

Wage Watch

A Comparison of Public-sector and Private-sector Wages

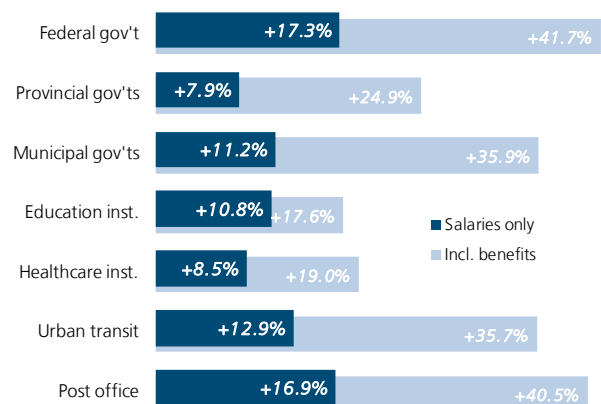
Ted Mallett, VP Research & Chief Economist
Queenie Wong, Research Analyst

Detailed analysis of 2006 Census findings on full-time earnings by sector and occupation show that government and public sector employees are paid roughly 8 to 17 per cent more than similarly employed individuals in the private sector. In addition, taking into account significantly higher paid benefits and shorter workweeks, the public sector total compensation advantage balloons past 30 per cent. Expressed in dollar terms, public sector employers have a combined wage and benefits bill that is \$19 billion higher than if they had kept costs to private sector norms.

The federal government is the worst offender, with a wage and salary premium of 17.3 per cent (see Figure 1). Premiums paid by municipal governments are almost as severe—11.2 per cent. Provincial governments, as a group, look comparatively good, but their wage and salary premiums are still an unacceptably high 7.9 per cent.

Contents:	
Wage Watch.....	1
Study Background.....	3
Wage Comparison Methodology.....	5
Findings on Wages and Salaries.....	7
Federal Administration.....	7
Provincial Public Administration.....	8
Local Public Administration.....	10
Education Institutions.....	11
Healthcare Institutions.....	12
Urban transit authorities.....	14
Canada Post.....	15
Conclusions and Recommendations.....	16
Appendix A.....	18
Detailed Results by Province and Major City.....	18
Appendix B.....	24
Empirical Methodology: Comparison of Narrowly-Defined Occupations.....	24

Figure 1:
Wage and salary advantages of public sector over private sector occupations



Source: CFIB analysis of Census 2006 custom tabulation

CFIB's analysis also covers other major public sector groups such as education, health care institutions, urban transit agencies and monopoly mail carrier Canada Post.

It is important to note that this analysis focuses solely on occupations found in both the public and private sectors, as defined by Statistics Canada. Unique public sector occupations are treated as incomparable and hence, are excluded from the analysis. Excluded occupations include: teachers, professors, urban transit drivers, letter carriers, law enforcement officers, fire fighters, military personnel, elected government officials, and senior government officials such as deputy ministers, assistant deputy ministers, and director generals.

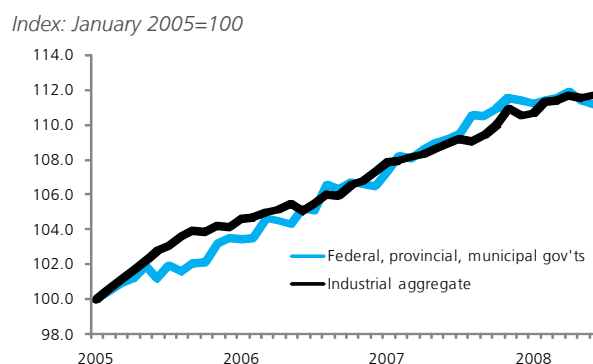
In every comparable case, the wage and salary premiums paid by these organizations fall within the ranges measured among the three major levels of government. It is interesting to note that these public sector organizations tend to have wage differentials in close proximity to their respective overseeing levels of government; Canada Post to the federal government, healthcare institutions to the provincial governments, and the urban transit sector to municipal governments.

Overall for 2005, annual wages and salaries in the public sector groupings range from \$45,760 to \$60,924, while their respective private sector comparators earn between \$41,281 and \$53,170. These figures represent a nation-wide weighted average of full-time, full-year employment earnings of Canadians in upwards of 200 occupations that are common in both public and private sectors.¹ These occupations cover about one-third of all employees in the public and private sectors. Overall, the findings are based on more than 1.2 million long-form Census returns, which are representative of more than 6 million Canadians.

These findings, although based on 2005 earnings, are very likely to be highly representative of current conditions. Other more generalized data on average weekly earnings growth since 2005 show that government wage growth is consistent with the total wage growth in the economy (see Figure 2).

Wages and salaries are only one component of employee compensation. Other forms of compensation include paid benefits such as employer-paid contributions to pensions, deferred earnings, health insurance premiums, tuition and Employment Insurance. Although the Census does not collect data on these forms of compensation, a review of more generalized data from Statistics Canada suggest a further benefits premium in favour of the public sector equivalent to 2.5 per cent to 13.8 per cent of wages—depending on level of government or organization.

Figure 2:
**Average weekly wage growth,
seasonally adjusted**



Source: Statistics Canada, Catalogue 72-002-XIB, Aug 2008

Non-financial forms of compensation are also worth comparing. Although other forms of compensation such as work environment and social atmosphere are too subjective to make definitive statements, the length of the typical workweek may serve as a reasonable proxy. Here too, there appears to be a considerable public sector advantage. Not only do public sector workers have shorter contractual workweeks on average, they also have more holiday time and take more time off because of illness and personal needs. Overall, full-time public sector employees work approximately 10 per cent fewer hours per week than their private sector counterparts.

This report is the fifth such study CFIB has conducted using the Census, dating back to 1986. Census data are ideal for this purpose

¹ See methodology section for a full explanation of data assumptions and structure.

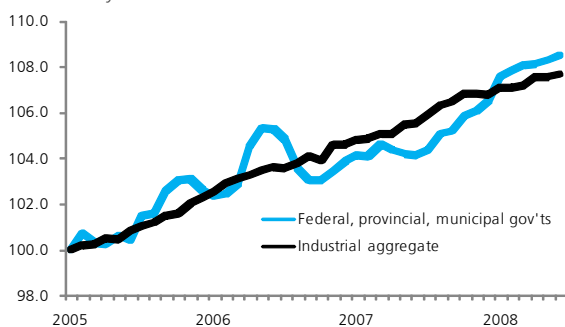
because it represents such a massive size in response level as well as breadth of detail of industry, occupation and geographic area.

The findings of this latest study not only confirm those of the previous four, but they suggest that governments as a group are losing control of the employment costs—benefits costs in particular. Coupled with a large increase in public sector employment in the past year (see Figure 3), such cost premiums exert pressure on government expenditures and give poor value-for-money returns to taxpayers.

Figure 3:

Payroll employment growth, seasonally adjusted

Index: January 2005=100



Source: Statistics Canada, catalogue 72-002-XIB, Aug 2008

Study Background

In the private sector, no company can survive in a competitive marketplace without effective cost management. Keen attention to value-for-money on both their inputs and outputs are critically important. Those that do it well succeed and contribute to Canada's economic performance. Those that fail to manage costs, however, either fall aside or act as a drag to the economy. For the public sector, which has fewer connections to competitive markets, maintaining spending discipline is even more important. Managed properly, public wage spending can help stabilize local economies from variable outside forces. Managed improperly, however, public wage spending will distort local employment markets, reduce productivity and increase tax levels.

Box 1: Sources of Wage Disparities and Premiums

Wage disparities arise from several sources. The most common are from legitimate differences in employee characteristics, from the way employers evaluate these characteristics to differences in non-wage benefits.

Legitimate determinants of wage disparities include education, region, occupation, tenure and work experience of employees. They are considered legitimate since they are often associated with the level of productivity an individual offers an employer. Many studies have evaluated the extent to which the above stated factors, among others, affect the wages of individuals. Wage differences favouring employees in one sector over another that do not arise from these "legitimate" factors are considered wage premiums or economic rents.

Wage disparities also arise from how sectors value the characteristics of employees. Educational attainment, for example, may be valued differently in the private and public sectors. An individual in the public sector with an MBA, for example, may command a lower wage relative to a private sector counterpart in the same occupation. Likewise, an individual with lower educational attainment in the public sector may command a higher wage relative to a private sector counterpart. Favourable wage disparities arising from how sectors evaluate characteristics of employees in similar occupations are, therefore, considered wage premiums or economic rents.

Non-wage benefits, an important component of employee compensation, differ from one occupation to another, as well as from one industry to another. Such benefits include pension contributions made by employers on behalf of employees, various insurance plans and extended medical plans. Known as fringe benefits, they are commonly generous in the public sector, at large employers, and for employees with collective agreements. As such, they are a prime source of disparities between employer compensation packages. Economic rents, or premiums, therefore, arise when fringe benefits of occupations in one sector favour similar occupations in another.

Box 2: Explanations for Wage Premiums

Employee Characteristics: Wage disparities will occur when employee characteristics differ from one sector to another. Such a case is often cited for differences in the wages of public sector employees relative to those of the private sector, as they are, on average, older, have greater tenure and higher educational attainment. What is perceived to be a wage premium is merely a “legitimate” wage difference due to employee characteristics. However, as will be presented in the next section, researchers have found that, taking these differences into account, wage premiums still exist.

Occupational Distribution: The public service is a “top-heavy” bureaucracy. Many positions are “white-collar” occupations consisting of various fields of managerial specialization. This is in contrast to the private sector, which consists of fewer managerial positions and a wider variety of occupations. Comparing wages on an occupational basis, therefore, is much more accurate.

