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DEVELOPMENT

Federal Government Presence in Newfoundland & Labrador

NOVEMBER 2005

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**Federal Government Presence
in Newfoundland and Labrador**

November 2005

The Leslie Harris Centre of Regional Policy and Development
Memorial University
St. John's, NL
A1C 5S7

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Executive Summary

This report examines the federal government presence in Newfoundland and Labrador. The period of study is 1981 to 2004 but with greater emphasis on the period following 1992. It is a macro study in that it does not focus on specific communities or sectors but instead examines Province-wide measures of Federal presence. Those measures are employment, wages and salaries, and expenditures on goods and services. Statistical trends for each of these three variables are examined and the discussion is supplemented by qualitative information.

In regard to employment, the study confirms that Federal employment in the Province, as a share of total Federal employment, has been somewhat higher than the Province's share of the national population. However, four other provinces have a substantially greater advantage by that same measure.

Perhaps a more meaningful statistic is the absolute number of federal government jobs in the Province. Since 1993 the number of people employed by the federal government in Newfoundland and Labrador has fallen substantially, from approximately 10,250 in 1993 to 6,970 in 2004. That is a 32 percent decline. During that same period, the provincial unemployment rate ranged from 15% to 20% and rural areas had been severely impacted by the fisheries moratoria, which led to substantial out-migration and a huge fall in the Province's population. While in part the reduction in federal government employment was a nation-wide phenomenon in the mid 1990s, the cutbacks in this Province were disproportionately greater. Over the period 2000 to 2004, overall federal employment recovered, increasing by 9%. Yet over that same time, Federal employment in Newfoundland and Labrador increased by 1%.

Two significant subcategories of employment are the number of executive positions and the service in the military. The former are important since people in executive positions have important influences on policy decisions. The latter are important to the Province for three reasons: first, the Province's geographic location implies that it is an appropriate location for military charged with surveillance of Canada's North Atlantic boundaries and waters; second, it offers substantial areas for military training; and thirdly, the number of Newfoundlanders and Labradorians serving in the military is substantially greater than the Province's share of Canada's population. In relation to these forms of employment:

- the number of executive jobs in the Province was the lowest across all provinces over the period 1997 to 2004 and the Province's share of total Federal executives was substantially less than its share of the national population; and
- the number of military personnel in the Province increased steadily from 1981 to 1993, after which time it decreased substantially so that by 2004 it was less than in 1981.

A significant driver of economic activity in the Province is federal government spending on goods and services. One important component of that spending is the amount of funds spent on wages and salaries for its employees in the Province. Consistent with the employment figures, federal government expenditures on wages and salaries in the Province, when adjusted for

inflation, went down during the mid 1990s. There has been some increase since then but spending in 2004 was about equal to what it had been in the late 1980s. In relative terms, Federal wages and salaries, as a share of the national total, followed a continuous downward trend from 1995 to 2004. Overall, federal government spending on goods and services, which includes wages and salaries, followed a similar trend.

The report concludes, based on these macro indicators, that Federal presence in the Province did decline significantly from the early 1990s until recently. Qualitative information suggests that certain communities and sectors of the Province feel threatened by the prospect of further cutbacks.

A second report is currently being prepared. It will expand on the findings of this document. In particular, it will: provide a detailed breakdown of federal employment in the Province, by department and location; identify the level, types and distribution of executive positions; undertake an overview of existing research on access to, and use of, Federal Government programs and services; examine the Federal procurement process; and provide additional qualitative information on changes in the Federal presence in the Province.

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I. Introduction

The Federal Government's presence in Newfoundland and Labrador is a controversial issue. Anecdotal evidence suggests that the level of Federal presence in the Province has declined. The 2003 report of the Royal Commission on Renewing and Strengthening Our Place in Canada (The Royal Commission) voiced concern about the apparent decline in Federal presence.¹ Many communities, e.g., Happy Valley –Goose Bay, and sectors, e.g. agriculture and fisheries, are expressing concern that there may be future cuts that will adversely affect them. The Government of Newfoundland and Labrador has recently voiced its own contention that the Federal presence has been declining.

Despite these concerns, little research has been published on the subject. One exception is a 1999 report detailing Federal employment in the Province, in response to the Federal Government's Program Review, focused on the reductions in the number of Federal positions in the Province.² This Federal Presence report is an attempt to inform the debate over Federal presence. It provides a basic overview of the trends in Federal involvement in Newfoundland and Labrador over the past twenty-five years, including employment, expenditures and decision-making authority.

Federal presence encompasses aspects of the Government of Canada's activity in the provinces. These activities include, but are not limited to Federal government: employment; expenditures on goods and services; transfer payments to people, businesses and government; inclusion of Federal executives in the Province in national policy and decision-making; distribution, and the subsequent uptake, of grants, loans and subsidy programs; strategic location of regional headquarters and centers of excellence; contributions to industry research and development; appointments of provincial representatives to national bodies; support of provincial industries and economies; placement of national bodies such as the Canadian Mint and Federal penitentiaries; and location of crown corporations, agencies and quasi-government organizations. This report focuses specifically on federal government jobs, wages and salaries, and expenditures on goods and services; all indicators of Federal contributions to the provincial economy.

It is well known that the federal government provides substantial transfer payments, both to persons, e.g., old age pensions and employment insurance, and to the provincial government, e.g. the Canada Health Transfer. However most, if not all, of the debate on Federal presence revolves around what might be termed "active" spending, i.e., spending on activities that involve the production of goods and services. Therefore, transfer payments are not the focus of this study. However, for interested readers, a brief overview of total federal government transfer payments to the Province is provided as an Appendix.³

¹ See RCRSOP, "Main Report: Our Place in Canada," p.88

² "Federal Employment Presence in Newfoundland and Labrador," Sharmane Allen, August 27, 1999.

³ The Appendix shows that transfer payments to the province have ranged between 3 and 4 percent of total Federal transfers since 1981, a larger share than the province's share of the national population, and Newfoundland and Labrador receives the highest transfers per person of all the provinces. In recent years, total transfers began a downward trend but that is in part due to rising provincial government revenues associated with offshore oil revenues rather than necessarily due to further federal government cuts to transfer programs. The declining population also plays some role in explaining the decline in transfers.

The Federal Government's presence in Newfoundland and Labrador has generated considerable interest in the wake of the news of the closure of the Gander Weather Office, the movement of a number of Department of Fisheries and Oceans positions and the announcement of the closure of the Cool Climate Research Centre, which has since been placed under moratorium. The result has been a renewed interest in Federal presence and Newfoundland and Labrador's roles and responsibilities in national governance and public policy. Submissions to the Royal Commission refer to Federal activity in the Province as well as Newfoundland and Labrador's representation on Federal bodies and policymaking.⁴ The issue of Federal presence goes to the Province's sense of belonging, fairness and contribution to national policy and decision-making and is a reflection of where the Province stands in the eyes of the Federal Government. A very recent example of provincial dissatisfaction with Federal Government decisions is the cessation of support to the Fisheries Conservation Chair for Northern Cod research.⁵ The removal of this support has been interpreted as a continued erosion of provincial input into the fishery as well as another example of Federal disregard for provincial concerns and issues. On the heels of that announcement, the federal government decided to close the Public Service Commission office in St. John's in July 2005. The services of this office will be moved to Halifax, Nova Scotia where "... most government departments and agencies are located."⁶

This report chronicles changes in federal government employment, wages and salaries, spending, and military personnel over the past twenty-five years. It does not purport to analyze Federal procurement activity or the extent to which the people and organizations resident in the Province avail of Federal programs. The intent is to provide an overview, or landscape, document detailing changes in the Federal presence in the Province. Quantitative analysis provides an overview of how Federal Government involvement in the Province has changed over time. A per capita analysis has also been included, which examines how Newfoundland and Labrador's share of Federal employment and expenditures has changed in relation to that of other provinces and total national employment and expenditure. Qualitative analysis, garnered from discussions with Federal and Provincial employees, provides context and insight into the changes that have occurred and the Province's reaction to those changes. Throughout this analysis, it is important to keep in mind that numbers for Newfoundland and Labrador are small relative to the rest of Canada, so small changes in absolute numbers have, in some instances, effected large percentage changes.

