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The Permanence of Temporary Services: The Reliance of Canadian Federal Departments on Policy & Management Consultants

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Abstract:

The use of external consultants in government in the management and policy realms has drawn increasing attention in many countries in recent years, including Canada. Studies were undertaken internationally in the 1990s and 2000s as legislatures and their accounting arms became concerned with the 'hidden' costs of the 'corporatization' of the public service and tried to expand benchmarking measures for government efficiency to include external consultants. Accounting for these increases in expenditure on consultancy however, continues to face several critical challenges given the current state of governmental financial and personnel reporting. In all cases the data on which existing reports have heretofore been drawn is very weak. We examine results from a new dataset compiled from Proactive Disclosure data in order to help clarify the situation of management consulting in Canada at the Departmental level.

Introduction

The use of external consultants in government is an increasingly important focus of concern (ANAO 2001; House of Commons Committee of Public Accounts (UK) 2010; Auditor General of Canada 2012a; 2012b). Two correlated questions sit at the crux of this concern: how to control costs and how to assess the effect of consultants on government activities. This is true of the use of consultants generally and, more specifically, of their use in a management and policy capacity. Because of the limits of current data that is available from government sources our main focus will be management consulting but, where possible, we shall also discuss the policy area. The paper focuses on the demand for consulting services in these areas, comparing the activity of federal departments and agencies. In particular we map the progression of management consulting contracts across the federal administration and identify the largest administrative users of these categories of consulting services. The research in this article is limited to the federal government as the financial records for the various Provinces and Territories lag far

behind those of the federal government in this area and do not offer sufficient detail in their reporting to provide solid analytical data comparable to that presented here.

There are definitional differences between policy consultants and management consultants in general and for those records kept by the Federal Government and the private sector. The Federal Government Treasury Board expenditure category 0491 (“Management Consulting”) used in this article is defined as containing “consulting services for financial management, transportation, economic development, environmental planning, public consultation and other consulting services not specifically mentioned in other objects.” These ‘other objects’ consist of a variety of codes related to various other kinds of professional and technical services. The private sector, on the other hand, uses the North American Industry Classifications System (NAICS) definition used by Statistics Canada and other NAFTA statistical agencies, which focuses on the provision of “advice and assistance to businesses and other organizations on management issues, such as strategic and organizational planning; financial planning and budgeting; marketing objectives and policies; human resource policies, practices, and planning; production scheduling; and control planning.” That is, the NAICS definition focuses on business services while the Treasury Board category includes a variety of tasks related to government policy-making activities. Consulting on policy matters, as opposed to management or organizational issues, is thus a sub-sector of the Treasury Board management consulting category that Perl and White (2002: 51), for example, defined as involving “the engagement of external analytical capacity by state actors to perform all or part of the strategic, research, assessment or evaluative tasks that comprise the functions of policy analysis.”

The explanations of the emergence of policy and management consulting practices in government and the reasons at its root are varied. Some accounts place consulting within the larger framework of increased contracting out and part-time service delivery in government and see it as part of a more general shift in the overall nature of state-societal relations – away from the ‘positive’ or ‘regulatory’ state (Majone 1997) and towards the ‘service’, ‘franchise’, or ‘competition’ state (Butcher et al 2009; Perl and White 2002; Radcliffe 2010; Bilodeau, Laurin, and Vining 2007). An approach that is shared by the more historically inclined analysis of Saint-Martin (1998b; 2005; 2006) who suggested that rising ‘consultocracy’ led to a weakening of democratic practices and public direction of policy and administrative developments.

Notions of the rise of the franchise state for example, are centered on the idea that the contemporary ‘service state’ is based on many more external-internal links in the provisions of services – in which contracting is the norm in many areas – than the pre WWII ‘autarkic state’ which was based on “in house provision of all kinds of services”. The primary aim of in-house provision was usually to provide ‘consistency, reliability and standardization’ in service provision (Butcher et al 2010 p. 22) concerns which have been replaced, it is argued, by “a hybrid mixture of part public, part private, activities, delivery that does not remain in neat boxes or organizational settings, (with) loose combination of actors and providers who are each necessary to see something delivered” (Butcher et al 2010 p. 31). Here the state is seen as the chief contractor and variety in the nature of goods and services provided and their provision is seen as neither surprising nor unexpected.

Some scholars have noted that the use of for-hire consultants has extended far beyond public service provision to now play an increasing role in policy-making and organizational management activities within government, arguably an increasingly influential one (Guttman and Willner 1976; Kipping and Engwall 2003; Martin 1998). Others, however, see the use of consultants in policy-making as a less significant activity linked to the normal development of policy advice systems in modern government as business groups and others require specialized expertise in their efforts to lobby governments, and government agencies in turn require similar expertise in order to deal with ever more active business, NGOs, and other participants in policy-making processes (Halligan 1995; Lahusen 2002). As Lahusen put it:

Consultancies are at the head of a growing professionalization and institutionalization of interest intermediation: first, these companies are able to establish themselves successfully beside trade associations; second they are able to expand in terms of staff and national branches; third they successfully provide professional skills and services above and beyond the specific interests or issues to be dealt with, i.e. they possess 'neutral' professional tools to be learned and applied by new managerial staff. (2002 p. 697)

Czarniawska and Mazza (2003) also suggest that consultants are likely to play a limited role in policy-making, arguing they are poorly organized to exercise any kind of permanent policy influence and rely very much on the existence of a variety of appropriate political and institutional characteristics – such as the rise of the service state – in order to exercise any influence at all. This is a view, which has been supported by the findings of van Houten and Goldman (1981) and, to a lesser extent, Saint Martin (1998a and 1998b).

