

Stabilizing and Future Transformation of the Federal Government's Pay Administration (Phoenix)

Canada's public servants deserve to be paid properly and on time for their important work. In early 2016, the Phoenix pay system for federal public servants was implemented following years of planning and development as part of a broader initiative originally intended to save money. Since that time, it has been obvious that the outcomes have been unacceptable for both the Government and its employees. The Transformation of Pay Administration Initiative launched in 2009 was under-resourced and suffered from poor planning and implementation. The Government is doing everything it can to make this right.

To date, the Government has committed more than \$460 million to implement the Phoenix pay system and resolve subsequent issues. Over the last year and a half, the Government has hired several hundred people to rebuild capacity that was lost due to the previously flawed business plan. In addition, action has also been taken to reimburse employees who have incurred personal expenses as a result of pay issues. However, serious issues and challenges with the Phoenix pay system continue, and too many federal public servants are not being properly paid.

Through Budget 2018, the Government is committing to the next steps in addressing the ongoing challenges of the Phoenix pay system, including announcing its intention to eventually move away from Phoenix and begin development of the next generation of the federal government's pay system, one that is better aligned with the complexity of the federal government pay structure. In this context, the Government proposes to provide an additional investment of \$16 million over two years, beginning in 2018–19, to work with experts, federal public sector unions and technology providers on a way forward for a new pay system.

In the interim, the Government will continue to address the existing pay challenges. To this end, Budget 2018 proposes an investment of \$431.4 million over six years, starting in 2017–18, to continue making progress on Phoenix issues, including hiring additional staff to support the pay system, bringing the number of employees working on pay issues at the Pay Centre and satellite offices to more than 1,500. This compares to the 550 employees that were originally intended to handle all pay issues when the new pay system was launched. Furthermore, this additional funding would go towards hiring more staff within departments to better assist employees with payroll issues as they arise. This would mean that public servants also have better access to a broader range of supports in the workplace.

Budget 2018 also proposes to provide \$5.5 million over two years, starting in 2017–18, to the Canada Revenue Agency for the processing of federal government employee individual income tax reassessments that are required due to Phoenix pay issues, and for handling related telephone enquiries.

While the Phoenix pay system has been underpaying some public servants, it has also been paying others too much. Under current legislation, any employee who receives an overpayment in respect of a previous year is required to pay back the gross amount to their employer and recover excess withholdings from the Canada Revenue Agency. Public servants in this situation can rest assured that they will not have to start repaying until after the Canada Revenue Agency processes their tax return and refunds the excess withholdings (or credits them against a tax liability). At the same time, the Government is reviewing the legislation and will engage key stakeholders to assess the feasibility of changes to the legislation that would permit any private or public sector employee in this situation to repay the amount net of withholdings, starting for the 2018 taxation year and forward.

Finally, to address the real mental and emotional stress and unacceptable financial impacts on public servants, the Government has initiated discussions with public service representatives to address the numerous grievances and legal actions. Similarly, the Government will also take action to reimburse missing and inaccurate dues that are owing to public sector unions.

Improving Service Delivery

Canadians expect government services to be of high quality, accessible, secure and digitally enabled. The Government will make significant new investments to bolster the backbone of federal government operations, and ensure that Canadians receive the services that they need and deserve.

For example, building on investments of \$12.1 million announced in Budget 2017, Employment and Social Development Canada is exploring modern approaches to service delivery, beginning with Employment Insurance (EI). Through the modernization of benefit delivery, the Government will improve Canadians' access to services and benefits, including speeding up application processes.

In addition, the Government is committed to minimizing the administrative burden on employers. To this end, Employment and Social Development Canada is working with stakeholders to develop ways to streamline employer reporting obligations under the EI program.

The Government proposes legislative amendments respecting service delivery by the Government to the public and partner entities, including e-service delivery.