Structure of the Public Sector: Another contributor to wage premiums is the structural difference in which the government sector operates relative to the private sector. Private enterprises function under a competitive environment—they set wages and prices according to the market. Public employers, on the other hand, can offer higher wages since the demand for their products and services is less dependent on their costs. Pressures to increase wages, therefore, have no significant countervailing forces, such as profits, to balance.

Union Presence: Contributing to inflationary pressures on public sector wages is the large presence of unions. The majority (74 per cent) of public sector employees are represented by collective bargaining agreements—compared to 20 per cent in the private sector. With no incentive to keep costs in check, such as the market mechanism, upward pressure on wages can succeed and the increases passed on to customers—in the case at hand, taxpayers.

Floor on Wages: The structure of the public sector also creates a price “floor” on wages. In attracting labour to the public sector, the minimum wage that governments can offer is the private sector wage. As a result, public sector wages are higher than what the “market” demands. Moreover, given this non-market structure and a “floor” on wages, governments, similar to private enterprise, must manage the retention of their employees. Incentives, therefore, are higher wages and non-wage benefits beyond what is offered by competitors.

Model Employer: Finally, some argue that governments should excel as the model employer. That is, private sector firms should strive to offer working conditions and compensation similar to that of the public sector. However, as noted above, private employers will offer wages and benefits on the basis of market forces.

The size of the public sector payroll receives much attention, as it is the largest expenditure of all levels of government. In all, 3.2 million Canadians are employed in government and in broadly defined public sector enterprises—about 19 per cent of total employment (see Table 1). With a total wage bill of \$161 billion, the impact on labour markets is considerable. In many regions and local communities, the weight of government is even larger.

Equally important to total employment are the wages and benefits paid to public employees relative to the private sector. Inflated wages contribute to higher payroll expenditures and, if not tempered, can offset any fiscal benefits sought from employment reductions and hiring freezes.

Table 1:

Public Sector Employment and Wage Bill in 2007, by Province

	Employment		Wages & Salaries \$millions
	'000s	% of empl. labour force	
Newfoundland	57.7	26.6	2,683.9
Prince Edward Is.	17.0	24.5	848.7
Nova Scotia	119.4	26.7	5,341.4
New Brunswick	84.4	23.3	4,084.7
Quebec	776.2	20.2	37,706.4
Ontario	1,172.1	17.8	61,799.6
Manitoba	158.2	26.5	7,238.3
Saskatchewan	136.0	27.1	5,831.8
Alberta	305.5	15.6	15,748.5
British Columbia	373.0	16.5	17,860.5
Canada	3,225.7	19.0	160,985.9

Source: Statistics Canada, *Public Sector Statistics 2007/2008*, Catalogue 68-213-x

It is important to keep in mind the effect of economies of scale. Larger provinces can employ a smaller percentage of the total labour force but offer the same level of service as smaller provinces. In other words, smaller provinces arguably have a small work force pool to draw from, and still have to provide the full range of government services to the public. Public sector employment is also often used as a lever to economic development, particularly for remote or rural areas.

The significance of public sector wage premiums extends far beyond fiscal considerations. First, disparities in wages and non-wage benefits favouring the public sector distort the labour market by enticing workers to exit private sector employment (see Box 1 for sources of disparities and Box 2 for explanations to wage premiums). In competing with the public sector to attract and retain skilled labour, private sector employers are limited by market forces—a factor of less concern to public sector employers. Second, inefficiencies in the public sector can be created, or worsened, by wage disparities. Low senior public sector wages, for example, result in high turnover rates—of which an undesirable consequence is the loss of “corporate memory” in the public sector.

Wage Comparison Methodology

This study measures wage disparities by comparing narrowly-defined occupations in the private sector and public administration (see Box 3 for a discussion on the different methods available). The guiding principle in selecting which occupations to compare is that they must readily be found in both the private and public sectors. The 2006 Census along with an aggregation methodology are employed to estimate wage differences between the sectors. Although very similar to the methodologies of previous years' reports, the analysis of this most recent 2006 data used more rigorous selection methods, on the expectation that they yield more conservative results. The core methodology was reviewed by the Treasury Board of the federal government following the release of the CFIB's previous report in 2003.² (see endnote¹)

² The Treasury Board Secretariat also reviewed econometric studies on the issue commissioned from by Dr. Morley Gunderson, as well as studies conducted for joint employer-union bargaining units within the government. Particular attention was paid to the CFIB study—they replicated the data purchase from Statistics Canada and arrived at the same results. Although the Treasury Board analysis was meant to challenge the size of the wage gap both CFIB and Dr. Gunderson estimated, they only had

The methodology to compute wage differentials is an index of aggregate earnings in 48 geographical areas (see Appendix B). To facilitate the comparison of public administration aggregate earnings to that of the private sector, the index is weighted by the number of employees in the respective public sectors in each geographic area.

The public sector is broken out in the following groups—with private sector comparisons made sequentially with each:

- ▶ Federal administration
- ▶ Provincial administration
- ▶ Municipal administration
- ▶ Education institutions
- ▶ Healthcare institutions
- ▶ Urban transit authorities
- ▶ Post office

The 2006 Census is an ideal data source since specific occupational groups (493 examined in this paper), categorized by Statistics Canada's 2006 Standard Occupational Classification system (2006 SOC), can be obtained for each province and a large number of urban areas in Canada. Moreover, the private sector and the seven levels of the public sector are readily distinguished according to the 2002 North American Industry Classification System (NAICS). Both the occupation and industrial classifications are updated versions from the classifications used in the previous CFIB studies.

minor disagreements with the methods used. For example, Treasury Board analysts suggested that average rather than median wages should have been used to measure occupational level salary norms. Either way the impact is minor—only changing the gap estimate by a third. CFIB still maintains, as is supported in the literature, that median earnings provide more stable and bias-free results. Nonetheless, to address this point, CFIB took efforts to restrict the number of directly comparable occupations by tightening the criteria of comparison—by only including occupations that had public/private earnings within 30% of each other rather than 40%. Treasury Board also expressed minor concerns about Dr. Gunderson's regression methodology, pointing out that identified wage gaps became smaller as one increased the level of occupational detail. Despite their inference that true wage gaps are therefore smaller, the Treasury Board supplied no additional evidence on occupation detail beyond that used in Dr. Gunderson's study.

Certain occupations were individually excluded for each geographical region. These exclusions are motivated by two objectives—comparability of occupations and stability of the results. To reiterate, occupations which are not found in both public administration and the private sector, and hence not comparable, include: teachers; professors, urban transit drivers, letter carriers, law enforcement officers, fire fighters, military personnel, elected government officials, and senior government officials such as deputy ministers, assistant deputy ministers, and director generals.

Also excluded from the analysis are those occupations which exhibit excessive wage differentials between both sectors. These outliers may skew the empirical results, making them unstable, and suggest that the nature of employment within these occupations significantly differ from one sector to another. To further ensure stability of the estimates, only those occupations with more than 20 individuals, in a defined geographic area, are included in the analysis.

The comparability and stability restrictions on occupations will, for each geographic region reported, reduce the number of occupations under study. At the national level, for example, the total number of occupations employed to compute federal public administration wage premiums represent 199 of the 493 total SOC categories. Only those geographic regions whose wage premiums were calculated from five or more occupation groups are reported. Individuals with employment income, aged 15 years or older, and working full-time for a full year in 2005 are included in the analysis. Self-employed individuals, part-time employees, and seasonal workers are excluded to ensure comparability of not just occupations, but of the individuals occupying them. Since the arithmetic average of earnings is subject to bias caused by extreme outliers, the median employment earnings within each occupation are used in calculating wage premiums.

Box 3: Measuring Wage Premiums

Wage Settlements: Wage premiums can be estimated by comparing average wage settlements in the private and public sectors. Although simple, this method has many disadvantages. First, most data sources on wage settlements follow large enterprises and organizations (over 500 employees) and, therefore, exclude the small and medium-sized business sector from the analysis. In addition, non-wage benefits, such as pension contributions by employers, are often excluded.

Indirect indicators: Average tenure of employees and the ratio of job applications to overall employment are common indirect indicators of wage premiums. A high average employee tenure and a high application/workforce ratio are indications, some argue, of superior wages and benefits offered by employers. However, these indicators are crude and are valid only in the strictest context of economic theory—which states that workers will stay in jobs that pay the highest wages and benefits. As with average wage settlements, these indirect indicators are simple, but carry a large disadvantage.

Econometric Estimation: Common in academic research is the application of econometric techniques to estimate differences between public and private sector wages. These approaches involve the formulation and estimation of the underlying processes—or equations—that set wages in the labour market. The benefit is that the impact of wage determining characteristics, such as education, tenure, training, etc., along with other factors are taken into account. As such, wage disparities arising from differences in employee characteristics can be determined. These disparities, as discussed above, arise from legitimate factors and are employed to isolate illegitimate wage premiums—economic rents.

Empirical results using these econometric approaches consistently conclude that there are economic rents, or wage premiums, in favour of public sector employees at all levels of government in Canada. Researchers have found that Canadian public sector wage premiums have ranged between 5 and 14 per cent over the last fifteen years. The most recent study, by Gunderson et al. (2000), using 1997 data, finds a nine per cent premium in favour of the public sector.

Occupational Comparison: A balance between the complexity of the above academic approach and the simplicity of the former is obtained by comparing wages of narrowly-defined occupations to estimate wage premiums. Researchers have employed this approach in the past to evaluate wage premiums for specific occupations in the public and private sector.

The advantage of this approach is that it does not require the estimation of the underlying process determining employee wages. Wage comparisons are restricted to similar occupations found in both the public and private sector. The underlying assumption is that job requirements are the same in both sectors and, therefore, employee characteristics can be ignored in the analysis.

Finally, an adjustment is made to the median results to account for differences in the average age of respondents. On average, public sector workers tend to be older than private sector workers in the same occupation groups. The age adjustment is meant to remove what bias age (as a proxy for years of work experience) may have on salary differences.