Such dichotomous views cry out for more nuanced analyses (Clark and Fincham 2002) which not only can more accurately assess basic quantitative questions such as how

many consultants and contracts there are, and if their numbers grew over the past several decades, but can also carefully examine the qualitative questions around the nature of influence in governments and the role consultants play in it, from the provision of direct advice to the more indirect creation of specific kinds of knowledge and its mobilization/utilization in policy deliberations (van Helden et al 2010; Weiss 1977; 1986).

Analyses to date, however, have looked mainly at the financial impact of contracts rather than at their effects, such as their impact on officials abrogating responsibility for policy decision or otherwise affecting the policy capacity of departments and agencies involved in their hire (Bakvis, 1997; Saint-Martin 2005; Speers, 2007; Howlett and Newman 2010). There are few studies of the long-term staffing and human capital effects that may develop as a result of consistently contracting out policy advice (Riddell 2007).¹

Until recently it was the case that data problems, especially but not solely in the area of policy consulting, were acute and prevented serious evaluation of these issues. There are long-standing problems in separating consultants hired to perform more rank-and-file jobs such as information technology consulting, or management consulting broadly writ, and those classifiable as policy advisors or policy consultants, for example. Other problems concerned existing data collection techniques in government, which either did not cover relatively small contracts or blended policy-related work together with other activities such as ‘professional services’ or ‘temporary work.’ What’s more, often decisions about these reporting matters were left up to individual units, meaning whatever data existed was often idiosyncratic and difficult to compare across units,

meaning it has been very difficult to arrive at an accurate assessment of the scope and use of any kind of consultants, including management and policy ones, across government.

Recently, however, both regulatory and institutional steps have been taken in Canada to deal with some of these issues, although often unintentionally and linked to government efforts at further cost efficiency or to contracting scandals and their aftermath.² Access to data about federal government contract expenditures, for example, has recently been improved due to two developments linked to the 2004 scandal surrounding Quebec advertising contracts and the Liberal Party (“Sponsorgate”) (Gomery 2005; 2006). First, on March 23, 2004 the Federal government introduced rules of proactive disclosure so that, beginning in October 2004, all contracts above \$10,000.00 are published on government websites. This increased the number of contracts reported in detail, lowering the old limit of \$100,000. Another tool is the [Federal Accountability Act](#), which came into effect on December 12, 2006. The Act has legislative, procedural and institutional facets designed to increase the transparency and accountability of all government spending including contracting and, along with the new framework for procurement accounting procedures and the requirement to table an annual report, it was intended to improve transparency. The Act also created the [Office of the Procurement Ombudsman](#), which is tasked with addressing perceived business fairness and competitiveness issues in the procurement area and reports regularly on policies and practices in this area. In 2003, the federal government also developed a Management Accountability Framework (MAF) laying out the Treasury Board’s expectations of management best practices across all areas of government including contracting.

The new data and enhanced clarity are useful to researchers inquiring into government contracting including policy-related consulting. Problems still exist in separating out purely policy-related from purely management related activities and at least one major federal actor, National Defence, does not use the 0491 reporting category utilized here. Nevertheless in what follows we are able to present the results of an analysis of this new data which allows us to determine much more precisely than ever before not just the aggregate level of spending and activity on policy and management consulting on the part of the federal government, but also its precise focus and concentration in specific departments.

The Field in Canada Until Now: Data Limitations and Findings

The General Picture

Beyond a smattering of early pieces on the subject of contracting from the 1960s and 1970s (see Deutsch 1973; Meredith and Martin 1970), studies of policy and management consultants' roles in Canada can be divided temporally into an initial set of primarily empirical works written at the end of the 1990s and more conceptual discussions about policy advisors and their impact after 2000. The former tended to rely on anecdotal analysis and required the authors to mine relatively unspecified and un-detailed public accounts for numbers on the cost and pervasiveness of policy consultants at both the federal and provincial level (Bakvis 1997; Saint-Martin 1998a, 1998b). The more recent crop of research explores the role of policy analysts and advisors at the provincial and federal levels using surveys and other data but deals with policy consulting only in passing (Perl and White 2002; Howlett and Newman 2010; Howlett 2009; Prince 2007; Saint-Martin 2005, 2006; Speers 2007).³

Perl and White (2002: 52) in their path-breaking 2002 study found the “evidence for a growing role played by policy consultants at the national government level is compelling in Canada” noting that annual, government-wide, expenditure on “other professional services” reported in the Public Accounts of Canada for fiscal years 1981-82 through 2000-01 showed “a continuous increase from C\$239 million in 1981-82 to C\$1.55 billion in 2000-01 (a 647% increase). As a share of total government expenditures this meant almost tripling Ottawa’s budgetary allocations (Perl and White 2002: 53).

Perl and White, however, also noted the poor nature of the data with which they had to work, and the difficulties this generated for the analysis of policy consulting. Because of its aggregate nature it tended to combine together all kinds of professional services, for example, in the information technology, geology or environmental areas, which have little direct impact of public policy decision-making. This allowed for an exploration of the management side of the issue but severely limited the study of the policy side.

Similar problems were highlighted recently by the Public Service of Canada (2010) in a study of temporary help services use – including most consultants – in eleven Canadian public service organizations. That study provided some summary information on temporary help services contracts concluding they were often used “improperly” to address long-term resourcing needs. Two practices were found to be especially significant in the long-term reliance of many departments upon temporary help services. The first was the use of full-time “temporary help” service contracts. The second was the “use of individual temporary help service workers in a continuous working relationship with the contracting organization, either by offering workers a series of temporary help

service contracts or by using combinations of contracts and non-permanent appointments that fall under the PSEA, such as a term, casual or student appointments” (Public Service Commission 2010: 4).