This report is organized as follows. Section II, which follows, provides a background on the provincial economy, providing context for the analysis. The next section looks at Federal employment, with special consideration of executive level positions as well as military employment. Wages and salaries are considered in Section IV, both in total and per Federal employee. Section V provides an analysis of Federal spending on goods and services. Then Section VI provides some qualitative information on Federal presence, which is followed by the concluding section, which highlights the main findings of this study.

⁴ One considers provincial contributions to the Canadian economy through trade, migration, and revenues and expenditures. The other provides a comprehensive overview of provincial representation in the Nation including members of the House of Commons, Senate appointments, Federal employees, and judges of the Federal Court of Canada

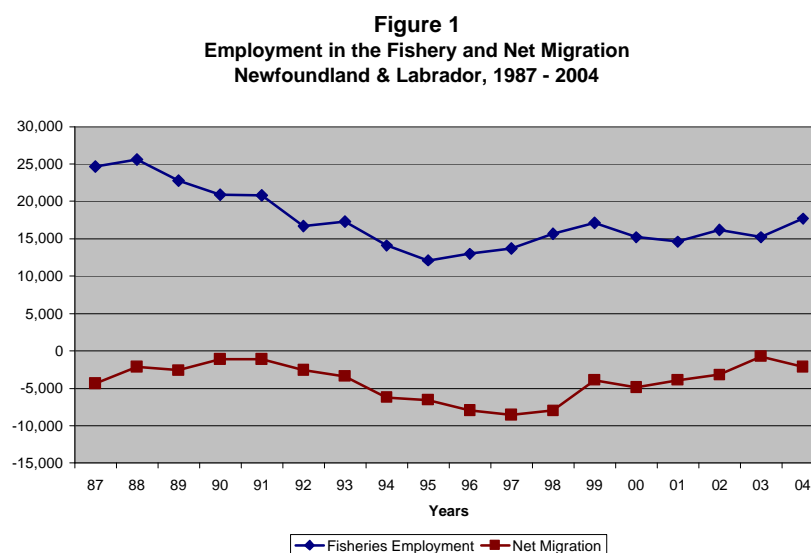
⁵ CBC News, July 7, 2005 <http://stjohns.cbc.ca/regional/servlet/View?filename=nf-rose-cod-050707>

⁶ News Release – PSC Changes in Response to New Public Service Employment Act, http://www.psc-cfp.gc.ca/centres/news_releases/2005/psea_e.htm

II. Background on the Provincial Economy

Changes in the Federal presence in the Province are best viewed in the context of the provincial economy. There have been two major detrimental influences on the Newfoundland and Labrador economy over the past 25 years: the decline and eventual closure of the Northern Cod fishery and the high rates of unemployment, both of which were key drivers to massive out-migration and subsequent decline in population since the early 1990s. While neither of these events directly affected the level of Federal presence they do provide a framework in which to examine the changes.

In 1992, the Federal Government closed the cod fishery in Newfoundland and Labrador. Prior to this closure there had been a decline in fisheries employment in the Province but net migration had been steady and relatively low. Figure 1 illustrates the level of employment in the fishing industry in the Province since 1987 as well as net migration⁷. The relationship between the two is obvious when they are shown on the same graph. Migration and fisheries employment have moved in a similar fashion since 1991, as employment decreased, net migration decreased, that is, there were more people leaving than entering the Province. Employment in the fishery leveled off in 2000 as the industry expanded into different species and net migration has been increasing since that time; there is still out-migration but the number of people leaving has declined.

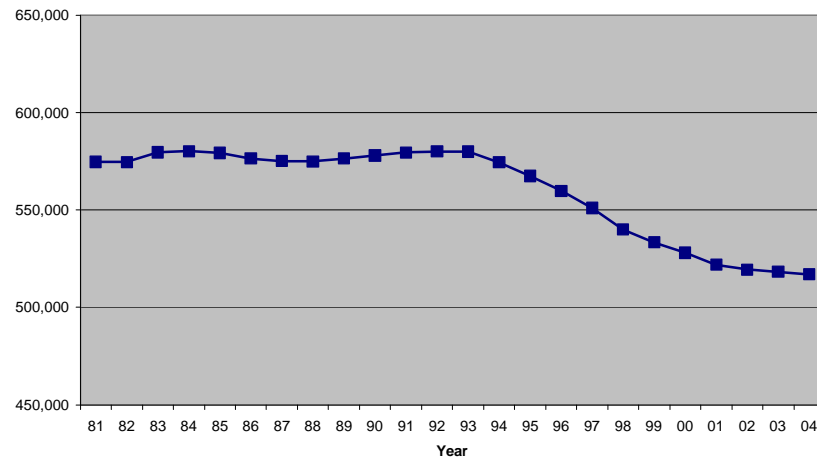


Source: Statistics Canada, Labour Force Survey (Special Tabulations) and Demography Division.

⁷ Net migration equals the number of people entering the province minus the number leaving. Negative net migration means there are more people leaving the province than entering.

The net out-migration shown in Figure 1, has contributed to the declining provincial population as seen in Figure 2.⁸ Prior to 1992, net migration, although negative, was still steady, resulting in a fairly constant population between 1981 and 1992. In 1992 the net migration deficit began to grow, as evidenced by the simultaneous population drop. The population decline has ebbed since 2000 and, while it is still decreasing, the rate of decline has gotten smaller, resulting in a more gradual decline in population. No other Province experienced a decrease in population between 1981 and 2004.⁹ In fact, during this time Canada's population increased by 29%.

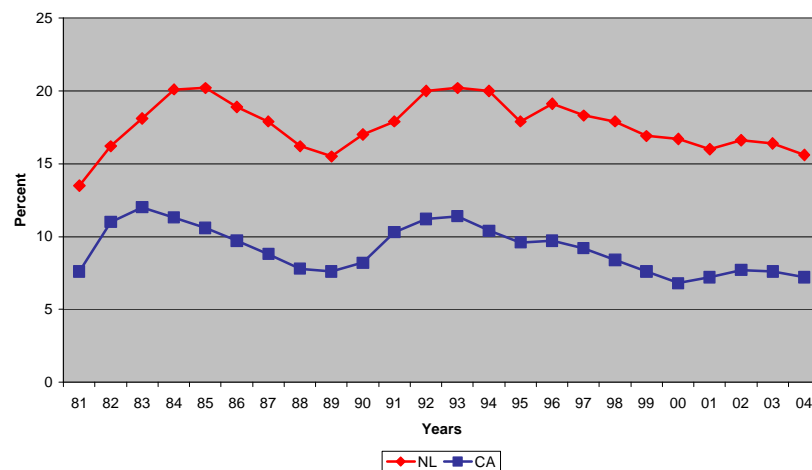
Figure 2
Population, Newfoundland and Labrador, 1985-2004



Source: Statistics Canada, Table 51-0001, Estimates of Population

Changes in the provincial unemployment rate have mirrored those of Canada, as can be seen in Figure 3; however the provincial rate is consistently almost 10 percentage points higher than the national one. It is interesting to note that the spike in the provincial unemployment rate in the early 1990's coincides with declines in Newfoundland and Labrador's fisheries employment, net migration and population. In light of the substantial problems of the economy over these years, it is not surprising that the loss of any more jobs, including Federal ones, would be a cause of concern, and resisted.

