser Institute, <https://www.fraserinstitute.org/blogs/disproportionate-pain-of-economic-shutdowns-by-government>

¹⁹ Calgary Herald, <https://calgaryherald.com/opinion/columnists/opinion-kenney-can-reduce-income-taxes-by-cutting-public-sector-labour-costs>

²⁰ Fraser Institute, <https://www.fraserinstitute.org/studies/comparing-government-and-private-sector-compensation-in-alberta-2019>

Provincial comparison

Not only are Alberta government compensation costs out of touch with the reality facing Alberta's private sector, the province's compensation is inflated compared to peer provincial governments' costs.

The CTF obtained Alberta government data through freedom of information requests for 81 government occupations and 74 of them receive higher compensation (salaries and benefits) in Alberta than the average in the other provinces examined (British Columbia, Saskatchewan, Manitoba and Ontario). More than 56 per cent of the Alberta government occupations receive over \$10,000 more than the average in the other provinces (Table 3).²¹

Ministers receive a 12 per cent compensation premium compared to the Ontario-West average.

The Alberta government has acknowledged that large savings would be realized if it brought its labour costs in line with costs in comparable provinces. In its most recent budget, the Alberta government stated:

“

*Excluding payments to physicians, Alberta's total spending on public sector compensation would be approximately **\$3 billion less every year** if it matched the average spending of these provinces.*²³

TABLE 2 Summary of FOI data on government compensation

Number of occupations	81
Number of Alberta occupations receiving more than other provinces	74
Number of Alberta occupations receiving over \$10,000 more than other provinces	46

As highlighted above, taxpayers would save an extra \$900 million every year if Alberta's spending were in line with costs in B.C., Ontario and Quebec. As illustrated in the figure below Alberta's doctors receive fee-for-service payments that are about \$100,000 larger than those received in Canada's other large provinces.²⁴

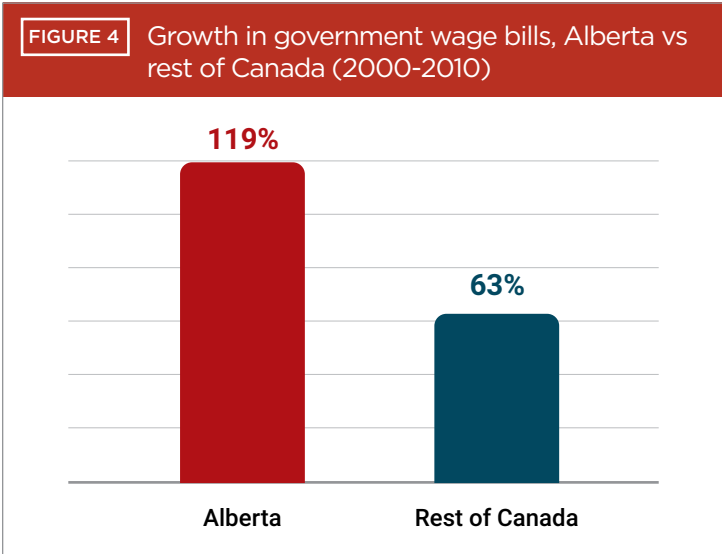
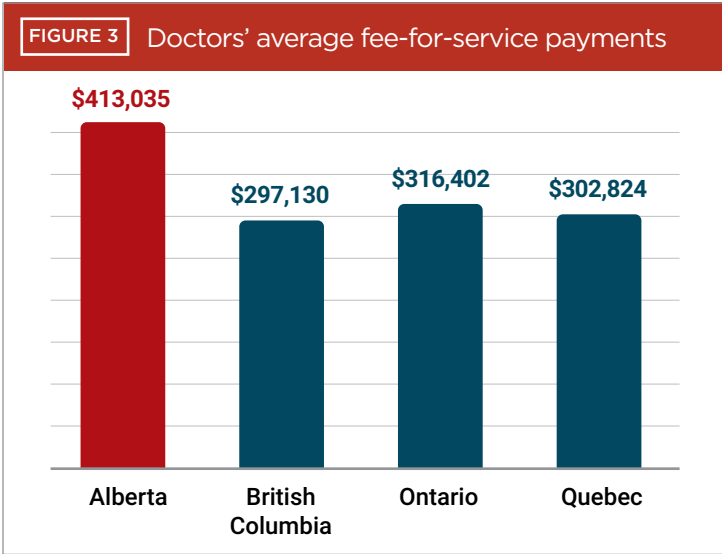
In addition to the above 81 occupations, Alberta's deputy ministers also receive a 30 per cent compensation premium compared to the Ontario-West average, according to government compensation disclosure lists.²² That means a deputy minister in the Alberta government can expect to receive about \$100,000 more per year than a counterpart working for the Saskatchewan government. Assistant Deputy

²¹ Freedom of Information requests from Alberta government, <https://www.taxpayer.com/media/CTF-LabourReport-13Jan2020.pdf>

²² Provincial government compensation disclosure lists, <http://www.taxpayer.com/media/Alberta-Top-Bureaucrat-Premium-2020.pdf>

²³ Alberta Government Budget 2020, <https://open.alberta.ca/dataset/05bd4008-c8e3-4c84-949e-cc18170bc7f7/resource/79caa22e-e417-44bd-8cac-64d7bb045509/download/budget-2020-fiscal-plan-2020-23.pdf>

²⁴ Blue Ribbon Panel on Alberta's Finances, <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>



Government compensation in Alberta has been out-of-line with other provinces for years. As illustrated in Figure 4, between 2000 and 2010, the Alberta government's wage tab increased almost double the rate of growth in the rest of Canada.²⁵

²⁵ Ken Boessenkool and Ben Eisen, University of Calgary, <https://www.policyschool.ca/wp-content/uploads/2016/03/boessenkool-public-wage-growth.pdf>