Nearly one in five of the contracts reviewed (18.4%) exceeded 52 weeks, the longest being 165 weeks. Significantly, for our purposes, long-term contracts were more common for professional and technical workers than for administrative workers. Also significant in terms of a continuous working relationship, 16.3% of temporary help workers in these organizations were appointed to a public service position by the same organization in which they held their contracts within the two-week period prior to and/or subsequent to their contract (Public Service Commission 2010: 4).

Overall, the study found the growth of personnel contracts to be rapid and increasing in recent years (Public Service Commission 2010: 5), and identified four common rationales provided by employers for this growth: increased workload (50.8%); coverage during staff activities (21.1%); staff shortages (10.5%); and covering for employee leaves (9.8%) with the rest (7.8%) being other areas (Public Service Commission 2010: 23).

The study concluded that:

“long-term resourcing needs should be addressed through staffing mechanisms pursuant to the PSEA. In our opinion, the study reveals an additional workforce within the public service — one that is not subject to the PSEA, and that is used for long-term and continuous work” (Public Service Commission 2010: 3)

Management and Policy Consulting

While highlighting the permanence of many temporary employment relationships, the PSC study did not specifically focus upon management or policy consultants. MacDonald (2011), however, included management consultants in his recent study of federal outsourcing. Although he also encountered serious data limits he too argued that in this area a trend to increased contracting was intensifying as federal government departments initiated measures to “cut expenditures in an age of austerity” (MacDonald 2011: 5). He found the cost of federal personnel outsourcing of temporary help, IT consultants and management consultants since 2005-2006 to have ballooned by almost 80%, to nearly \$5.5 billion over the period.

Macdonald found the growth in personnel outsourcing to be concentrated in four large departments — Public Works and Government Services Canada, National Defence and Canadian Forces, Human Resources and Skills Development, and Public Safety and Emergency Preparedness — which together made up half of all federal government outsourcing. Their payrolls increased by only 9% since 2005–06, but their personnel outsourcing costs rose by 100% (MacDonald 2011: 5). However he did not break out expenditures related to management and policy consulting. We are able to do this now given the improved data alluded to above.

Assessing the Demand Side for Consultants: New Data From Canada Post 2004

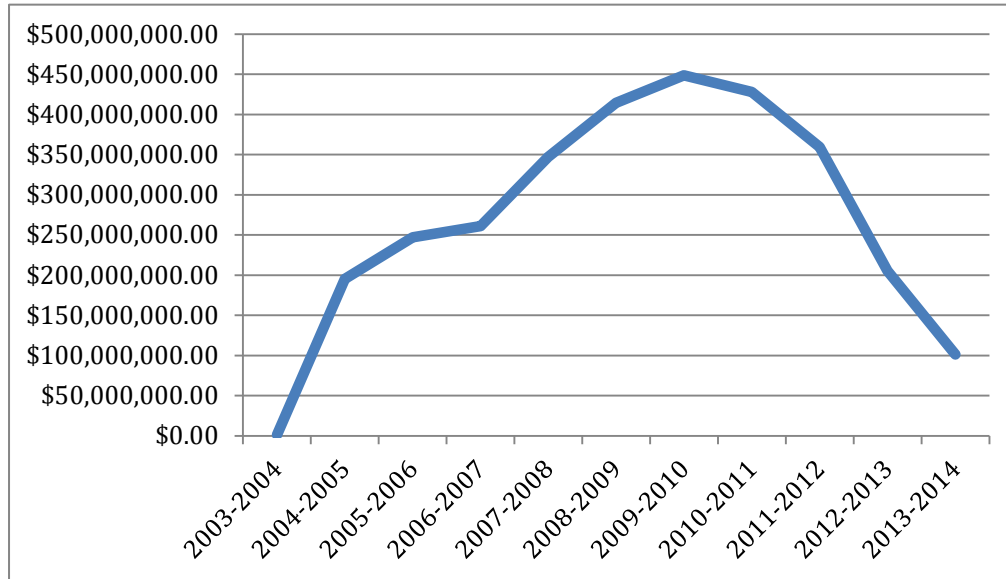
Three major datasets are now available for research in the Canadian system of contracting and their merits and demerits are well summarized by MacDonald (2011: 22-23). They include the MERX database, the Public Accounts of Canada, and the new

Proactive Disclosure. We chose to use the latter because it provides the finest level of disaggregation containing all contracts above \$10,000.00.

We collected from the Proactive Disclosure websites the amounts year over year for the period between 2003-2004 and 2013-2014 in this category. The last full set of contract data available at the time of writing is 2011/2012, so data past this fiscal year only contains adjusted figures for multiple year contracts that extend into the future. Furthermore, a new definition of the 0491 category was introduced in 2006 and is consistent only since 2006/2007. Some administrative units provide data for previous years under the 0491 category but it is unclear (and unlikely) that these were reconciled with the new definition. Hence truly comparable data span only the period between 2006/2007 and 2011/2012.

Table 1 provides the trend for the total amounts in the 0491 category for the period 2003-2014. Multi-year contracts were distributed annually according to the number of months the contract covered.⁴ Figure 1 patterns the growth in the category over the period showing rapid growth through to 2009-2010 followed by a decline. However, reporting issues explain a large part of the decline that begins with the 2010-2011 fiscal year as all of the data for the period after 2011-2012 solely reflect multi-years contracts extended into the future. Hence, in the key 2006-2011 period the data shows only a modest decline since 2010-2011, still enough to negate some of the concerns mentioned in earlier works about the ‘explosive’ growth of this form of activity.

Figure 1 - Management Consulting Total Expenditures in the Federal Government of Canada 2003-2014 in Canadian Dollars



Source: Proactive Disclosure (various websites).