Figure 3
Unemployment Rate, Newfoundland and Canada, 1981-2004



Source: Statistics Canada, Table 51-0001, Estimates of Population

⁸ Low birth rates and an aging population have also contributed to the declining population.

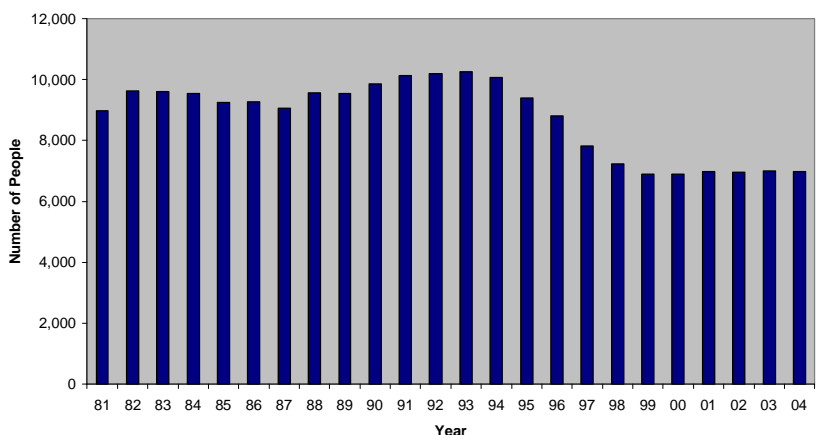
⁹ Saskatchewan's population has declined since 1996 but, overall, it increased by 2% over the 1981-2004 period.

III. Federal Employment

This section examines several measures of Federal employment. Absolute numbers give an accurate picture of the level of Federal employment over time. An examination of employment with respect to the rate of change, share of total Federal employment and population share provides greater context in which to interpret the information. This analysis will show that the Province's share of Federal employment has been historically equal to or greater than its share of the national population but that share is decreasing. For example, in 1992 the Province had 2 percent of the national population and 2.5 percent of all Federal employment across Canada. However, the data indicate deterioration in that position over the period 1992 to the present.

Figure 4 shows the total number of people in Newfoundland and Labrador employed by the Federal Government¹⁰. The number of employees includes all employees paid during the year, full-time, part-time, casual and seasonal workers, as well as military personnel. The number of federal government jobs in Newfoundland and Labrador has declined significantly, almost 25%, since 1981, compared with a drop of less than 5% in total federal

Figure 4
Federal Government Employment
Newfoundland and Labrador, 1981-2004

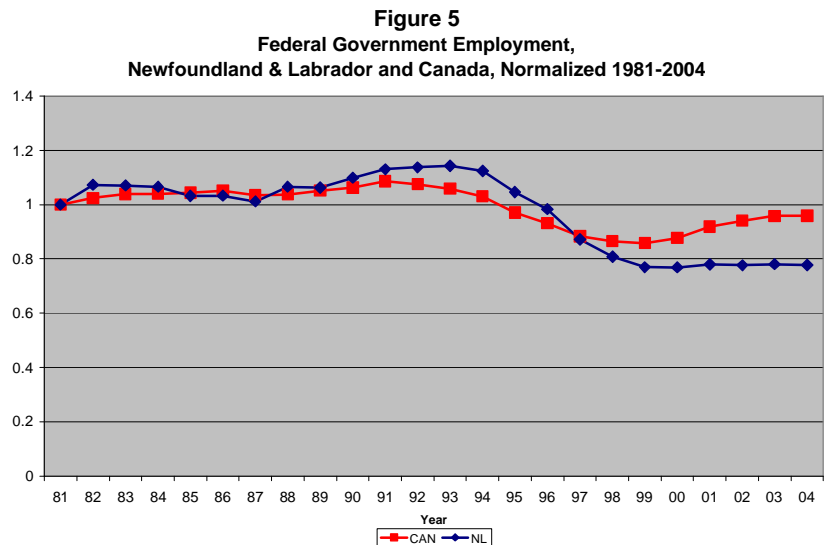


Source: Statistics Canada, Public Sector Employment, Table 183-0002.

employment in Canada. Since 1999 the number of Federal positions in the Province has leveled off at about 6,900, down from 8,963 in 1981. In comparison, across the country Federal employment has been increasing since 1999, as seen in Figure 5, with 366,663 employees in 2004. The bulk of the job losses occurred from 1993 to 1998; in part the losses reflected the federal government's efforts to address its budgetary deficit but the cutbacks in this Province were proportionately greater than at the national level and came when the provincial unemployment rate was close to 20%.

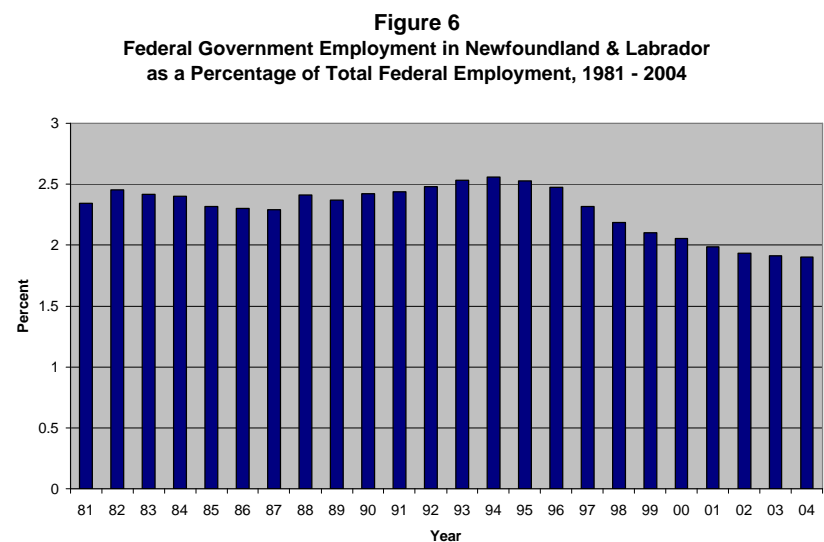
¹⁰ This report uses "General Federal Employment" only. These data are based on a survey of government departments. Other similar analysis has also included "Federal Business Enterprises" which includes federal enterprises engaged in financial and non-financial commercial operations. Hence, data in this report may be slightly different than that found in other related documents.

Figure 5 shows how federal government employment in the Province and Canada has changed since 1981. The data have been normalized to show the percentage change over time in relation to the base, or initial year examined, in this case 1981. Normalization simply sets the first year examined equal to one and all subsequent years are shown as a proportion of the first year¹¹. Federal government employment in Newfoundland and Canada changed in similar proportions during the eighties and early nineties. The figure shows that employment in Newfoundland and Labrador increased by a greater proportion than in Canada until 1993, when both began to decline.¹² In 2000, Federal employment in the Province and the country began to increase. By 2004, Federal employment in the Province had increased modestly by 1% compared with 12% across Canada.



Source: Statistics Canada. Public Sector Employment. Table 183-0002.