The idea behind this methodology is to get the best use of the occupational and industrial detail behind the most widely responded survey of population available. Although occupations are highly detailed, CFIB recognizes that they are not perfect substitutes for precise job matching exercises. Therefore, this study does not focus on individual occupation-by-occupation wage differences—only in aggregate. The fact that the data are also self-reported and then classified by Census data-entry staff means that some misclassifications are possible—either by occupation or by industry. CFIB makes the reasonable assumption that errors caused by occupational generalization or misclassification are randomly distributed in either direction and have no systematic bias on the overall wage gap estimates.

Findings on Wages and Salaries

The analysis finds significant wage differences favouring the public sector in all seven major categories. Federal employees receive the biggest benefits compared to private sector comparators, while provincial employees have the smallest wage advantages. There are consistent findings at provincial and city levels of detail as well, suggesting that these wage advantages are structural and more than just due to random data error.

Federal Administration

The relationship between federal public administration and private sector wages has been well documented by many authors in the past, including CFIB, which first studied the issue in 1992.

Wages

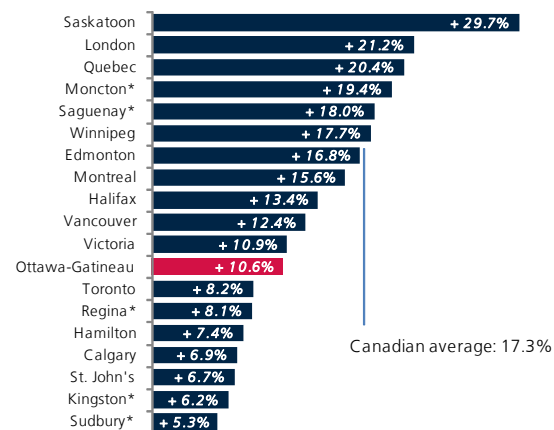
Wage premiums favouring public administration continue to persist at the federal level. Federal government employees are paid, on average about 17.3 per cent more than similar occupations in the private sector. Of the 199 occupations that met the matching criteria, 170 show a government wage advantage, while only 29 show a private sector advantage.

On average, the annual pay of these federal employees is \$60,924, while that of comparably employed private sector workers is \$51,947. These findings reflect the representative census records of 167,200 federal employees and 3.6 million private sector employees across Canada.

Within the Ottawa-Gatineau metropolitan area, where the largest number of jobs are located, the pay gap is 10.6 per cent (see Figure 4). In other cities, the gaps range from 29.7 per cent (Saskatoon) to 5.3% (Sudbury). The nature of the type of work carried out by federal government employees can differ substantially from city to city, as can the background employment profile of the local economies. These differences would explain the bulk of variation in the city-by-city results.

Figure 4:

Federal government wage advantages, by city (% above comparable private sector wages)



*Only 5-10 comparable occupations

Source: CFIB analysis of Census 2006 custom tabulation

It should also be noted that smaller sample sizes reduce the number of comparable occupations at the city level of detail, so these wider ranges of findings are not unexpected. Province by province, the gaps are widest in Saskatchewan and Quebec (23.2 per cent and 21.1 per cent respectively), while narrowest in Newfoundland and Alberta (7.9 per cent and 9.5 per cent respectively). For full detail, please consult table A1 on page 18.

The most common occupations that made the selection criteria include the following SOCs, making up about 40 per cent of the 167,200 federal employees covered in the analysis:

- ▶ B511 General office clerks
- ▶ B011 Financial auditors and accountants
- ▶ B541 Administrative clerks
- ▶ C071 Information systems analysts and consultants
- ▶ B021 Specialists in human resources
- ▶ B311 Administrative officers
- ▶ B531 Accounting and related clerks
- ▶ E034 Social policy researchers, consultants
- ▶ C074 Computer programmers and media developers
- ▶ B312 Executive assistants

Benefits

Benefits are becoming a larger factor in determining pay gaps. Paid benefits, such as employer pension contribution and healthcare insurance premiums now add another 24.2 per cent to the total federal wage bill, according to 2005 statistics. In the private sector, the norm is 14.4 per cent, after adjusting for differences in full- and part-time employment.³

Unpaid benefits, such as the length of the average actual workweek also largely favour the federal public sector. Full-time federal public servants work an average 33.5 hour workweek, taking into account vacations, sick leave and other time-off. In the private sector the actual workweek is 37.3 hours—a difference of another 11 per cent in the

effective cost of public and private sector employment.⁴ Factoring these paid and unpaid benefits differentials into the equation along with total wages pushes the federal total compensation advantage to beyond 40 per cent.

The federal government spends \$25.8 billion per year on wages and salaries, billions more if one includes the various and numerous federal business agencies and crown corporations.⁵ A 17.3 per cent wage premium, therefore, represents a huge spike in the cost of running government—approximately \$4.5 billion as of 2007. Adding benefits to the mix and accounting for the significantly shorter workweek of federal employees, taxpayers have legitimate cause to question the real value for the money they pay.

Provincial Public Administration

Wages

In contrast to its federal counterpart, wage premiums favouring provincial public administration are a more modest 7.9 per cent above the private sector—when taken as a group. Of the 207 occupations that met the matching criteria, 145 show a government wage advantage, while only 62 show a private sector advantage.

On average, the annual pay of these provincial employees is \$52,863, while that of comparably employed private sector workers is \$49,002. These findings reflect the representative census records of 154,200 provincial employees and 3.8 million private sector employees across Canada.

Province by province, the gaps are widest in Prince Edward Island (18.3 per cent), New Brunswick (14.1 per cent), Ontario (13.0 per cent) and Manitoba (also 13.0 per cent), while narrowest in Newfoundland and Quebec (2.6 per cent and 4.5 per cent respectively; see Figure 5)

³ Source: Statistics Canada, Table T5: Total Economy - Wages and Salaries, SLI and Labour Income - by Industry, by Sector Canada

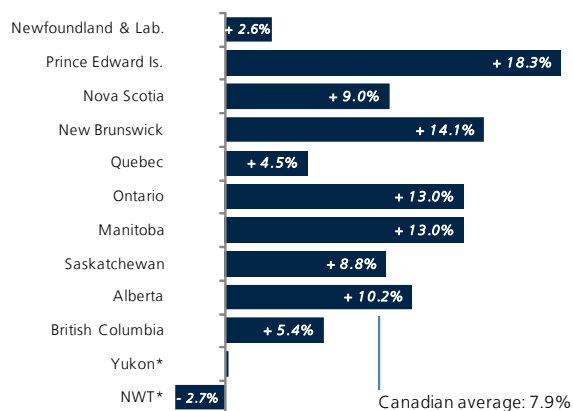
⁴ Source: Statistics Canada, Labour Force Survey 2005, Custom Tabulation

⁵ Source: Statistics Canada, CANSIM table number 183-0002

Figure 5:

Provincial & territorial government wage advantages

(% above comparable private sector wages)



*Only 5-10 comparable occupations

Source: CFIB analysis of Census 2006 custom tabulation

Within the provincial capital cities, the pay advantages are consistently high, ranging from 21.8 per cent in Charlottetown to 4.9 per cent in St. John's (see Figure 6). For full detail, please consult table A2 on page 19.

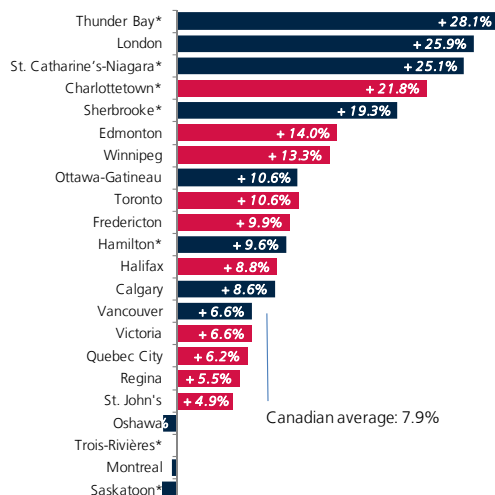
The most common occupations that made the selection criteria include the following SOCs, making up about 40 per cent of the 154,200 provincial and territorial government employees covered in the analysis:

- ▶ B511 General office clerks
- ▶ B211 Secretaries (except legal and medical)
- ▶ B311 Administrative officers
- ▶ B541 Administrative clerks
- ▶ C071 Information systems analysts and consultants
- ▶ B011 Financial auditors and accountants
- ▶ E012 Lawyers and Quebec notaries
- ▶ E212 Community and social service workers
- ▶ B553 Customer service, information and related clerks
- ▶ E022 Social workers

Figure 6:

Provincial government wage advantages, by city

(% above comparable private sector wages)



Capital cities in red

*Only 5-10 comparable occupations

Source: CFIB analysis of Census 2006 custom tabulation

Benefits

Paid benefits, such as employer pension contribution and healthcare insurance premiums now add another 18.3 per cent to the total provincial wage bill across the country, according to 2005 statistics. In the private sector the norm is 14.4 per cent, after adjusting for differences in full- and part-time employment.⁶

Unpaid benefits, such as the length of the average actual workweek also largely favour the provincial public sector. Full-time provincial public servants work an average 33.3 hour workweek, taking into account vacations and sick leave and other time-off. In the private sector the actual workweek is 37.3 hours—a difference of another 12 per cent in the effective cost of public and private sector employment.⁷ Factoring these paid and unpaid benefits differentials into the equation along

⁶ Source: Statistics Canada, Table T5: Total Economy - Wages and Salaries, SLI and Labour Income - by Industry, by Sector Canada

⁷ Source: Statistics Canada, Labour Force Survey 2005, Custom Tabulation

with total wages pushes the provincial government total compensation advantage to about 25 per cent.