Table 1 - Management Consulting Total Expenditures in the Federal Government of Canada

Fiscal Year	Contract Amounts	As percentage of whole Year over Year change	
		period 2003/4 to 2013/14	
2005-2006	\$247,259,885.22	8.09%	26.71%
2006-2007	\$261,054,176.68	8.54%	5.58%
2007-2008	\$347,094,921.94	11.36%	32.96%
2008-2009	\$414,364,314.65	13.56%	19.38%
2009-2010	\$448,848,332.83	14.69%	8.32%
2010-2011	\$428,023,992.24	14.00%	-4.64%
2011-2012	\$359,413,275.71	11.76%	-16.03%

Source: Proactive Disclosure (various websites).

Tables 2 and 3 and Figure 2 break these figures down by contracting agency and show, again against some expectations and earlier findings and suppositions, that this growth was not government-wide but rather emerged in a relatively small number of federal Departments.⁵ The top 16 administrative units of the over 70 for which data is available account for over 80 percent of yearly expenditures in this area.

Table 2 - Top 16 Federal Administrative Units by Expenditures in Category 0491 – Million Dollars

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	Total
<i>Total for Canada</i>	\$261.05	\$347.09	\$414.36	\$448.84	\$428.02	\$359.41	\$2,258.79
Agri-Food	\$12.39	\$10.45	\$6.73	\$5.76	\$5.54	\$4.80	\$45.69
CRA	\$4.95	\$3.03	\$3.48	\$3.60	\$3.00	\$1.80	\$19.89
Environment Canada	\$13.65	\$17.93	\$16.69	\$22.46	\$24.88	\$15.93	\$110.71
F&O	\$8.10	\$8.74	\$10.12	\$12.42	\$13.65	\$8.20	\$61.24
DFAIT	\$1.65	\$3.95	\$8.47	\$12.74	\$16.74	\$9.88	\$53.45
DND	\$0.99	\$2.18	\$6.83	\$34.68	\$40.87	\$39.85	\$125.43
Health	\$12.30	\$16.36	\$15.64	\$15.31	\$12.58	\$16.88	\$89.08
HRSDC	\$32.23	\$61.29	\$61.70	\$62.20	\$57.14	\$53.65	\$328.22
INAC	\$15.87	\$11.38	\$14.50	\$32.18	\$31.70	\$13.56	\$119.20
Industry Canada	\$12.15	\$11.96	\$17.53	\$11.68	\$13.14	\$11.49	\$77.97
NRC	\$4.74	\$5.83	\$5.97	\$5.54	\$3.84	\$4.39	\$30.33
Natural Resources	\$5.55	\$7.50	\$5.82	\$3.82	\$7.48	\$2.76	\$32.94
PWGSC	\$66.55	\$108.50	\$147.55	\$136.89	\$109.96	\$113.48	\$682.95
Service Canada	\$9.54	\$7.63	\$13.47	\$25.90	\$24.83	\$16.53	\$97.90
Transport Canada	\$12.84	\$17.66	\$26.52	\$15.20	\$15.62	\$10.25	\$98.15
TBS	\$10.69	\$6.38	\$3.31	\$4.01	\$4.84	\$5.95	\$35.29

Subtotal for Group	\$224.23	\$300.81	\$364.42	\$404.54	\$385.88	\$328.62	\$2,008.53

Source: Proactive Disclosure (various websites). Please note that PWGSC, HRSDC, Service Canada's and DND's totals are affected by very large contracts (\$407M, \$270M, \$67M and \$108M respectively).

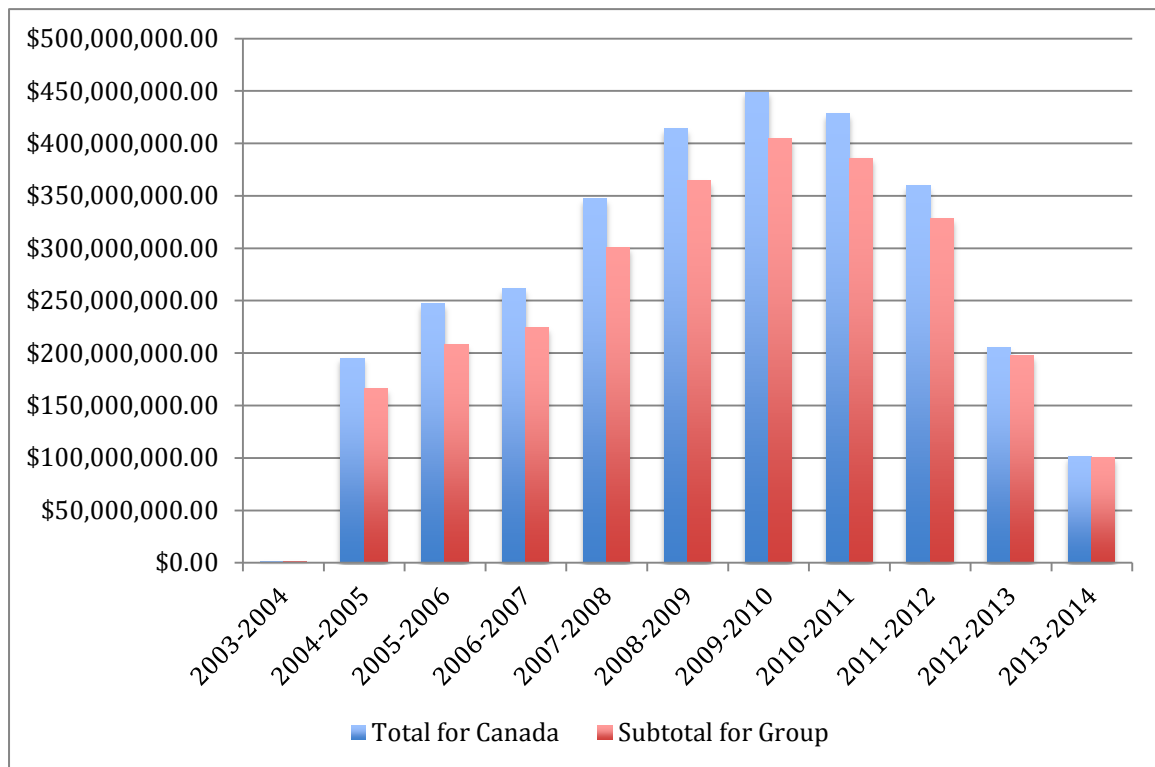
**Table 3 - Top 16 Federal Administrative Units by Expenditures in Category
0491 – Percentage of Total**