Figure 6 shows Federal government employment in Newfoundland and Labrador as a percentage of total federal government employment. The increase in federal employment between 1987 and 1994, shown in figures 4 and 5, resulted in an increase in the Province's share of Federal employment. While Federal employment in both the Province and country-wide increased, there was a proportionally larger increase in Newfoundland and Labrador which meant that the Province's share of Federal employment increased from 2.3% to 2.5%



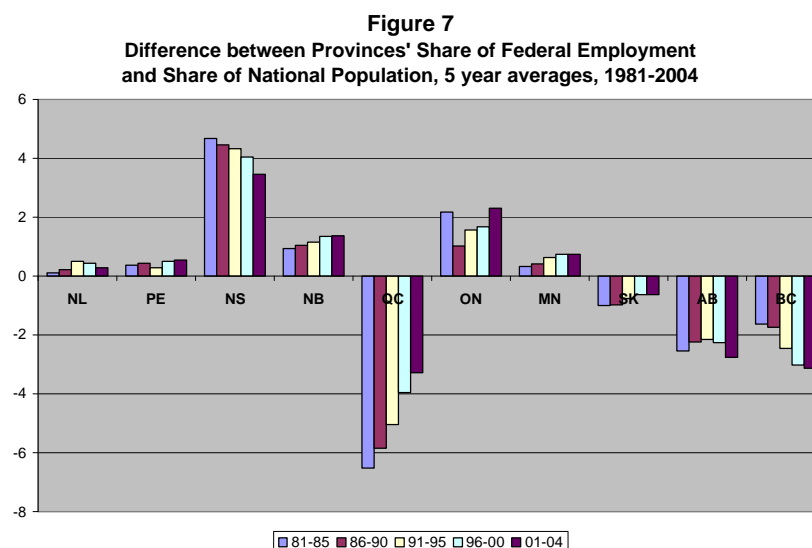
Source: Statistics Canada, Public Sector Employment, Table 183-0002.

¹¹ For example, if employment in 1981 was 10 and in 1982 was 12, normalization would set 1981 = 10/10 = 1 and 1982 = 12/10 = 1.2 which gives a change of 20%.

¹² The provincial growth was a result of the addition of 1,000 jobs in the province between 1987 and 1994, because there were fewer than 10,000 jobs in the province that addition equated to a large percentage change (about 13%). A portion of that increase (200-300 jobs) is a result of the hiring of additional staff at Human Resources and Skills Development Canada (HRSDC), Department of Fisheries and Oceans (DFO) and the Atlantic Canada Opportunities Agency (ACOA) to manage the NCARP and TAGS programs.

during those years. The figures above also show that, after 1995, Federal employment in the Province declined significantly and then leveled off. Over the same period, Federal employment across Canada declined until 1999 but then began to increase. These changes caused the Province's share of Federal employment to decrease even though total employment remained about the same, i.e. the Province still has the same sized piece; it is just cut from a larger pie.

Per capita allocations are another indicator of the trend in Federal employment. Figure 7, illustrates the difference between the Provinces' share of Federal employment and its share of the national population, in five year aggregates. For example, if 2.5% of Federal government employees are in Newfoundland and Labrador during one 5 year period and the Province has 2% of the country's population



Source: Statistics Canada, Population, Table 51-0001 and Public Sector Employment, Table 183-0002

during the same time then 0.5% would be plotted for that time period. Positive numbers mean that the Province has a larger share of federal employment than does the national population.

The share of federal government employment in Quebec, Saskatchewan, Alberta and British Columbia is disproportionately lower than their respective shares of the national population. The negative differential in Quebec has been decreasing since 1981, due to a decrease in Quebec's share of the national population (the share of Federal employment in Quebec has remained about the same over the past 25 years). Quebec's share of Federal employment is slightly more difficult to measure because of the number of public employees who work in Ottawa, Ontario but live in Hull, Quebec and vice versa. As well, it is possible that Federal funding of various industries in Quebec has offset the Federal employment differential. The differential in Alberta is increasing because its share of the national population is increasing at a faster rate than the share of federal government employment in the Province. Similarly, in British Columbia, the Province's share of Federal employment has not changed significantly (0.2%) over time but the Province has gained an additional 2% of the national population over that same period, hence the employment-population differential has been steadily increasing.

The remaining provinces, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, New Brunswick, Ontario and Manitoba, all have a greater share of Federal employment than they do of the national population. Newfoundland and Labrador is notably the worst-off of this group, with the share of employment almost exactly equal to the share of national population. Nova Scotia has consistently had almost a 5% larger share of Federal employment than its share of

Canada's population. This difference is most likely the result of locating regional offices for the Atlantic provinces in that Province.

Federal employment in Canada has been increasing since 2000 as evidenced by the analysis in this section. Table 1 looks at the change in Federal employment by province since that time. The total number of Federal employees increased by 9% across the country. On average, Federal employment increased by 6% in the provinces. The largest increases were in Ontario, Quebec, British Columbia and Alberta. Newfoundland and Labrador and Saskatchewan experienced the smallest increases, Federal employment in both increased by about 1%. To put those changes in perspective, the 9% increase across the country means there were 43,856 more Federal employees between 2000 and 2004, 80 of those can be found in Newfoundland and Labrador and another 64 in Saskatchewan.

Table 1
Percent Change in Federal Employment by Province, 2000-2004

Years	NL	PE	NS	NB	QU	ON	MN	SK	AB	BC	CA
2000-2004	1%	6%	4%	3%	10%	13%	4%	1%	8%	9%	9%

Source: Statistics Canada, Public Sector Employment, Table 183-0002.

Two subcategories of Federal employment are of particular interest: executive positions and military personnel. They are discussed in the next two subsections.

III.a Executive Employment

The presence of senior officials who contribute substantially to policy decisions is important in representing the Province's interests and needs at the national level. The number of senior positions in the Province is indicative of decision making authority and provincial contribution to regional and national policies at the executive level.¹³

Table 2 shows the number of executive and equivalent positions in the provinces since 1997. The number of executive positions in Newfoundland and Labrador is almost the same as that in Prince Edward Island, however, Newfoundland and Labrador has four times the population. Similarly, Nova Scotia has about four times as many executive positions and less than twice as many residents as Newfoundland and Labrador. The bulk of executive positions reside in Ontario, over 57%. Table 3 goes on to show that the number of executive positions in the Province has been well below 1% of the total number of positions in Canada and that number has declined since 1997. Newfoundland and Labrador's share of executive and equivalent positions is less than one-half of its share of the nation's population.

¹³ Executive and Executive equivalent positions include Director, Director General, Assistant Deputy Minister and Deputy Minister classifications and their equivalents. Data only include Treasury Board positions, that is, it only includes staff hired through the Public Service Commission, it does not include crown corporations or organizations for which Treasury Board is not the employer.

Table 2
Executive and Equivalent Positions, 1997-2004

Year	NL	PE	NS	NB	QU	ON	MN	SK	AB	BC
1997	55	55	203	86	1317	3784	143	100	245	392
1998	50	61	207	95	1294	3977	144	104	262	392
1999	58	71	221	98	1347	4067	141	112	263	406
2000	60	74	228	103	1465	4337	153	117	291	446
2001	66	75	259	119	1638	4797	175	128	330	475
2002	68	72	274	118	1722	5284	188	143	347	520
2003	72	74	278	128	1843	5557	199	162	370	554
2004	76	74	290	127	1873	5642	204	171	379	574

Source: Treasury Board Secretariat, Government of Canada.