Provincial and territorial governments spend \$19.5 billion per year on wages and salaries, with additional expenditures on benefits.⁸ A wage premium approaching eight per cent may look small, but it represents \$1.5 billion per year in total spending or tax revenues. This money is better spent on priority government services or on reduced taxes for the public.

Local Public Administration

Wages

Wage premiums favouring municipal public administration employees across Canada are 11.2 per cent above the private sector. Of the 186 occupations that met the matching criteria, 140 show a government wage advantage, while only 46 show a private sector advantage.

On average, the annual pay of these municipal employees is \$51,310, while that of comparably employed private sector workers is \$46,123. These findings reflect the representative census records of 118,645 municipal employees and 3.5 million private sector employees across Canada.

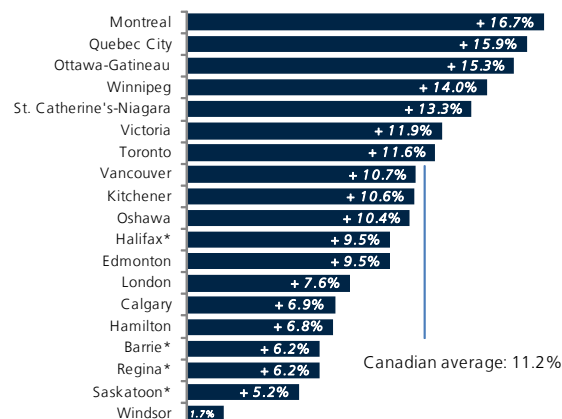
Province by province, the gaps are widest in New Brunswick (19.6 per cent), Quebec (14.8 per cent) and Nova Scotia (10.6 per cent), while narrowest in Newfoundland and Saskatchewan (0.1 per cent and 2.6 per cent respectively).

Among the major urban areas, pay advantages are even higher—including Montreal (16.7 per cent), Quebec City (15.9 per cent) and Ottawa-Gatineau (15.3 per cent). The lowest pay gaps are found in Windsor (1.7 per cent), Saskatoon (5.2 per cent), Barrie, and Regina (both at 6.2 per cent). (see Figure 7). For full detail, please consult table A3 on page 20.

Figure 7:

Municipal government wage advantages, by city

(% above comparable private sector wages)



*Only 5-10 comparable occupations

Source: CFIB analysis of Census 2006 custom tabulation

The most common occupations that made the selection criteria include the following SOCs, making up about 38 per cent of the 118,645 federal employees covered in the analysis:

- ▶ H831 Public works and maintenance labourers
- ▶ B511 General office clerks
- ▶ B211 Secretaries (except legal and medical)
- ▶ B531 Accounting and related clerks
- ▶ B541 Administrative clerks
- ▶ G933 Janitors, caretakers and building superintendents
- ▶ H611 Heavy equipment operators (except crane)
- ▶ C164 Construction inspectors
- ▶ B575 Dispatchers and radio operators
- ▶ C053 Urban and land use planners

The analysis, however, does not include local government occupations such as police officers, firefighters and others that are clearly exclusively in the public sector. Any reference to their pay relative to private sector norms has to be conducted differently and is beyond the scope of this analysis. However, it is fair to say that any wage premium measured among comparable occupations can be used as an indirect assessment of the reasonableness of earnings in non-comparable occupations.

Because the Census data are collected from individuals where they live, the urban area

⁸ Source: Statistics Canada, CANSIM table number 183-0002

definitions don't specifically identify local governments in detail. For example, public sector employees living in the Greater Vancouver Region may work for any of the numerous local governments that make up the area—and they may live in a different city than where they work. Although the basic conclusions hold firm, these findings, depending on the structure of the urban region, therefore may represent an aggregated view of salaries in multiple governments.

Benefits

Paid benefits, such as employer pension contribution and healthcare insurance premiums now add another 28.2 per cent to the total municipal wage bill across the country, according to 2005 statistics. In the private sector the norm is 14.4 per cent, after adjusting for differences in full- and part-time employment.⁹

Unpaid benefits, such as the length of the average actual workweek also largely favour the municipal public sector. Full-time municipal public servants work an average 34.2 hour workweek, taking into account vacations and sick leave and other time-off. In the private sector the actual workweek is 37.3 hours—a difference of another nine per cent in the effective cost of public and private sector employment.¹⁰ Factoring these paid and unpaid benefits differentials into the equation along with total wages pushes the municipal government total compensation advantage to roughly 36 per cent.

Local governments spend \$18.3 billion per year on wages and salaries, with additional expenditures on benefits.¹¹ A wage premium at any level would be a big price tag. At 11.2 per cent, the municipal wage premium represents more than \$2 billion per year in spending over and above what the local wage markets dictate.

⁹ Source: Statistics Canada, Table T5: Total Economy - Wages and Salaries, SLI and Labour Income - by Industry, by Sector Canada

¹⁰ Source: Statistics Canada, Labour Force Survey 2005, Custom Tabulation

¹¹ Source: Statistics Canada, CANSIM table number 183-0002

This is money that could be put to better use, such as improvements in infrastructure and services to the community.

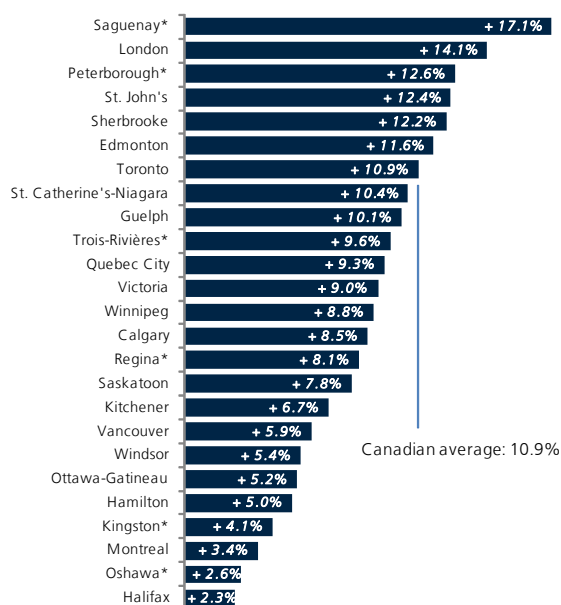
Education Institutions

Wages

Wage premiums favouring public sector employees at educational institutions across Canada are 10.8 per cent above the private sector. Of the 206 occupations that met the matching criteria, 130 show a public sector wage advantage, while only 76 show a private sector advantage.

On average, the annual pay of these public sector employees is \$45,760, while that of comparably employed private sector workers is \$41,281. These findings reflect the representative census records of 164,455 public sector employees and 4.2 million private sector employees across Canada.

Figure 8:
Education sector wage advantages, by city
(% above comparable private sector wages)



*Only 5-10 comparable occupations

Source: CFIB analysis of Census 2006 custom tabulation

Wage gaps are largest in Prince Edward Island (29.9 per cent), New Brunswick (17.7 per cent) and Newfoundland (15.7 per cent). Pay gaps

are smallest in Quebec and Nova Scotia (5.2 per cent and 5.4 per cent respectively).

Pay advantages are consistently high among the capital cities with the exception of Halifax. For full detail, please consult table A4 on page 21.

The most common occupations that made the selection criteria include the following SOCs, making up about 57 per cent of the 164,455 education sector employees covered in the analysis:

- ▶ G933 Janitors, caretakers and building superintendents
- ▶ B211 Secretaries (except legal and medical)
- ▶ B511 General office clerks
- ▶ E133 Educational counsellors
- ▶ B311 Administrative officers
- ▶ A322 Administrators - Post-secondary education and vocational training
- ▶ E035 Education policy researchers, consultants and program officers
- ▶ B531 Accounting and related clerks
- ▶ C071 Information systems analysts and consultants
- ▶ B541 Administrative clerks

Benefits

Paid benefits for employees across public educational institutions contribute an additional 18.5 per cent in hiring cost based on 2005 statistics. In the private sector, the norm is 16 per cent, after adjusting for differences in full- and part-time employment.¹²

Unlike the federal, provincial, and municipal administrations, non-wage benefits are lower in the case of educational institutions. The size of the non-wage differential is smaller in this case because of the similarity in the average actual hours worked between public and private sector employees. The length of the average actual workweek differs by about four hours a week between public and private sector employees in public administration. The

¹² Source: Statistics Canada, Table T5: Total Economy - Wages and Salaries, SLI and Labour Income - by Industry, by Sector Canada

difference in average actual hours worked is only about one hour a week when comparing public and private sector employees in the education sector. Full-time public sector employees at educational institutions work an average 33.7 hour workweek, taking into account vacations and sick leave and other time-off. The actual work week for private sector employees is 35 hours.¹³ Adding non-wage benefits to existing wage premiums results in a public sector advantage of close to 18 per cent.

Expenditures on wages and salaries for local school boards and post-secondary institutions total about \$45.9 billion per year, with additional expenditures on benefits.¹⁴ Even at a lower wage premium compared to other public administrations, the existing wage premium of 10.8 per cent for public sector employees adds a whopping \$5 billion to the cost of publicly run educational institutions. Reducing this wage premium can translate into public savings which can be used to lower business- and residential-education property tax rates across Canada.

Healthcare Institutions

Wages

Wage premiums favouring public sector healthcare employees across Canada are 8.5 per cent above the private sector. Of the 203 occupations that met the matching criteria, 131 show a public sector wage advantage, while only 72 show a private sector advantage.

On average, the annual pay of these public sector healthcare employees is \$47,004, while that of comparably employed private sector workers is \$43,303. These findings reflect the representative census records of 504,530 public sector employees and 4.2 million private sector employees across Canada.

Wage gaps are widest in Prince Edward Island (14.9 per cent), Ontario (13.6 per cent) and

¹³ Source: Statistics Canada, Labour Force Survey 2005, Custom Tabulation

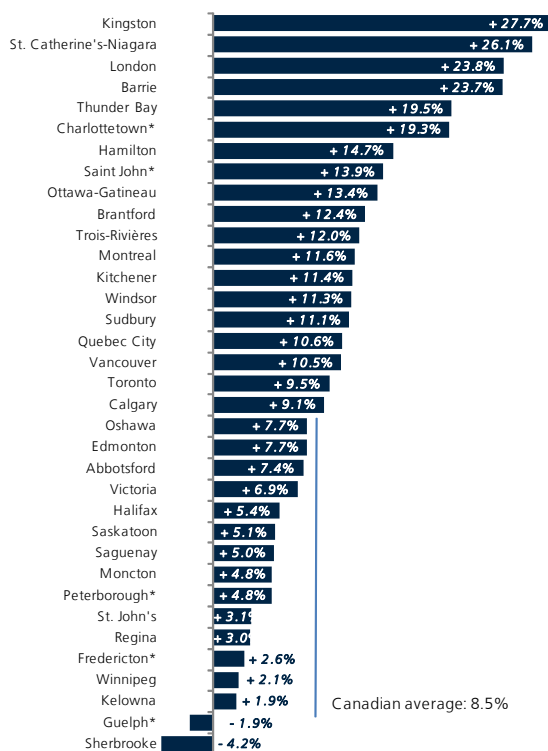
¹⁴ Source: Statistics Canada, CANSIM table number 183-0002

British Columbia (13 per cent). Pay gaps are narrowest in Saskatchewan and Newfoundland (5.3 per cent and 1.9 per cent respectively).

Some of the cities with the highest pay advantages originate from Ontario: Kingston (27.7 per cent), St. Catherine's-Niagara (26.1), and London (23.8 per cent). The lowest wage gaps are found in Sherbrooke (-4.2 per cent), Guelph (-1.9 per cent), and Kelowna (1.9 per cent) (see Figure 9). For full detail, please consult table A5 on page 22.

Figure 9:

Healthcare institution wage advantages, by city (% above comparable private sector wages)



*Only 5-10 comparable occupations

Source: CFIB analysis of Census 2006 custom tabulation

The most common occupations that made the selection criteria include the following SOCs, making up about 61 per cent of the 504,530 healthcare employees covered in the analysis:

- ▶ D112 Registered nurses
- ▶ D312 Nurse aides, and patient service associates
- ▶ D233 Licensed practical nurses
- ▶ G931 Light duty cleaners

- ▶ E212 Community and social service workers
- ▶ A321 Managers in health care
- ▶ D234 Ambulance attendants and other paramedics
- ▶ B511 General office clerks
- ▶ E022 Social workers
- ▶ B211 Secretaries (except legal and medical)

Benefits

Paid benefits, such as employer pension contribution and healthcare insurance premiums make up an additional 18 per cent of the wage bill for healthcare workers, according to 2005 statistics. Non-wage benefits total 10.9 per cent for private sector employees, after adjusting for differences in full- and part-time employment.¹⁵

Similar to workers in the educational sector, the difference in average actual hours worked is relatively small when comparing public and private sector workers. As a result, the non-wage benefit differential becomes smaller as well in comparison with public administrations. Full-time public sector employees work an average of 32.1 hours a week, taking into account vacations and sick leave and other time-off. In the private sector, the actual work week is 33.1 hours.¹⁶ Paid and unpaid benefits differentials contribute to the public sector advantage of about 19 per cent.

Spending on wages and salaries of healthcare workers totals \$35.7 billion per year, with additional expenditures on benefits.¹⁷ Even at 8.5 per cent, this wage premium represents more than \$3 billion per year in spending. The Canadian healthcare system can certainly benefit from additional funding. Instead of spending taxpayer money on wage premiums, funds can be allocated towards the hiring of additional healthcare workers such as

¹⁵ Source: Statistics Canada, Table T5: Total Economy - Wages and Salaries, SLI and Labour Income - by Industry, by Sector Canada

¹⁶ Source: Statistics Canada, Labour Force Survey 2005, Custom Tabulation

¹⁷ Source: Statistics Canada, CANSIM table number 183-0002

physicians and nurses and help reduce wait times at healthcare facilities.

Urban transit authorities

Wages

Wage premiums favouring public sector urban transit workers across Canada are 12.9 per cent above the private sector. Of the 65 occupations that met the matching criteria, 56 show a government wage advantage, while only nine show a private sector advantage. On average, the annual pay of these municipal employees is \$60,043 while that of comparably employed private sector workers is \$53,170. These findings reflect the representative census records of 6,770 public sector urban transit employees and 1.7 million private sector employees across Canada.

Among the few provinces that have comparable occupations in urban transit, Ontario shows the largest wage gap of 20.7 per cent. The narrowest gap occurs in Alberta at 5.7 per cent.

Figure 10:

Urban transit wage advantages, by city

(% above comparable private sector wages)



*Only 5-10 comparable occupations

Source: CFIB analysis of Census 2006 custom tabulation

Wage advantages are the highest in Ottawa-Gatineau at 24.1 per cent and in Toronto at 22.7 per cent. For full detail, please consult table A6 on page 23.

The most common occupations that made the selection criteria include the following SOCs, making up about 51 per cent of the 6,770 transit employees covered in the analysis:

- ▶ G714 Ticket agents, cargo service representatives and related clerks (except airline)
- ▶ A373 Transportation managers
- ▶ H711 Truck drivers

- ▶ H414 Railway carmen/women
- ▶ H212 Industrial electricians
- ▶ B511 General office clerks
- ▶ B575 Dispatchers and radio operators
- ▶ C031 Civil engineers
- ▶ H412 Heavy-duty equipment mechanics
- ▶ H732 Railway track maintenance workers

Readers should note that this analysis on urban transit workers excludes bus and subway drivers as most are employed by the public sector. Moreover, occupations in urban transit stem only from metropolitan areas, namely, Vancouver, Calgary, Toronto, Ottawa-Gatineau, and Montreal.

Benefits

Paid benefits, such as employer pension contribution and healthcare insurance premiums now another 23.3 per cent to the public sector urban transit wage bill across the country, according to 2005 statistics. In the private sector, the norm is 20.5 per cent, after adjusting for differences in full- and part-time employment.¹⁸

Unpaid benefits, such as the length of the average actual workweek also largely favour public sector employees. Full-time public sector employees in the transportation sector work an average 34.4 hour workweek, taking into account vacations and sick leave and other time-off. In the private sector, the actual workweek is 40.4 hours—a difference of 17 per cent in the effective cost of public and private sector employment.¹⁹ Factoring these paid and unpaid benefits differentials into the equation along with total wages pushes the public sector urban transit total compensation advantage to roughly 36 per cent.

Urban transit systems in Canada have been involved in numerous strikes due to

¹⁸ Source: Statistics Canada, Table T5: Total Economy - Wages and Salaries, SLI and Labour Income - by Industry, by Sector Canada

¹⁹ Source: Statistics Canada, Labour Force Survey 2005, Custom Tabulation

unsatisfactory wage negotiations with unions. This analysis demonstrates that public sector employees already possess large wage premiums and greater non-wage benefits over their private sector counterparts. The funds used towards existing wage premiums can be better utilized elsewhere. Alternatively, taxpayer money can be invested in infrastructure for provinces and municipalities.

Canada Post

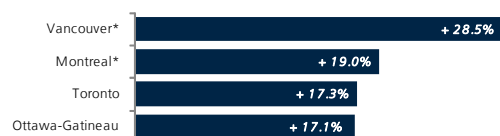
Wages

Wage premiums favouring Canada Post employees across Canada are 16.9 per cent above the private sector. Of the 41 occupations that met the matching criteria, 32 show a government wage advantage, while only nine show a private sector advantage.

On average the annual pay of these Canada Post employees is \$50,593, while that of comparably employed private sector workers is \$43,285. These findings reflect the representative census records of 10,890 Canada Post employees and 1.6 million comparable private sector employees across Canada.

Figure 11:

Canada Post wage advantages, by city (% above comparable private sector wages)



*Only 5-10 comparable occupations

Source: CFIB analysis of Census 2006 custom tabulation

Similar to the case of urban transit, post office occupations are applicable to a few limited metropolitan areas, namely, Vancouver, Toronto, Ottawa-Gatineau, and Montreal. The largest wage gap occurs in Vancouver at 28.5 per cent. The smallest wage gap occurs in Ottawa-Gatineau at 17.1 per cent which is still

a relatively high wage premium. For full detail, please consult table A7 on page 23.

The most common occupations that made the selection criteria include the following SOCs, making up about 77 per cent of the 10,890 postal employees covered in the analysis:

- ▶ B414 Supervisors, mail and message distribution occupations
- ▶ B563 Couriers, messengers and distributors
- ▶ B571 Shippers and receivers
- ▶ H711 Truck drivers
- ▶ B511 General office clerks
- ▶ B575 Dispatchers and radio operators
- ▶ H812 Material handlers
- ▶ A131 Sales, marketing and advertising managers
- ▶ B021 Specialists in human resources
- ▶ B531 Accounting and related clerks

It should be noted that this analysis on Canada Post excludes letter carriers as it is almost exclusively a public sector occupation.

Benefits

Paid benefits, such as employer pension contribution and healthcare insurance premiums now another 23.3 per cent to the total Canada Post wage bill across the country, according to 2005 statistics. In the private sector, the norm is 20.5 per cent, after adjusting for differences in full- and part-time employment.²⁰

Unpaid benefits, such as the length of the average actual workweek also largely favour public sector employees. Based on statistics in the transportation sector, full-time employees work an average 34.4 hour work week, taking into account vacations and sick leave and other time-off. In the private sector, the actual work week is 40.4 hours—a difference of another 17 per cent in the effective cost of public and private sector employment.²¹

²⁰ Source: Statistics Canada, Table T5: Total Economy - Wages and Salaries, SLI and Labour Income - by Industry, by Sector Canada

²¹ Source: Statistics Canada, Labour Force Survey 2005, Custom Tabulation

Factoring these paid and unpaid benefits differentials into the equation along with total wages pushes the total compensation advantage for public sector employees to over 40 per cent.