	2006- 2007	2007- 2008	2008- 2009	2009- 2010	2010- 2011	2011- 2012	Total
	\$261.05	\$347.09	\$414.36	\$448.84	\$428.02	\$359.41	\$2,258.7 9
Department							
Agri-Food	4.75%	3.01%	1.62%	1.28%	1.30%	1.34%	2.22%
CRA	1.90%	0.88%	0.84%	0.80%	0.70%	0.50%	0.94%
Environment Canada	5.23%	5.17%	4.03%	5.00%	5.81%	4.20%	4.91%
F&O	3.11%	2.52%	2.44%	2.77%	3.19%	2.28%	2.72%
DFAIT	0.63%	1.14%	2.04%	2.84%	3.91%	2.75%	2.22%
DND	0.38%	0.63%	1.65%	7.73%	9.55%	11.09%	5.17%
Health Canada	4.71%	4.71%	3.78%	3.41%	2.94%	4.71%	4.04%
HRSDC	12.35%	17.66%	14.89%	13.86%	13.35%	12.35%	14.51%
INAC	6.08%	3.28%	3.50%	7.17%	7.41%	6.08%	5.20%
Industry Canada	4.65%	3.45%	4.23%	2.60%	3.07%	4.65%	3.53%
NRC	1.82%	1.68%	1.44%	1.24%	0.90%	1.82%	1.38%
Natural Resources	2.13%	2.16%	1.40%	0.85%	1.75%	2.13%	1.51%
PWGSC	25.49%	31.26%	35.61%	30.50%	25.69%	25.49%	30.02%
Service Canada	3.66%	2.20%	3.25%	5.77%	5.80%	3.66%	4.21%
Transport Canada	4.92%	5.09%	6.41%	3.39%	3.65%	4.92%	4.39%
TBS	4.10%	1.84%	0.80%	0.91%	1.13%	4.10%	1.74%
Subtotal	85.90%	86.67%	87.95%	90.13%	90.15%	91.43%	88.70%

Source: Proactive Disclosure (various websites).

As Figure 2 shows, while expenditures in general grew rapidly in this area, the high percentage of contracts let by these units also remained consistent over the entire period examined and accounts for a very high proportion of multi-year forwarded contracts.

Figure 2 - Expenditures in Management Consulting. Total and Top 16 Federal Administrative Units

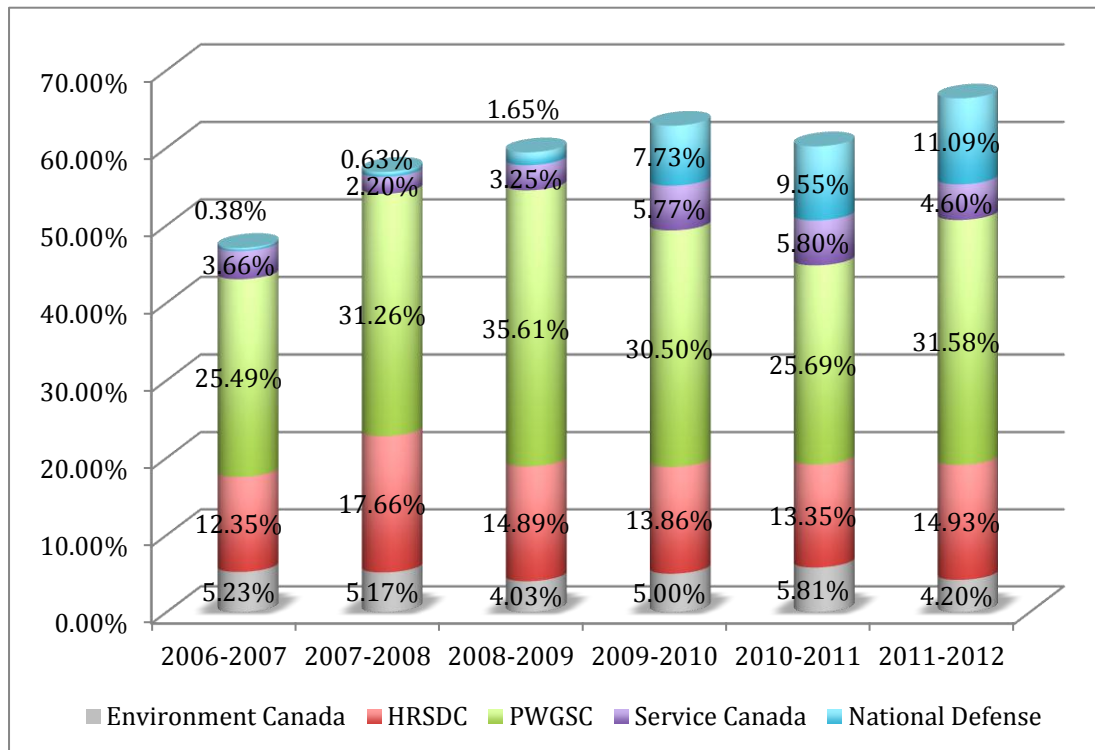


Source: Proactive Disclosure (various websites).