Table 3
Number of Executives in Newfoundland and Labrador as a Percent of Total Executive Employment, 1997-2004

Years	1997	1998	1999	2000	2001	2002	2003	2004
1997-2004	0.85%	0.75%	0.85%	0.82%	0.81%	0.77%	0.77%	0.81%

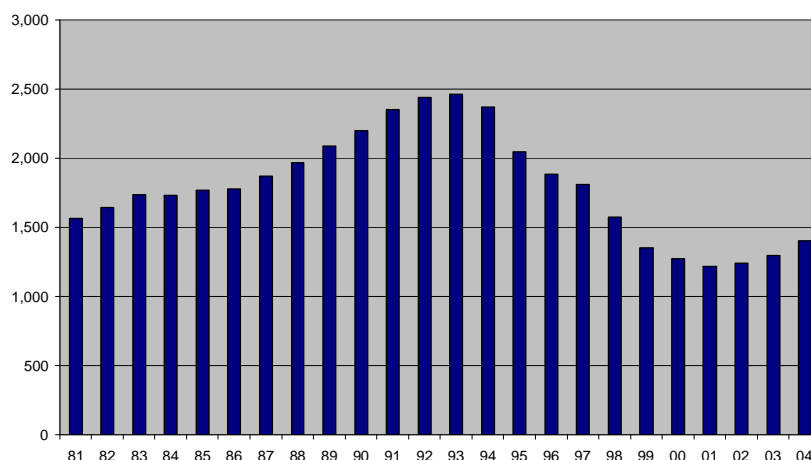
Source: Treasury Board Secretariat, Government of Canada.

III.b Military Employment

It is generally known that there are disproportionately more Newfoundlanders and Labradorians in the Canadian military than residents of any other province. Almost 8% of the 61,828 military personnel in Canada are originally from Newfoundland and Labrador, approximately one-half of these are in the Navy. Given the Province's geographic location, the most easterly point in Canada, its 17,500 kilometers of coastline and its size - three times larger than the other Atlantic provinces – one might expect that there would be a significant military presence in the Province.

Figures 8 and 9 describe the changes in military personnel in Newfoundland and Labrador over the past 25 years. The number of military personnel in Newfoundland and Labrador peaked in 1993 at 2,464. The total number of military personnel in the Province is largely comprised of reservists, approximately 900 of

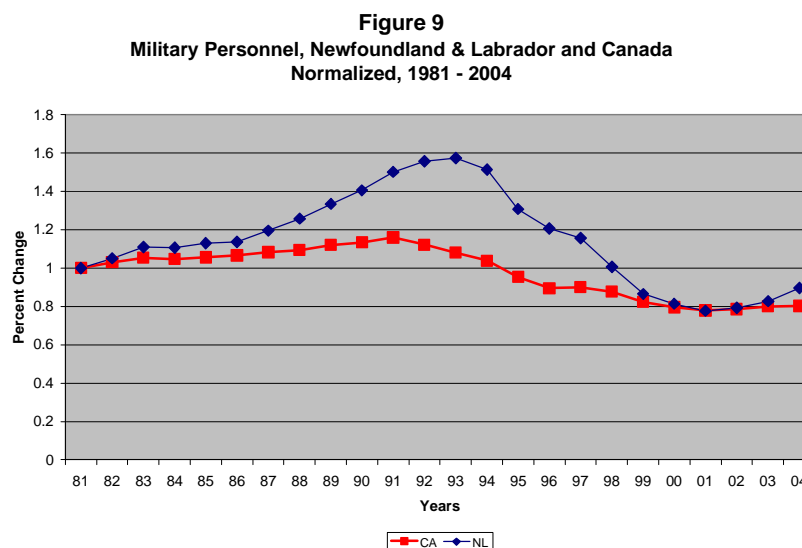
Figure 8
Military Personnel, Newfoundland & Labrador, 1981-2004



Source: Statistics Canada, Department of National Defence, Table 183-0004.

the 1,400 stationed throughout the Province. Since 2001 the number of military has increased, primarily as a result of a contract with the Marine Institute to provide two Naval Engineering Programs to as many as 160 students each year.

The change in the number of military personnel in the Province has been consistently higher than the rate of change in the country, as shown in Figure 9. The number of military in the Province increased by almost 60% during the nineties compared with an increase of less than 20% across the country. Both declined to less than 80% of their original (1981) levels in 2000-2002 but since then the number of military in Newfoundland and Labrador has increased at a faster rate than that of Canada¹⁴, i.e., the Province experienced a larger proportional change. The number of military personnel in the Province has been at least 1.5 % of the total number of military personnel in Canada since 1981.



Source: Statistics Canada, Department of National Defence, Table 183-0004.

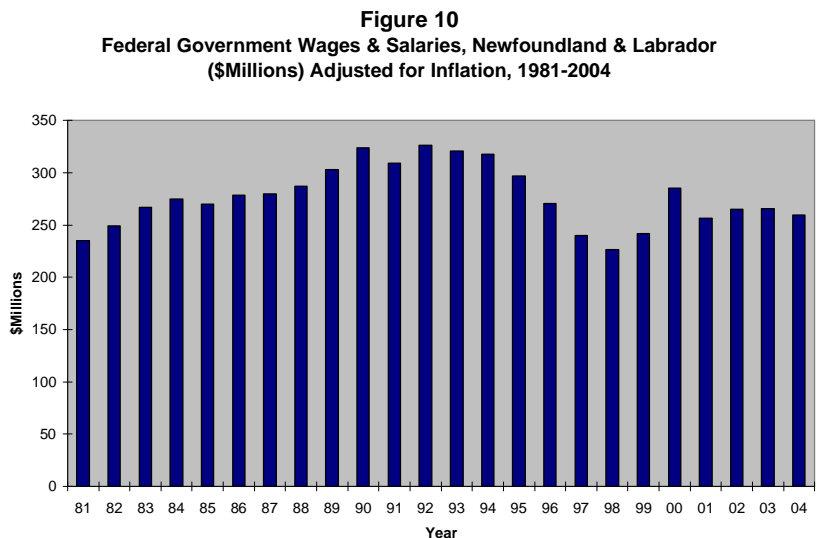
IV. Wages and Salaries

Expenditures on Federal employees' wages and salaries are another example of the Federal Government's contribution to provincial economies. Earnings are spent on local goods and services and so contribute to the economic well-being of the entire Province. As well, federal government employment and earnings are generally considered to be "good jobs" so these positions decrease the likelihood that people will leave the Province to find good, or better, work. Per person expenditures on wages and salaries show the relative share per employee of Federal expenditures on wages and salaries. This indicator is a proxy for years of service, level of seniority, as well as input into decision making.¹⁵

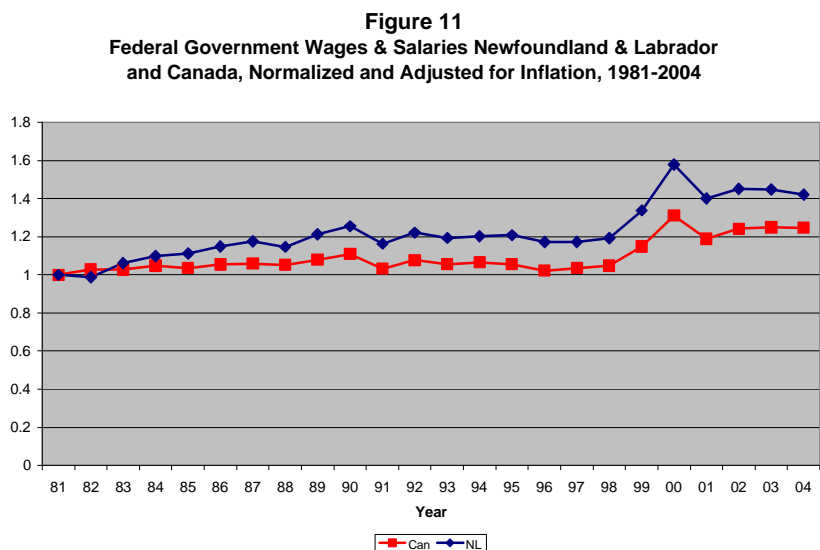
¹⁴ Again, because the total number of personnel in the province is small (1,402), an increase of 160 personnel equates to a larger percentage change (13%).

¹⁵ It is assumed that more senior staff have greater input into decision-making.

Figure 10 shows federal government expenditures on wages and salaries in Newfoundland and Labrador over the past 25 years. Data have been adjusted for inflation¹⁶, meaning changes in prices over that time have been taken into account, and this means that one dollar in 1981 has the same purchasing power as one dollar in 2004. Changes in Federal expenditures on salaries between 1988 and 1998 mirror the changes in total employment in the Province over those years, that is, it increases to a peak in the early 1990's then declines. Since 1998, Federal wages in the Province have been steadily increasing while employment has remained relatively constant, indicating that wages of those employed are increasing, this is illustrated more clearly in Figure 13: Federal Government Wages and Salaries per Employee.¹⁷



The growth of federal government expenditures on wages and salaries is shown in Figure 11. Federal government wages in Newfoundland and Labrador have increased in a similar pattern to those in the rest of Canada. This normalized chart shows that wages have increased by more in the Province (about 40%) than they have in the rest of Canada (about 20%). Figure 13 shows that the wage rate in Newfoundland and Labrador was much lower than that of Canada in 1981 and so the higher growth rate in the Province simply decreased the gap between the provincial and national wage rates.



Source: Statistics Canada, Public Sector Employment, Table 183-0002.

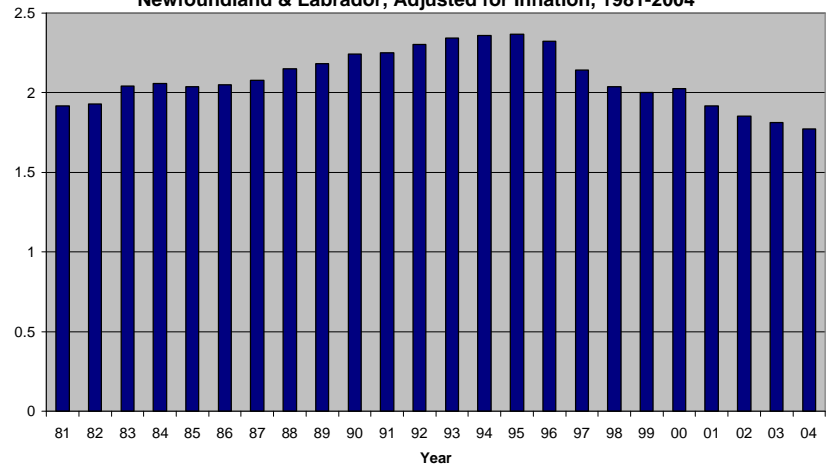
¹⁶ Adjustment for inflation was done using the 2001 CPI all items basket and each province was adjusted using its respective provincial CPI.

¹⁷ In 2000, total expenditures on salaries spiked as a result of a substantial (more than \$2 billion) pay equity settlement.

Newfoundland and Labrador's share of federal government expenditures on wages and salaries is illustrated in Figure 12. As shown above, the Federal wage rate in the Province has increased over time, however the Province's share of Federal government wages has decreased and is now about 10% less than it was in 1981 and almost 35% less than it was during the 1990's.

This change can be attributed to several factors. The increase in nation-wide expenditures was large enough to offset the increase in provincial expenditures so while the Province is receiving more money in wages and salaries that amount represents a smaller share of the national total. As well, the total number of jobs in the Province has decreased and Newfoundland and Labrador has a small number of more senior, and higher paying, positions, which translates into less expenditure on wages and salaries in the Province.

Figure 12
Federal Government Wages as a Percent of Total
Newfoundland & Labrador, Adjusted for Inflation, 1981-2004

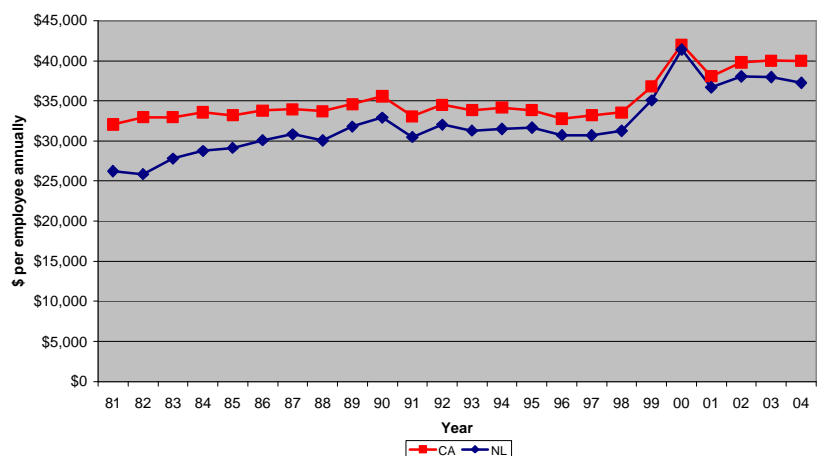


Source: Statistics Canada, Public Sector Employment, Table 183-0004.

Figure 13 tracks the changes in federal government wages and salaries per Federal employee for Newfoundland and Labrador and Canada. The Federal government wage rate per employee in the Province has increased by about \$10,000 since 1981. During the period of fiscal restraint in the 1990's wages per employee remained relatively constant because the increase in wages offset the decrease in the number of employees. The increase in the wage rate since 1999 can be attributed to the pay equity ruling and subsequent salary hikes as

well as the lifting of a wage freeze imposed during the 1990's. So the increase in wages is not necessarily due to an increase in the number of higher paying positions, instead it could be considered as compensation for prior administrative errors and fiscal restraint. The wage rate per federal government employee in Newfoundland and Labrador has increased by more than that of

Figure 13
Federal Government Wages & Salaries per Federal Employee
Newfoundland & Labrador and Canada, Adjusted for Inflation, 1981-2004



Source: Statistics Canada. Public Sector Employment. Table 183-0004.

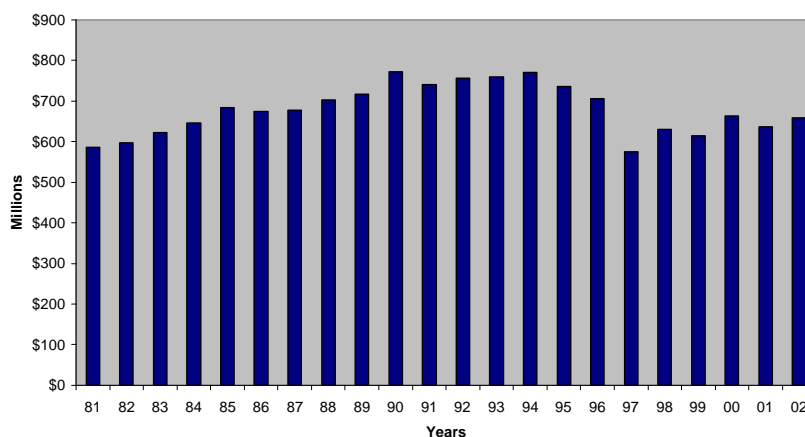
Canada, 42% versus 24%, but that has only narrowed the gap between the wage rate in the rest of Canada and that in the Province. Newfoundlanders and Labradorians in the Federal Public Service, on average, are still being paid less than others across Canada due, in part, to there being fewer senior, and higher paying, positions in Newfoundland and Labrador.

V. Federal Government Spending on Goods and Services

The Federal Government's procurement of goods and services has been identified as an issue to be considered. Evaluation of procurement requires a more detailed investigation than was possible in this report. Federal net expenditures on goods and services are an available aggregate measure but it is also imperfect because much of the goods and services may actually be produced elsewhere.

Federal government expenditures on goods and services¹⁸, as shown in Figure 14, follows a similar trend as that seen earlier with Federal government employment during the 1990's. That is it increases until 1994 then declines during the mid- 1990's. Unlike employment, expenditure on goods and services began to increase in 1998 and that trend continued into 2002, resulting in an overall increase of 12% between 1981 and 2002.

Figure 14
Federal Net Current Expenditure on Goods and Services
Newfoundland and Labrador, Adjusted for Inflation, 1981-2002



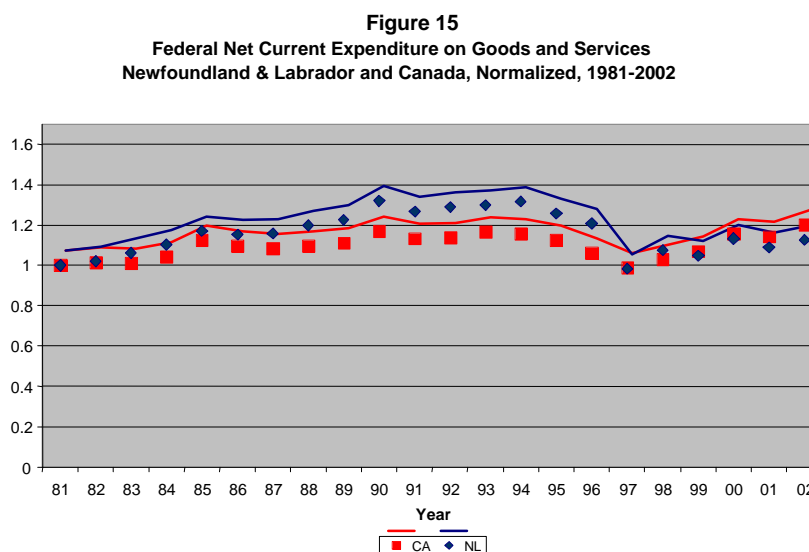
Source: Statistics Canada, Government Sector Revenue and Expenditures, Table 384-0004.

¹⁸ Federal government expenditure on goods and services include all current outlays for goods and services by the government sector, including wages and salaries of government employees. It also includes expenditure on weapons for defense and an imputation for the depreciation of government fixed assets. It is recorded before deduction of revenues from sales of goods and services in the government income and outlay account, and after deduction of these revenues in GDP (net government current expenditure on goods and services). Statistics Canada, Provincial Economic Accounts.

Standing offers for purchases of goods and services are arranged across the country and administered by regional offices. Halifax, Nova Scotia serves the Atlantic provinces. Purchasing from local firms ensures more federal government dollars stay within the Province, having a greater impact on the local economy. Purchases of goods and services are made within the respective provinces however these products are not necessarily produced in Newfoundland and Labrador. These goods and services are often supplied by local distributors of companies with head offices outside the Province.

The Federal Government is changing to an e-Bay style of acquisition of goods and services.¹⁹ The implication is that purchases of goods and services can be made by any province from suppliers in any province. This will be beneficial to Newfoundland and Labrador if local suppliers are successful in providing standing offers; however, if companies outside the Province are successful then purchases may bypass local agents.

Figures 15 and 16 both show that Federal expenditures on goods and services have increased since 1981. Figure 15 compares the percentage change in expenditures for both Newfoundland and Labrador and Canada. Changes in federal government expenditure in the Province have paralleled those for the entire country, peaking in the early 1990's, falling with the cut-backs in 1994-1997 and growing again into 2002. The latter growth period was more moderate for Newfoundland and Labrador than Canada, resulting in 12% growth overall for the Province compared to 20% for the Nation.

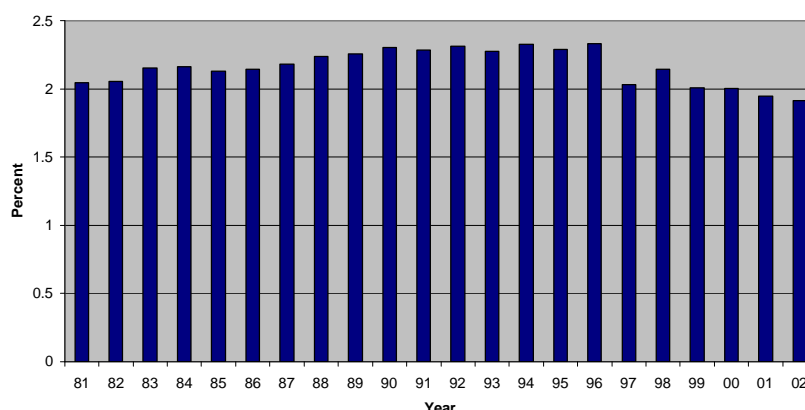


Source: Statistics Canada, Government Sector Revenue and Expenditures, Table 384-0004.

¹⁹ Source: Government of Canada Marketplace website, http://www.gol-ged.gc.ca/pathfinder-expl/summaries-sommaires/3/pwgsc-tpsgc-markt_e.asp

Figure 16, however, shows Newfoundland and Labrador's share of total Federal expenditure in Canada has decreased. The Province's share of national spending on goods and services has declined, despite the increase in dollars spent in the Province. This decrease occurred because total spending in Canada increased by a greater proportion than the share spent in Newfoundland and Labrador, i.e. while we are getting more pie; our share has not increased in proportion to the size of the pie.

Figure 16
Federal Net Current Expenditure on Goods and Services as a
Proportion of Total Expenditure on Goods & Services
Newfoundland & Labrador, Adjusted for Inflation, 1981-2002



Source: Statistics Canada, Government Sector Revenues and Expenditures, Table 384-0004.

VI. Qualitative Evidence

During the preparation of this report a significant amount of qualitative and anecdotal evidence was gathered that was beyond the scope of research of this project but provides interesting insight into the Federal Government's operations in Newfoundland and Labrador. Information in this section has been garnered from discussions with Federal and Provincial officials and provides context and insight into the changes that have occurred and the Province's reaction to those changes.

Qualitative data, examined in the context of this landscape document provides additional details about the level of Federal presence and decision-making authority in the Province. The announcement of the Service Canada initiative, in February 2005, proposed the transfer of Federal positions from 12 different departments to smaller cities and towns across the country to

create a universal service agent.²⁰ The majority, 22,000, of the employees in this new Department will move from Human Resources and Skills Development Canada and Skills Development Canada and Social Development Canada. The Federal Government says there will be no change in the number of jobs but the type of work will change, for example more staff will be dealing directly with the public.

Within the Department of Fisheries and Oceans, science positions from the Toxic Chemical Program will be moved from Newfoundland and Labrador to other provinces. It is anticipated that this will affect 5 to 9 positions. There has, however, been some discussion that these losses will be offset through the creation of a centre for excellence for stock assessment which is planned to be located in the Province but at this time that is speculative.

Environment Canada and the Canadian Forestry Service in the Province have also suffered a loss of staff. Canadian Forest Service personnel in the Province declined by 65% since 1995. Prior to the Federal Government's Program Renewal Initiative that office was a regional office located in St. John's with a Regional Director General and 81 staff. Between 1996 and 1997 the 28 positions that remained were moved to Corner Brook to staff a satellite office for the regional office in New Brunswick. In March 2003, the Federal Government announced it would be consolidating 14 weather offices into five centres of excellence, resulting in Gander losing its forecasting function and moving 11 positions to Halifax.