Canada Post is a well known monopoly in the country. With better control over spending on wages and salaries, the organization has the potential to reduce prices, improve service, and give taxpayers a higher return on their dollar.

Conclusions and Recommendations

Disparities between private sector and public administration wages are persistently high. It shows that not enough attention has been paid by public employers to ensure appropriate balance and comparability. In many cases, the threat or initiation of disruptive job action by government employee unions is enough to ensure that short-term labour peace is given higher priority over longer-term cost considerations.

Offering competitive wages and benefits to employees is a key strategy used to attract and retain professional and well educated workers in the public sector. Even though this strategy is essential in building a good quality public service, compensation should be fair and not exceed what is being offered in the private sector. Excessive government wage and benefits premiums over the private sector and increases in government payrolls have significant negative impacts on local economies as well as on Canada's economy as a whole. As stated at the outset of this report, wage disparities disrupt local labour markets and the overall competitiveness of private enterprise. In addition, excessive public wages and non-wage benefits inflate overall government spending at the expense of taxpayers.

Measures must be taken to minimize the negative impacts of wage differentials. There is also a need to address the issue of coverage and funding on the benefits side. In this respect, guided by three principles—

transparency, public debate, and accountability—CFIB sets out the following recommendations:

Key recommendations:

- ▶ Moving forward, no government or public enterprise should agree to any negotiated general wage increase above the rate of inflation. With an economic slowdown looming, there may have to be firmer actions such as freezing wages or cutting staff levels if necessary to avoid tax increases. Once public and private sector wage levels are in line, then it would be appropriate to allow greater increases, but only in proportion to objectively demonstrated improvements in a public sector employer's labour productivity levels.
- ▶ Government employers must consider the combined value of wages, benefits and working hours in evaluating appropriate compensation levels. If the public sector decides to offer more generous wages, then benefits levels can logically be lower, without compromising fairness in total compensation.
- ▶ In general, total government spending increases should be kept to no higher than inflation plus population growth. Policymakers must have to balance the supply of public services with the costs of supplying them—since wages are a major part of the cost of public services.
- ▶ Using independent assessments and balanced methodologies, each government or public enterprise should measure and publish broad-based wage statistics of their workforces and those in the comparable private sector. These measures should attempt to deal with equivalence as much as possible. Evaluations should not, however, be permitted to cherry-pick only certain occupations or restrict analysis to certain private sector segments such as multi-national, union-only or pseudo-private enterprises. In general taxpayers need more clarity in the final costs and effects of compensation demands within the public sector.

- ▶ Governments must move toward implementing no-strike legislation for a larger proportion of its workforces. Apart from imposing huge costs and being a major inconvenience to the public, public sector strikes are major bargaining levers and contribute greatly to higher wage levels. Furthermore, there is no justification for awarding even higher wages to employees covered by no strike legislation, which is common in arbitration settlements.
- ▶ Governments must revise arbitration laws to require that, in the event of failed negotiations, prevailing local private sector wage and benefit levels and taxpayer interests are the primary determinants of arbitrators' wage awards, and weighted much higher than public sector wages and benefits within other governments.
- ▶ Any taxes or premiums a government places on the general public should also have to be paid by its own public sector employees.
- ▶ Governments should each engage in wide pension policy reviews that include public sector plans. Currently, Nova Scotia, Alberta, British Columbia, and Ontario are conducting private sector-only pension reviews. The overall objective of any pension reform should be to level the playing field between the treatment of retirement savings for public and private sector individuals. If the public sector offers richer benefits compared to the private sector, it may be necessary to give private sector employees and employers more options and more capabilities in saving for retirement.
- ▶ Governments need to look into realistic solutions to the unsustainable funding deficiencies of defined-benefit plans. The taxpayer should not be the default go-to-mechanism to fund government pension plan shortfalls. Options should include mechanisms such as the capping of taxpayer funded contributions, benefit de-indexing and benefit restructuring.
- ▶ Governments must move toward greater reliance on defined contribution plans rather than defined benefit pension plans which are far more expensive to maintain and much more opaque. Retaining defined benefit plans for existing employees and setting up defined contribution plans for new employees is a common way private sector employers have chosen to act.
- ▶ Federal and provincial institutions should harmonize solvency funding rules for private and public sector pension plans across the country, so that every plan is held to the same standard. The disturbing lack of clarity, accountability and transparency in the pension system needs to be corrected.

Appendix A

Detailed Results by Province and Major City

Table A1

Federal Government

	Avg. Salaries		Public/Private Diff.		Occupation coverage		Employee coverage	
	Public Sector	Comparable Private Sector	Salaries	Salaries & Benefits***	Total Comparable	With Public Sector Advantage	Public Sector	Private Sector
	\$		%		#		#	
Canada	60,924	51,947	17.3%	41.7%	199	170	167,200	3,595,205
British Columbia	56,740	50,731	11.8%	35.1%	105	72	13,805	321,250
Vancouver	57,293	50,992	12.4%	31.8%	64	49	7,235	142,340
Victoria	54,812	49,405	10.9%	30.1%	30	24	1,875	7,430
Alberta	56,589	51,690	9.5%	32.3%	82	59	9,110	264,565
Calgary	63,185	59,107	6.9%	25.4%	27	18	1,865	54,185
Edmonton	55,897	47,868	16.8%	37.0%	47	39	3,740	61,965
Saskatchewan	58,234	47,273	23.2%	44.5%	35	31	2,385	22,655
Regina*	50,588	46,810	8.1%	26.8%	8	6	515	3,775
Saskatoon	65,827	50,739	29.7%	52.2%	13	12	750	3,105
Manitoba	54,044	45,539	18.7%	39.2%	45	37	4,465	34,670
Winnipeg	54,893	46,628	17.7%	38.1%	38	31	3,710	23,740
Ontario	63,417	55,350	14.6%	34.4%	165	132	77,275	1,396,730
Ottawa-Gatineau	65,766	59,451	10.6%	29.8%	119	92	64,450	94,500
Toronto	59,018	54,521	8.2%	30.8%	59	42	8,385	379,800
Hamilton	53,333	49,663	7.4%	26.0%	13	9	830	11,790
London	55,269	45,586	21.2%	42.2%	10	9	510	8,430
Kingston*	46,454	43,747	6.2%	28.3%	9	4	510	1,415
Sudbury*	43,510	41,313	5.3%	27.3%	9	5	685	1,730
Quebec	58,168	48,049	21.1%	42.0%	119	107	37,110	533,555
Montreal	57,559	49,803	15.6%	35.6%	65	53	8,450	223,930
Quebec	53,077	44,077	20.4%	41.2%	28	22	2,065	26,050
Ottawa-Gatineau	65,766	59,451	10.6%	29.8%	119	92	64,450	94,500
Saguenay*	47,055	39,873	18.0%	42.6%	5	4	255	1,385
New Brunswick	57,779	47,960	20.5%	41.3%	30	29	2,035	16,310
Moncton*	63,520	53,209	19.4%	44.2%	7	6	355	1,235
Nova Scotia	56,280	47,504	18.5%	39.0%	57	49	5,495	37,485
Halifax	57,116	50,360	13.4%	33.0%	48	39	3,985	14,485
Prince Edward Island	60,336	47,619	26.7%	48.6%	4	3	310	360
Newfoundland	62,041	57,472	7.9%	26.6%	22	16	1,085	5,000
St. John's	61,364	57,526	6.7%	28.9%	16	11	760	3,165

Table A2
Provincial Government

	Avg. Salaries		Public/Private Diff.		Occupation coverage		Employee coverage	
	Public Sector	Comparable Private Sector	Salaries	Salaries & Benefits***	Total Comparable	With Public Sector Advantage	Public Sector	Private Sector
	\$		%		#		#	
Canada	52,863	49,002	7.9%	24.9%	207	145	154,200	3,825,130
British Columbia	54,071	51,311	5.4%	22.0%	91	62	17,610	284,430
Victoria	53,404	50,117	6.6%	20.4%	47	30	5,875	10,920
Vancouver	54,252	50,902	6.6%	20.4%	39	26	3,965	105,540
Alberta	56,654	51,419	10.2%	27.6%	80	61	13,545	212,965
Edmonton	56,292	49,389	14.0%	28.7%	63	50	8,665	59,005
Calgary	58,983	54,293	8.6%	22.7%	29	22	1,690	58,470
Saskatchewan	49,468	45,471	8.8%	22.9%	58	38	4,990	37,500
Regina	51,122	48,465	5.5%	19.1%	34	20	2,845	11,150
Saskatoon*	47,607	48,186	-1.2%	11.6%	6	3	220	2,175
Manitoba	49,633	43,926	13.0%	27.6%	56	39	5,420	54,190
Winnipeg	51,332	45,304	13.3%	28.0%	40	31	3,565	31,140
Ontario	60,656	53,682	13.0%	27.6%	123	94	37,015	1,055,680
Toronto	63,946	57,824	10.6%	28.1%	81	60	17,105	445,165
Oshawa	56,140	56,784	-1.1%	14.5%	22	11	1,295	12,160
Ottawa-Gatineau	58,000	52,445	10.6%	24.9%	29	23	2,375	36,985
London	53,308	42,339	25.9%	42.2%	11	10	565	8,000
Hamilton*	54,416	49,651	9.6%	23.8%	9	6	485	9,325
St. Catharine's-Niagara*	55,234	44,167	25.1%	44.8%	8	8	360	4,040
Thunder Bay*	44,722	34,919	28.1%	48.3%	5	5	280	940
Quebec	46,599	44,592	4.5%	18.0%	125	82	45,285	627,420
Quebec City	47,371	44,604	6.2%	20.0%	87	55	18,240	46,025
Montreal	45,062	45,257	-0.4%	12.5%	66	40	12,150	238,625
Ottawa-Gatineau	58,000	52,445	10.6%	24.9%	29	23	2,375	36,985
Sherbrooke*	33,814	28,355	19.3%	38.1%	8	7	350	1,930
Trois-Rivières*	38,690	38,670	0.1%	15.9%	8	4	395	1,625
New Brunswick	46,900	41,120	14.1%	28.8%	49	39	4,190	39,855
Fredericton	48,785	44,407	9.9%	27.2%	22	19	1,285	3,360
Nova Scotia	45,123	41,400	9.0%	23.1%	43	33	3,060	33,440
Halifax	49,326	45,326	8.8%	22.9%	29	22	2,025	15,845
Prince Edward Island	49,537	41,881	18.3%	33.6%	11	10	500	1,210
Charlottetown*	53,901	44,270	21.8%	41.0%	9	9	315	820
Newfoundland	42,043	40,966	2.6%	15.9%	29	18	2,095	11,055
St. John's	44,214	42,159	4.9%	21.4%	20	11	1,225	5,415
NWT*	68,886	70,827	-2.7%	12.6%	8	4	405	620
Yukon*	55,082	54,962	0.2%	16.1%	3	1	95	85

Note: Figures for Ottawa-Gatineau reflect employees in both the Ontario and Quebec governments

Table A3

Municipal Government

	Avg. Salaries		Public/Private Diff.		Occupation coverage		Employee coverage	
	Public Sector	Comparable Private Sector	Salaries	Salaries & Benefits***	Total Comparable	With Public Sector Advantage	Public Sector	Private Sector
	\$		%		#		#	
Canada	51,310	46,123	11.2%	35.9%	186	140	118,645	3,546,770
British Columbia	53,125	48,120	10.4%	34.9%	88	67	12,210	254,135
Vancouver	53,629	48,427	10.7%	30.6%	68	51	6,010	124,900
Victoria	50,068	44,759	11.9%	31.9%	13	11	580	3,205
Alberta	52,918	49,344	7.2%	31.0%	87	57	13,380	309,965
Edmonton	51,682	47,196	9.5%	29.1%	41	27	3,340	56,790
Calgary	56,466	52,804	6.9%	26.1%	40	28	3,055	75,810
Saskatchewan	41,330	40,298	2.6%	20.9%	39	25	2,905	42,535
Regina*	46,563	43,836	6.2%	25.2%	9	5	315	3,275
Saskatoon*	43,995	41,837	5.2%	24.0%	8	4	385	3,000
Manitoba	43,990	39,929	10.2%	29.9%	34	25	2,495	38,205
Winnipeg	46,619	40,901	14.0%	34.4%	25	21	1,435	22,250
Ontario	54,151	49,617	9.1%	28.7%	152	102	49,570	1,388,805
Toronto	57,038	51,093	11.6%	36.4%	104	87	17,465	491,370
Ottawa-Gatineau	54,661	47,405	15.3%	36.0%	51	43	4,305	52,055
Hamilton	52,251	48,924	6.8%	25.9%	37	24	2,110	25,760
Oshawa	53,833	48,761	10.4%	34.9%	25	20	1,270	15,035
St. Catherine's-Niagara	46,095	40,674	13.3%	38.5%	21	14	1,260	10,440
Kitchener	50,874	46,012	10.6%	35.1%	20	14	1,050	12,085
London	47,900	44,509	7.6%	26.9%	14	10	695	8,510
Windsor	50,182	49,359	1.7%	24.2%	10	5	560	5,345
Barrie*	44,049	41,479	6.2%	29.8%	5	4	220	1,630
Quebec	47,066	40,999	14.8%	35.4%	98	79	25,330	511,825
Montreal	48,851	41,874	16.7%	37.6%	76	65	12,035	258,910
Quebec City	48,189	41,581	15.9%	36.6%	33	28	2,190	28,020
Ottawa-Gatineau	54,661	47,405	15.3%	36.0%	51	43	4,305	52,055
New Brunswick	39,846	33,304	19.6%	41.1%	16	14	1,020	14,300
Nova Scotia	43,650	39,460	10.6%	30.4%	30	22	1,485	30,015
Halifax*	40,310	36,810	9.5%	29.1%	9	7	350	7,140
Newfoundland	38,807	38,787	0.1%	18.0%	14	9	885	8,510

Table A4
Primary, Secondary, Post-Secondary Education

	Avg. Salaries		Public/Private Diff.		Occupation Coverage		Employee Coverage	
	Public Sector	Comparable Private Sector	Salaries	Salaries & Benefits***	Total Comparable	With Public Sector Advantage	Public Sector	Private Sector
	\$		%		#		#	
Canada	45,760	41,281	10.8%	17.6%	206	130	164,455	4,205,855
British Columbia	46,597	42,443	9.8%	16.5%	92	55	18,710	315,725
Vancouver	47,223	44,591	5.9%	5.7%	77	44	9,965	154,005
Victoria	42,036	38,554	9.0%	8.9%	20	13	1,500	7,825
Alberta	46,692	42,984	8.6%	15.2%	93	63	15,620	307,030
Calgary	47,867	44,110	8.5%	8.4%	46	33	4,240	74,710
Edmonton	48,550	43,489	11.6%	11.5%	45	32	5,250	61,235
Saskatchewan	39,520	36,337	8.8%	8.6%	41	31	4,490	30,225
Saskatoon	37,603	34,892	7.8%	7.6%	19	12	1,420	6,430
Regina*	36,500	33,775	8.1%	7.9%	6	2	585	3,280
Manitoba	39,636	34,690	14.3%	14.1%	39	29	5,015	46,915
Winnipeg	44,641	41,035	8.8%	8.6%	34	26	2,465	30,655
Ontario	48,094	44,097	9.1%	8.9%	145	90	54,950	1,516,965
Toronto	50,886	45,882	10.9%	17.7%	92	67	19,095	537,935
Ottawa-Gatineau	47,379	45,043	5.2%	5.0%	42	21	4,590	59,300
Hamilton	43,949	41,876	5.0%	4.8%	34	17	3,005	25,900
Kitchener	44,405	41,625	6.7%	13.2%	22	12	2,175	15,715
London	43,194	37,841	14.1%	14.0%	20	13	2,050	12,135
Guelph	47,292	42,964	10.1%	16.8%	13	10	790	2,955
St. Catherine's-Niagara	39,419	35,706	10.4%	17.1%	10	7	870	5,805
Windsor	43,379	41,170	5.4%	11.8%	10	5	835	4,150
Oshawa*	44,826	43,691	2.6%	8.8%	9	6	965	6,525
Kingston*	42,537	40,871	4.1%	10.4%	8	4	635	1,525
Peterborough*	45,072	40,046	12.6%	19.4%	6	6	310	1,315
Quebec	40,420	38,439	5.2%	5.0%	112	62	35,780	736,975
Montreal	42,319	40,944	3.4%	3.2%	85	45	17,910	288,600
Quebec City	38,205	34,939	9.3%	9.2%	35	25	3,675	34,440
Ottawa-Gatineau	47,379	45,043	5.2%	5.0%	42	21	4,590	59,300
Sherbrooke	35,290	31,462	12.2%	19.0%	12	9	805	3,360
Trois-Rivières*	37,827	34,523	9.6%	16.2%	6	5	380	1,915
Saguenay*	36,486	31,168	17.1%	24.2%	5	5	490	1,635
New Brunswick	38,892	33,037	17.7%	17.6%	22	16	2,420	19,475
Nova Scotia	37,315	35,390	5.4%	5.3%	39	25	4,145	34,030
Halifax	38,631	37,754	2.3%	2.2%	24	11	1,895	14,715
Prince Edward Island*	32,957	25,374	29.9%	29.7%	4	4	315	875
Newfoundland	36,632	31,666	15.7%	15.5%	19	16	1,570	9,625
St. John's	36,023	32,063	12.4%	19.2%	11	7	785	3,660