In fact, the concentration is much higher than even these figures reveal. That is, only two Departments Public Works and Government Services Canada (PWGSC) and Human Resources and Skills Development Canada (HRSDC) account for about half of all management consulting contract expenditures. Despite using a different classifications system, the Department of National Defence (DND) was the next largest at about 12%

(although spending in this area here became significant only with the 2009/2010 fiscal year) and Service Canada and Environment Canada followed with about five percent each of the total (see Figure 3). These five departments have consistently been dominant in this category of expenditures over the entire period, now accounting for roughly 70-75% of expenditures on management consultants in the entire Federal government.

Figure 3 - Select Management Consulting Spending – Percentage of total



Source: Proactive Disclosure (various websites).

Analysis: Contracting Behaviour of Canadian Federal Government Departments

Of course, these are the same units highlighted by MacDonald (2010) as the major purchasers of all types of contracts and the trends listed here are similar to those found using more aggregate data, namely rapid growth concentrated in a small number of

Departments and agencies. Another question, which this data can address, is related to the size of contracts. That is, whether contracts in the policy and management consulting areas also follow the general pattern of government contracting overall, which is to have a very small number of large contracts and contracting firms providing the lion's share of consulting work.

Closer examination of the data reveals that this is indeed the case as several very large outlier contracts awarded by PWGSC, HRSDC, Service Canada and DND account for a very large percentage of overall contract expenditures. In fact, four very large multi-year contracts skew the final amounts considerably. Starting with the 2009/2010 fiscal year expenditure for National Defense, for example, a large multi-year contract was awarded to Calian Ltd, a major business and technical services company with a history in satellite communications, for a total of \$108 million, accounting for an adjusted amount of over \$20 million per year. This, depending on the year, represents between 50% and 58% of the Department's total contracts in this area. For PWGSC a multi-year contract beginning in 2006/2007 and averaging an adjusted amount of \$57.5 million per year accounts was let to IBM Canada. Depending on the year, this accounted for between 40% and 55% of total expenditure for the Department. HRSDC awarded Resolve Corporation, a major business services company specializing in financial management but also call centers and other kinds of activities, a \$270M contract spanning the period between the third quarter of the 2008/2009 and 2012/2013 fiscal years. The adjusted yearly average of \$42M represents over two thirds of the Department's total expenditure during this period. Finally, Service Canada awarded a contract to Quantum Management Systems, a US-based "full service management and training" company, for an adjusted value for

2009/2010 and 2010/2011 of over \$22 million representing over 85% of the expenditure in this envelope for these years.

While these contracts are clearly significant and reinforce the finding that a large percentage of contracting activity in this sector originates from a small number of departments and involves a very small number of contractors, once these ‘outliers’ are removed, a more nuanced picture emerges where a larger number of units and a larger number of small firms and contracts are involved in this activity.

Number and Size of Contracts

In terms of the number of contracts the various administrative units let over the whole period, only 11 units among the 78 administrative units cited showed more than 1,000 contracts, while 32 have between 100 and 1,000 contracts.⁶ The rest had less than 100 contracts over the whole period. Distributional patterns are also revealing. The most common one shows the overall number of contracts declining from an early peak, usually because of a drop in the number of small contracts. Generally, administrative units do not show an increase in the total amount of contracts let over the whole period considered. In fact, only INAC, Fisheries and Oceans, and the Department of Foreign Affairs and International Trade follow an upward trend into 2010/2011.

For the full set of contracts the average contract value over the full period under examination was \$203,114.54. However both the median and the mode were \$25,000.00, reflecting the skew occasioned by the largest contracts. Table 4 highlights the Average, Median and Mode statistics for each Department/Agency in the Federal government. This

is interesting not the least because the modal value is well below the pre-2004 \$100K accounting cut off and would have escaped notice and detail in pre-2004 reporting.

We can isolate four categories of contracts according to the averages of the contracts that were let: (1) “Small” contracts with a value lower than \$25,000.00, (2) “Medium” between \$25,000.00 and \$50,000.00, (3) “Large” between \$50,000.00 and \$100,000.00 and finally a (4) “Very Large” category for contracts averaging above \$100,000.00. Twelve administrative units belong in the first category, 46 in the second, 14 in the third, and 5 in the largest. Thus only a relatively small number of agencies on average have let very small contracts, while most let contracts with an average value between \$25,000.00 and \$50,000.00.⁷

Table 4 – Distribution of Average Contract Values among Federal Administrative Units

	Administrative Unit	Total 0491 Contracts (Million of \$)	Administrative Unit	Total 0491 Contracts (Million of \$)
Less than \$25k average	Atlantic Canada Opportunities Agency	\$3.7	Office of the Auditor General of Canada	\$4.1
	Canadian Forces Grievance Board	\$0.6	Office of the Correctional Investigator	\$0.15
	Canadian Transportation Agency	\$0.06	Office of the Superintendent of Financial Institutions Canada	\$0.00
	Governor General	\$0.89	Public Service Staffing Tribunal	\$0.1
	National Film Board	\$0.7	Status of Women Canada	\$0.25
	National Parole Board	\$1.5	Telefilm Canada	\$2.0
\$25k to \$50k average	Agriculture and Agri-Food Canada	\$56.8	Industry Canada	\$112.8
	Canada Economic Development for Quebec Regions	\$1.6	Health Canada	\$123.6
	Canada Industrial Relations Board	\$0.3	Infrastructure Canada	\$5.0
	Canada Public Service Agency	\$4.5	Libraries and Archives Canada	\$9.2
	Canadian Artists and Producers	\$0.19	National Research Council	\$37.5