The Federal Government has located three "regional" offices in Newfoundland and Labrador, Department of Fisheries and Oceans, Service Canada and the Atlantic Canada Opportunities Agency. None of these offices have Atlantic-wide responsibilities. Those Federal offices with Atlantic responsibilities are located in Halifax, Nova Scotia or Moncton or Fredericton, New Brunswick. Several Federal crown corporations do have a presence in the Province including, the Business Development Bank of Canada, Canada Mortgage and Housing Corporation, Canada Post and Marine Atlantic Inc. Additionally, all internet and paper services (filing) for Atlantic Canada is handled from the Canada Customs and Revenue offices in St. John's.

²⁰ The initiative was announced in the Federal Government's 2005 budget, <http://www.fin.gc.ca/budtoce/2005/budliste.htm> and commented on by union officials on February 12, 2005 as reported by CBC News <http://www.cbc.ca/story/canada/national/2005/02/11/services-canada050211.html>

VII. Conclusion

The Federal Government's presence in Newfoundland and Labrador has declined significantly since the early 1990s. During a time when the provincial economy was faltering from high out-migration and the closure of one of its main sources of employment, the number of federal government jobs in the Province was also dropping. Federal employment in the Province has decreased by almost 25% since 1981, compared with a nationwide decrease of only 5%.

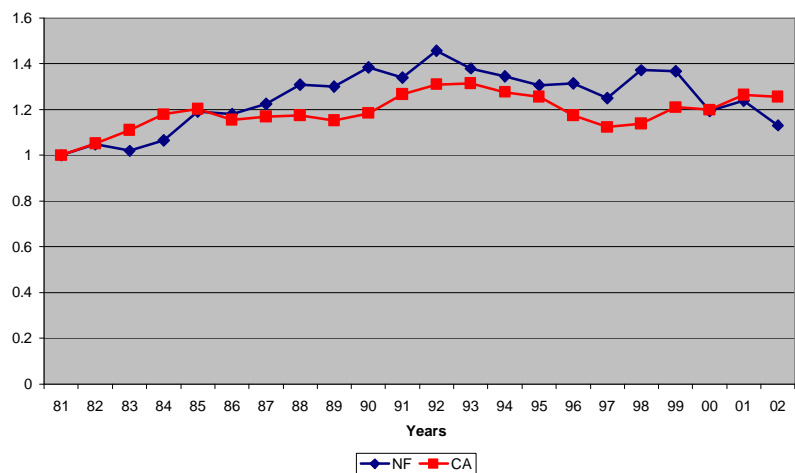
Practically all that 25% decline occurred between 1993 and 1999. At a time when Federal employment across Canada increased by 9% or almost 44,000 people, (2000-2004) the Province gained 80 Federal positions. Newfoundland and Labrador does have a slightly higher proportion of Federal jobs than it has national population but the Province still lags behind other provinces. In terms of senior staff with decision-making authority and representation of provincial interests, Newfoundland and Labrador is significantly underrepresented in proportion to its population and fares far worse than all the other provinces. Military presence in the Province is slightly less than the Province's portion of the population however the majority (64%) of personnel are reservists. Federal expenditures on wages and salaries have been increasing since 1981 but average earnings per employee remains several thousand dollars below the national average. Federal expenditures on goods and services, while they have increased since 1981, have not kept pace with nation-wide increases in expenditures. That has caused the Province's share of Federal expenditures to decline.

This report has provided a general overview of Federal presence in the Province over the past twenty-five years, with particular emphasis on the period after 1992. A significant amount of work is required to establish a comprehensive picture of Federal interaction with the Province. A second report is currently underway. It will: provide a detailed breakdown of federal employment in the Province, by department and location; identify the level, types and distribution of executive positions; undertake an overview of existing research on access to, and use of, Federal Government programs and services; examine the Federal procurement process; and provide additional qualitative information on changes in the Federal presence in the Province. Nevertheless, the evidence that has been documented herein does imply that a significant drop in Federal presence did take place in the Province over the years 1993 to 2004.

Appendix

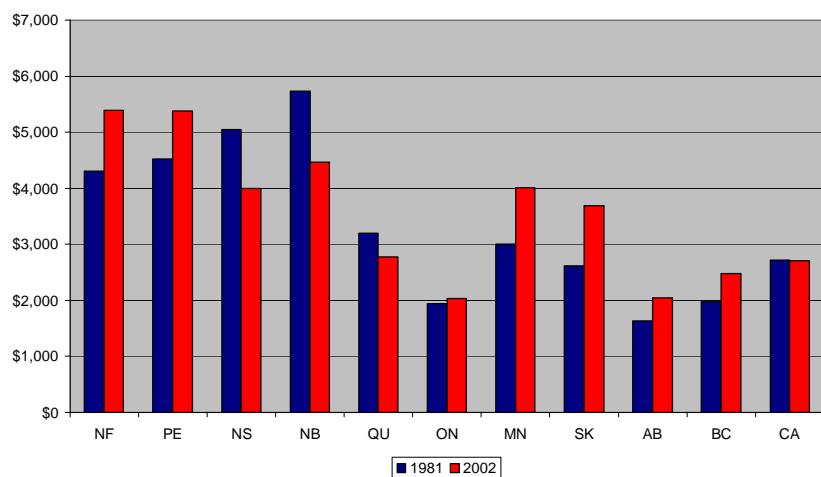
Total Transfer Payments (Intergovernmental and Personal) from the Federal Government to Newfoundland and Labrador

**Transfer Payments, Newfoundland and Canada
1981-2002, Normalized**



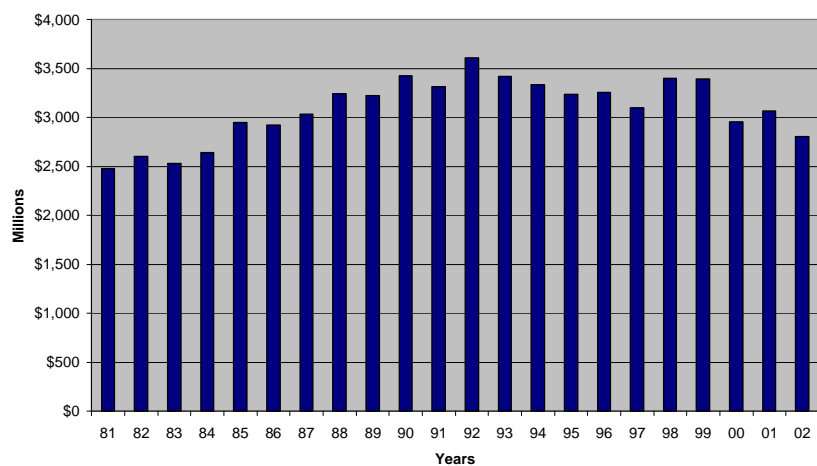
Source: Statistics Canada, Provincial Economic Accounts, Table 384-0004.

**Transfer Payments per Person 1981 & 2002
Adjusted for Inflation (Base Year 1992)**



Source: Statistics Canada, Provincial Economic Accounts, Table 384-0004.

Transfer Payments 1981-2002
Adjusted for Inflation (Base Year 1992)



Source: Statistics Canada, Provincial Economic Accounts, Table 384-0004.

THE
LESLIE
HARRIS
CENTRE
OF REGIONAL
POLICY AND
DEVELOPMENT



Memorial
University of Newfoundland

Memorial University of Newfoundland • Queens College
St. John's NL • A1C 5S7 • t: 709.737.6186 • e: harriscentre@mun.ca

www.mun.ca/harriscentre/