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The permanence of temporary services: The reliance of Canadian federal departments on policy and management consultants

Abstract: The use of external consultants in government management and policy realms has drawn increasing attention in many countries including Canada. Studies were undertaken internationally in the 1990s and 2000s as legislatures and their accounting arms became concerned with the hidden costs of “corporatization” of the public service and tried to expand benchmarking measures for government efficiency to include external consultants. Accounting for these increases in expenditures on consultancy, however, remains a challenge given the state of governmental financial and personnel reporting. The data on which existing reports have been drawn are very weak. This article examines results using a new dataset compiled from Proactive Disclosure reports in order to help clarify the situation of policy and management consulting in Canada at the departmental level.

Sommaire : Le recours à des consultants externes dans les secteurs de politiques et de gestion gouvernementale suscite une attention croissante dans de nombreux pays, y compris au Canada. Des études ont été entreprises à l'échelle internationale dans les années 1990 et 2000, alors que les assemblées législatives et leurs divisions comptables commençaient à s'inquiéter des coûts « cachés » de la « corporatisation » de la fonction publique et essayaient de développer des analyses comparatives justifiant l'efficacité gouvernementale à inclure des consultants externes. Cependant, la justification de ces augmentations de dépenses en expertise-conseil reste un défi, étant donné l'état actuel des rapports gouvernementaux en matière de finances et de personnel. Les données sur lesquelles reposent les rapports existants sont très faibles. Cet article examine les résultats d'un nouvel ensemble de données compilées à partir de rapports de divulgation proactive afin d'éclaircir la situation des services consultatifs de gestion au Canada à l'échelle des ministères.

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The use of external consultants in government is an increasingly important focus of concern (ANAO 2001; United Kingdom, House of Commons Committee of Public Accounts 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 that still exist on current data from government sources, the main focus of this article will be upon management consulting but, where possible, it will also discuss the policy area. The article focuses on the demand for consulting services in these areas, comparing the activity of federal departments and agencies. In particular it maps the progression of management consulting contracts across the federal administration and identifies 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 provinces and territories in this area lag far behind those of the federal government 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 Treasury Board expenditure category 0491 ("Management Consulting") used in this article includes "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 different kinds of professional and technical services. The private sector, in contrast, uses the North American Industry Classifications System (NAICS) definition created 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." In other words, 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 and one which Perl and White, 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" (2002: 51).

The explanations for the emergence of policy and management consulting 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 (Perl and White 2002; Bilodeau, Laurin, and Vining 2007; Butcher, Freyens and Wanna 2009; Radcliffe 2010). This approach 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 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 previous “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, Freyens and Wanna 2009: 22), concerns that 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, Freyens and Wanna 2009: 31). Here the state is seen as a kind of contractor-in-chief, and variety in the nature of goods and services provided and their delivery is seen as neither surprising nor unexpected.

Some scholars, however, have noted that the use of for-hire consultants has extended far beyond public service provision and now plays an increasing role in policy-making and organizational management activities within government, arguably an ever more influential one (Guttman and Willner 1976; Martin 1998; Kipping and Engwall 2003). Others, though, 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: 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 that has been supported by the findings of van Houten and Goldman (1981) and, to a lesser extent, by Saint-Martin (1998a, 1998b).

Most analyses to date, however, have looked mainly at the financial impact of contracts rather than their effects, such as their impact on officials abrogating responsibility for policy decisions or on the policy capacity of departments and agencies involved in their hire

Such dichotomous views cry out for more nuanced analyses (Clark and Fincham 2002). These must not only more accurately assess the basic quantitative questions still outstanding in the field, such as how many consultants and contracts there are, and if their numbers grew over the past several decades, but also more carefully examine the qualitative questions. These are questions which centre on the nature of influence in governments and the role that consultants play in it, from the provision of direct advice to the more indirect creation of specific kinds of knowledge and its mobilization and use in policy deliberations (Weiss 1977, 1986; van Helden et al. 2010).

Most analyses to date, however, have looked mainly at the financial impact of contracts rather than their effects, such as their impact on officials abrogating responsibility for policy decisions or on the policy capacity of departments and agencies involved in their hire (Bakvis 1997; Saint-Martin 2005; Speers 2007). 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 1998).¹

Until recently data problems, especially but not solely in the area of policy consulting, were acute and prevented serious evaluation of many of these issues. There are longstanding problems, for example, 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. