



THE SCHOOL OF PUBLIC POLICY

Public sector wages in Alberta. Where do we rank with other provinces and the private sector? New School of Public Policy report

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Calgary – Short of imposing a sales tax, and hampered by low energy revenues, the Alberta government has few options for reducing expenditures and making a dent in the province's \$8.8-billion deficit. The most obvious area for the new government to cut would be the \$21.6 billion allocated in 2018 to public sector salaries, wages and benefits. It may be the most obvious area, but not the easiest.

Any cuts must be made judiciously, taking into account the fact that services must be maintained at certain levels and wage rollbacks and hiring freezes could create a sudden flight of talented people out of the public service and into the private sector. It is a delicate balancing act and finding that balance is extremely important.

Today, The School of Public Policy with author Richard E. Mueller released a report that examines the differences in wages between public and private sector employees – in administrative and non-administrative jobs at different levels and various sectors of private industry in Alberta and cross-provincial comparisons as well. The comparisons can be used to determine how potential savings could be realized through cuts to public sector compensation.

According to Mueller "The public sector generally pays better than the private sector in Alberta, although the high-paying oil and gas industry in the province means the wage gap is not radically large and is even negative in some cases. Ideally, a **3.7-per-cent** decrease across-the-board in total public sector compensation would be possible without jeopardizing the delivery of government services or risking a public service brain drain. The Alberta government would then save **\$799.2 million**, or approximately **9.1 per cent** of the projected **\$8.8-billion deficit**. However, the reality clashes with the ideal. A 3.7-per-cent cut across-the-board would lead to overpayment of those at the bottom of the pay scale and impose a heavy wage penalty on those employees at the top, who would see their salaries reduced by a proportionately larger amount. This would further encourage the exodus of talented, skilled, well-paid people from the public service and compromise the integrity of services provided to Albertans."

Moreover, the ripple effects of any cuts must be taken into careful consideration. These include political implications, macroeconomic impacts and effects on the private sector labour market. Cuts to the public sector never occur in a vacuum and their effects on the general provincial economy, overall employment picture, tax revenues and economic growth are just some of the metrics which must be factored into any policy decision.

The paper can be downloaded at <https://www.policyschool.ca/publications/>

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