	Professional Relations Tribunal		Canada	
	Canadian Environmental Assessment Agency	\$3.7	National Round Table on the Environment and the Economy	\$5.4
	Canadian Food Inspection Agency	\$3.2	Natural Resources Canada	\$36.6
	Canadian Grain Commission	\$0.5	NSERC	\$1.5
	Canadian Heritage	\$8.0	Office of the Commissioner for Federal Judicial Affairs	\$2.3
	Canadian Human Rights Commission	\$1.2	Office of the Commissioner of Official Languages	\$10.9
	Canadian Human Rights Tribunal	\$0.32	Office of the Veterans Ombudsman	\$0.1
	Canadian Nuclear Safety Commission	\$5.8	Parks Canada	\$5.8
	Canadian Space Agency	\$13.3	Patented Medicine Prices Review Board	\$0.6
	Citizenship and Immigration Canada	\$29.0	Privacy Commissioner of Canada	\$3.7
	Correctional Services Canada	\$1.18	Privy Council Office	\$8.8
	Courts Administration Services	\$1.1	Public Sector Integrity Canada	\$0.3
	CRTC	\$4.6	Public Service Commission	\$11.0
	Elections Canada	\$15.4	Public Service Labour Relations Board	\$0.6
	Environment Canada	\$136.6	RCMP External Review Committee	\$0.2
	Financial Consumer Agency of Canada	\$1.9	Supreme Court of Canada	\$1.0
	Financial Transactions and Reports Analysis Centre of Canada	\$1.5	Veterans Affairs Canada	\$2.2
	Fisheries and Oceans Canada	\$72.5	Veterans Review and Appeal Board Canada	\$0.06
	Hazardous Materials Information Review Commission	\$0.26	Western Economic Diversification Canada Veterans Affairs Canada	\$9.1
\$50k to \$100k average	Canada Border Services Agency	\$11.1	DFAIT	\$57.8
	Canada School of Public Service	\$1.6	INAC	\$122.9
	CIDA	\$15.5	Public Health Agency of Canada	\$36.9

	Commission for Public Complaints Against the RCMP	\$0.7	Public Safety Canada	\$27.6
	Canadian Revenue Agency	\$34.6	RCMP	\$15.6
	Department of Finance Canada	\$14.0	Statistics Canada	\$0.77
	Department of Justice Canada	\$10.6	Transport Canada	\$115.3
Over \$100k average	DND	\$192.8		
	HRSDC	\$395.4		
	PWGSC	\$1,032.63		
	Service Canada	\$104.4		
	TBS	\$44.03		

Source: Proactive Disclosure (various websites).

Now consider the distribution of total amounts spent on policy and management consulting for administrative units with contract averages between \$25,000.00 and \$50,000.00 and between \$50,000.00 and \$100,000.00 for the former out of 46 departments and agencies. Only eight have spent over \$20M on these size contracts over the period in question with most spending under \$20M. Three Departments are clear outliers in the sense of focusing much of their activity on small contracts: Environment Canada (expenditures of \$136.6M over 3,488 contracts), Industry Canada (expenditures of \$108.7M over 2,827 contracts), and Health Canada (expenditures of \$115.5M over 2,793 contracts), while INAC (expenditures of \$120.5M over 1,660 contracts) and Transport Canada (expenditures of \$110.9M over 1,523 contracts) were the largest users of medium-sized contracts. The distribution pattern for the top units in terms of spending is contained in Table 5 below.

Table 5. Distribution of Contracts in top Units by Spending - 2003/04 – 2013/14

<i>Administrative Unit</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>Very large</i>
National Defense	124 (28.18%)	83 (18.86%)	100 (22.73%)	133 (30.23%)
HRSDC	1,461 (63.30%)	375 (16.25%)	270 (11.70%)	202 (10.33%)
Service Canada	314 (51.31%)	111 (18.14%)	95 (15.52%)	92 (15.03%)
PWGSC	2,819 (43.20%)	1,440 (22.07%)	1,503 (23.03%)	763 (11.69%)
Environment	3,439 (73.50%)	643 (13.74%)	393 (8.40%)	204 (4.36%)
Canada				
All units	29,617 (66.65%)	6,494 (14.61%)	5,346 (12.03%)	2,979 (6.70%)
All units except top five	21,460 (71.84%)	3,842 (12.86%)	2,985 (9.99%)	1,585 (5.31%)

Source: Proactive Disclosure (various websites).

Frequency of Repeat Contracts

To assess how ‘concentrated’ the contracts are in terms of providers, we compared the total amounts in the 0491 category for the entire period (2003/2004 to 2013/2014) with the amounts billed by companies that have been granted at least two contracts. Table 6 shows this measure for the administrative units that billed more than \$15M.

Overall, the Federal public administration awarded 67.70% of the money over the period under consideration to companies with two or more contracts. The Department of National Defense and Service Canada awarded most of their contracts to suppliers and contractors with multiple contracts. Interestingly, HRSDC, one of the country’s largest contractors is also the Department with the lowest percentage of multiple contracts being awarded to the same companies. There does not seem to be an immediate explanation for

this pattern. Large contracts also affect these data, for example within PWGSC Bell Canada received an amended (i.e. multi-year) contract for the total value of \$407 million, which accounts for 52% of the total amounts granted as repeat contracts through the Department.