Table A5

Healthcare Institutions

	Avg. Salaries		Public/Private Diff.		Occupation coverage		Employee coverage	
	Public Sector	Comparable Private Sector	Salaries	Salaries & Benefits***	Total Comparable	With Public Sector Advantage	Public Sector	Private Sector
	\$		%		#		#	
Canada	47,004	43,303	8.5%	19.0%	203	131	504,530	4,186,300
British Columbia	51,456	45,547	13.0%	23.9%	103	74	55,030	272,950
Vancouver	52,807	47,780	10.5%	17.5%	75	49	26,245	125,910
Victoria	49,263	46,074	6.9%	13.7%	31	21	4,730	9,775
Kelowna	47,905	47,027	1.9%	11.7%	11	6	1,535	1,685
Abbotsford	46,258	43,052	7.4%	17.8%	10	7	1,295	1,910
Alberta	50,557	47,455	6.5%	16.8%	83	53	42,545	227,250
Edmonton	52,809	49,032	7.7%	14.5%	55	36	15,015	49,345
Calgary	51,058	46,792	9.1%	16.0%	52	31	11,340	67,290
Saskatchewan	46,742	44,383	5.3%	12.0%	58	43	17,660	35,360
Saskatoon	51,838	49,327	5.1%	11.8%	31	20	3,745	7,000
Regina	45,672	44,339	3.0%	9.5%	21	12	2,985	4,885
Manitoba	43,431	40,930	6.1%	12.8%	69	48	20,785	64,820
Winnipeg	44,616	43,694	2.1%	8.6%	54	39	12,290	35,980
Ontario	53,515	47,095	13.6%	20.8%	144	86	165,300	1,425,510
Toronto	55,718	50,878	9.5%	20.1%	109	71	52,755	540,100
Ottawa-Gatineau	50,781	44,763	13.4%	20.6%	69	48	15,645	62,485
Hamilton	54,385	47,396	14.7%	22.0%	50	29	10,295	27,740
London	53,810	43,471	23.8%	31.6%	47	34	9,120	17,555
St. Catherine's-Niagara	50,241	39,851	26.1%	38.2%	25	20	4,510	10,730
Kitchener	49,311	44,272	11.4%	22.1%	23	17	3,815	8,020
Windsor	56,567	50,809	11.3%	22.1%	20	16	3,910	5,535
Oshawa	51,513	47,834	7.7%	18.1%	20	12	3,525	7,715
Sudbury	49,563	44,617	11.1%	21.8%	16	13	2,045	2,340
Barrie	57,371	46,387	23.7%	35.6%	12	10	1,365	2,430
Brantford	52,711	46,893	12.4%	23.3%	12	8	1,115	2,095
Thunder Bay	52,933	44,282	19.5%	31.1%	12	9	1,945	1,915
Kingston	54,170	42,409	27.7%	40.1%	12	10	1,905	1,885
Peterborough*	36,498	34,839	4.8%	14.9%	8	6	345	1,270
Guelp* [*]	54,434	55,466	-1.9%	7.6%	6	3	655	1,085
Quebec	42,320	37,927	11.6%	18.7%	129	84	135,575	656,985
Montreal	42,748	38,304	11.6%	18.7%	102	61	58,740	313,515
Quebec City	42,595	38,499	10.6%	17.7%	55	41	15,540	35,280
Ottawa-Gatineau	50,781	44,763	13.4%	20.6%	69	48	15,645	62,485
Sherbrooke	41,638	43,462	-4.2%	5.1%	21	16	2,395	4,045
Trois-Rivières	40,549	36,193	12.0%	22.9%	16	12	1,450	2,950
Saguenay	40,116	38,221	5.0%	15.1%	12	9	1,730	2,475
New Brunswick	43,711	39,504	10.7%	17.7%	47	28	11,345	25,225
Moncton	54,350	51,839	4.8%	15.0%	10	10	1,275	2,270
Saint John*	51,395	45,118	13.9%	24.9%	9	5	1,465	1,905
Fredericton*	53,147	51,806	2.6%	12.5%	5	4	575	865
Nova Scotia	44,244	40,174	10.1%	17.1%	51	29	16,630	36,635
Halifax	48,094	45,638	5.4%	12.1%	39	20	6,185	16,785
Prince Edward Island	46,785	40,704	14.9%	22.2%	10	8	1,145	1,110
Charlottetown*	47,403	39,730	19.3%	30.8%	7	7	565	465
Newfoundland	45,201	44,346	1.9%	8.4%	36	26	9,065	12,355
St. John's	50,325	48,827	3.1%	13.0%	25	17	3,965	5,520

Table A6
Urban Transit

	Avg. Salaries		Public/Private Diff.		Occupation coverage		Employee coverage	
	Public Sector	Comparable Private Sector	Salaries	Salaries & Benefits***	Total Comparable	With Public Sector Advantage	Public Sector	Private Sector
	\$		%		#		#	
Canada	60,043	53,170	12.9%	35.7%	65	56	6,770	1,696,430
British Columbia*	57,865	51,006	13.4%	36.4%	9	7	485	35,305
Vancouver*	58,210	49,598	17.4%	34.5%	9	8	400	20,520
Alberta*	57,138	54,072	5.7%	27.0%	9	5	675	43,095
Calgary*	58,685	55,874	5.0%	20.4%	6	4	240	8,790
Ontario	61,971	51,353	20.7%	38.3%	40	35	4,765	498,315
Toronto	61,730	50,291	22.7%	47.5%	33	26	3,560	204,620
Ottawa-Gatineau*	53,368	43,017	24.1%	42.2%	5	4	345	5,045
Quebec	58,502	50,195	16.5%	33.6%	25	21	1,500	159,855
Montreal	60,619	52,719	15.0%	31.8%	18	13	1,005	70,540
Ottawa-Gatineau*	53,368	43,017	24.1%	42.2%	5	4	345	5,045

Table A7
Canada Post

	Avg. Salaries		Public/Private Diff.		Occupation coverage		Employee coverage	
	Public Sector	Comparable Private Sector	Salaries	Salaries & Benefits***	Total Comparable	With Public Sector Advantage	Public Sector	Private Sector
	\$		%		#		#	
Canada	50,593	43,285	16.9%	40.5%	41	32	10,890	1,597,130
British Columbia*	45,762	36,831	24.2%	49.4%	6	5	2,410	31,635
Vancouver*	47,353	36,858	28.5%	47.3%	7	5	1,505	26,415
Alberta*	53,042	44,151	20.1%	44.4%	8	7	400	63,190
Ontario	54,642	46,572	17.3%	34.5%	34	29	4,890	615,105
Toronto	52,474	44,732	17.3%	41.0%	16	13	2,070	179,580
Ottawa-Gatineau	66,605	56,867	17.1%	34.3%	13	13	915	18,055
Quebec	44,493	37,164	19.7%	37.2%	16	12	2,690	167,345
Montreal*	50,042	42,059	19.0%	36.4%	9	8	385	65,255
Ottawa-Gatineau	66,605	56,867	17.1%	34.3%	13	13	915	18,055

*Note small sample size (fewer than 10 comparable occupations)

**Using Occupational median salaries, with age adjustment

***Includes, public and private sector differences in actual hours worked and differences in employer-paid pension contributions, health benefits and other deferred wage benefits.

Appendix B

Empirical Methodology: Comparison of Narrowly-Defined Occupations

Population:

Persons 15 years of age and over with 2005 employment income who worked full time, full year. Full-time employment is defined as 30 hours or more per week; full-year employment is defined as 49 weeks or more per year.

Sector and Occupation Definitions:

Occupations found in both the public and private sectors were selected from a total list of 717 occupations groups (including all occupational codes) as defined in the 2006 Standard Occupational Classification (SOC 2006) system. A total of 493 occupations at the four digit occupational code were used in this analysis after excluding selected occupations that are non-comparable between public-sector and private-sector employees.

The 8 industry groups used in this study are based on the 2002 North American Industrial Classification System (NAICS)

- ▶ Federal public administration
- ▶ Provincial public administration
- ▶ Local/Municipal public administration
- ▶ Urban transit
- ▶ Public Education
- ▶ Hospitals and Health Care institutions
- ▶ Postal services
- ▶ Private sector

Geography:

48 geographical areas in total: Canada, the provinces/territories and select Census Metropolitan Areas (CMAs) and Census Agglomerations (CAs).

Variables:

i = The i th occupation from a total list of 493 SOC categories.

j = The j th geographic area from a total list of 48 categories

$G\#_{ij}$ = Number of public administration employees in occupation i and residing in geographic area j .

$P\#_{ij}$ = Number of private-sector employees in occupation i and residing in geographic area j .

$Gm\$_{ij}$ = Median employment earnings of public administration employees in occupation i and residing in geographic area j .

$Pm\$_{ij}$ = Median employment earnings of private-sector employees in occupation i and residing in geographic area j .

Ad_i = Average age difference between public-administration and private-sector employees in occupation i .

$Ap\$$ = Percentage wage premium for each increase in age of employee (proxy for experience/tenure).

Data Filtering:

Data which meets the following criteria are to be excluded in computing wage differentials as to omit statistical outliers:

1. If $G\#_{ij} < 25$ or $P\#_{ij} < 25$
2. If $0.7 > Gm\$_{ij} / Pm\$_{ij} > 1/0.7$

Aggregation Method:

The computation of wage differentials between the private-sector and public administration is based on a Paasche index (I) as follows:

$$I_j = \frac{\sum Gm\$_{ij} \times G\#_{ij}}{\sum [Pm\$_{ij} \times G\#_{ij}] \times [1 + (Ad_i \times Ap\$)]}$$

The value $Gm\$_{ij} \times G\#_{ij}$ for example, represents the median earnings in public administration weighted by the number of persons working in public administration for occupation i , geographic area j . This value is computed for

each level of public administration (federal, provincial, and local). The total value of the earnings in each level of public administration for all occupations is therefore the sum of $Gm\$_{ij} \times G\#_{ij}$ (or $\cdot Gm\$_{ij} \times G\#_{ij}$).

Age adjustments are applied to the private sector weighted salaries in the calculation of the overall wage differential. The age of public and private sector employees generally can differ across occupations. Older workers in the public sector may typically possess more experience and higher tenure which can explain for higher wages. Therefore, in this analysis, younger workers within an occupation face an upward wage adjustment. First, the difference in the average age between public and private sector employees is calculated for each occupation and industry sector. This average age difference is then multiplied by the one year percentage wage premium (0.352%). This one year wage premium is found by computing the difference in wages between individuals aged 40-44 and 45-49 (using the 2005 median full time employment income), and then dividing by 5.

Taking the ratio of $(\cdot Gm\$_{ij} \times G\#_{ij})$ to the total value of employing the same number of workers at the median earnings level in the private sector (i.e., $\cdot Pm\$_{ij} \times G\#_{ij}$) with a total age adjustment of $[(\cdot Pm\$_{ij} \times G\#_{ij}) \times (Ad_i \times Ap\$)]$ results in the above-noted Paasch index. The actual wage differential is I-100.

Hence, if $I-100 > 0$ (or $I > 100$), there is a wage advantage in favour of those occupations in public administration. Similarly, if $I-100 < 0$ (or $I < 100$), the wage advantage is in favour of private-sector occupations.

ⁱ Treasury Board of Canada Secretariat, Expenditure Review of Federal Public Sector - Volume One - The Analytical Report and Recommendation, Chapter 6. Studies Comparing Federal Compensation to the Private and Broader Public Sectors. http://www.tbs-sct.gc.ca/spsm-rgsp/er-ed/vol1/vol107_e.asp