Table 6 - Percentage of Repeat Contract amounts – All contracts (By Largest amounts)

Department	Contract Amounts	Repeat Contracts Amounts	Percentage of repeat contracts
PWGSC	\$1,074,854,102.68	\$800,288,555.35	74.46%
HRSDC	\$395,823,017.06	\$103,962,362.72	26.26%
National Defense and the Canadian Forces	\$196,014,854.91	\$187,782,006.72	95.80%
Environment Canada	\$136,711,454.82	\$99,919,457.76	73.09%
Health Canada	\$123,641,689.25	\$88,164,947.35	71.31%
INAC	\$122,909,492.32	\$101,856,513.42	82.87%
Transport Canada	\$115,313,263.57	\$69,419,334.37	60.20%
Industry Canada	\$113,175,356.00	\$88,833,090.00	78.49%
Service Canada	\$104,412,733.96	\$97,245,307.42	93.14%
Fisheries and Oceans Canada	\$72,616,954.43	\$60,366,731.36	83.13%
DFAIT	\$57,871,001.14	\$27,644,091.25	47.77%
Agriculture and Agri-Food Canada	\$56,825,456.55	\$38,361,015.27	67.51%
TBS	\$44,039,542.52	\$30,583,755.92	69.45%
National Research Council Canada	\$37,734,691.15	\$24,534,214.74	65.02%
Public Health Agency of Canada	\$37,618,299.00	\$21,681,332.11	57.64%
Natural Resources Canada	\$37,185,083.56	\$20,380,101.92	54.81%
Canada Revenue Agency	\$34,668,059.07	\$29,384,587.71	84.76%

Citizenship and Immigration Canada	\$29,036,779.07	\$19,119,658.57	65.85%
Public Safety Canada	\$27,635,540.41	\$20,128,934.03	72.84%
RCMP	\$15,882,060.59	\$6,128,614.76	38.59%
CIDA	\$15,558,553.02	\$11,782,613.95	75.73%
Elections Canada	\$15,389,868.42	\$9,271,007.03	60.24%
Total	\$2,936,250,596.37	\$1,999,651,337.77	66.51%

Source: Proactive Disclosure (various websites).

The pattern of a general downward trend for larger contracts is more clearly evident here. From this brief analysis we can see how, within the scope of the variance that we have noted, smaller contracts are declining and very large ones are the only category to climb.

Conclusions

This analysis of the use of policy and management consulting in the Federal government based on the new Proactive Disclosure data has highlighted several interesting additional dimensions to the general picture of increased contracting and temporary services presented in recent studies such as the Public Service Commission (2010) and MacDonald (2011). They reveal a picture of a highly skewed process in which several Departments dominate the demand for consulting services and the significance of large and repeat contracts is clear in this data. Although a significant finding relates to the general decline in the number and amounts of large contracts in recent years, it suggests a pattern of long-term ongoing interactions between suppliers and purchasers of these services – similar to the pattern found by the PSC and one which reinforces in this area of

government activity the same pattern of the “permanence of temporary services” found in earlier aggregate studies of government contracting and temporary help.

While it has not been possible to conclude from this data what impact this consulting activity has had on policy work in government, this pattern of expenditures is consistent with the idea put forward by Speers (2007) and Saint-Martin (2006) that consultants indeed comprise a hidden or ‘invisible civil service.’ That is despite their legal status as being temporary and ad hoc in nature, they have a more or less permanent and fixed character which largely escapes traditional reporting and accountability measures, until very recently, in fact, operating without even the limited transparency provisions which allow insights into the world of the visible public service.

Endnotes

¹ This attention towards economic benchmarking can be partially explained by the fact that most of the supporting arguments for the use of external consultants have legitimized it as a mechanism to rationalize or reduce government expenses. Governments influenced by New Public Management (NPM) practices in the 1990s and early 2000s became very conscious of cost-accounting and increasingly shifted the public service away from administering programs to managing them in a new ‘service’ or contract state in which multiple ‘contractees’ would deliver goods and services on government behalf (Freeman 2000; Vincent-Jones 2006; Butcher et al 2009). This move towards the ‘corporatization’ of public services has been argued to have somewhat succeeded in improving the classic cost accounting benchmarking measures for government efficiency (Bilodeau, Laurin, and Vining 2007) but is of limited use when

exploring the effects of this change on patterns of government goods and service provision.

² For example to rationalize and streamline the process of government procuring between April 2008 and January 2009 Public Works and Government Services Canada (PWGSC), consulted on the scope of the "Task and Solutions Based Professional Services" (TSBPS) project to generate a better process of data collection on outside goods and services contracts. This helped develop a set of shared rules controlling reporting across government agencies. However, this was mostly a business-oriented exercise, intended to facilitate the relationship between contractors and government.

⁴ For example if a contract covered two fiscal years and was awarded for a sum of \$100,000.00, each year was assigned \$50,000.00. Of course this is arbitrary but it allowed us to have a more 'normalized' map of this spending.

⁵ National Defense and the Canadian Forces does not use the 0491 code.

⁶ In practice we do not count contract amendments (increased funding extended timeframes and so forth) as new contracts, somewhat underestimating the activity. If a specific contract was amended twice (for example from a starting value of \$10,000.00 to \$50,000.00 and then to \$100,000.00) and it is extended from one to two years, in our calculations it would still count as a single contract.

⁷ A similar spread in contract size emerged from an audit of Environment Canada in 2008-2009 undertaken in response to complaints lodged with the Freedom of Information Commissioner alleging favoritism towards a specific firm. The audit examined contracts over \$25,000 issued by EC and by Public Works and Government Services Canada

(PWGSC) on behalf of EC from April 1, 2008, through December 11, 2009 and focused on “Management Consulting and Other Professional Services” contracts. This included 1,337 contracts, for a total value of \$27,270,315.

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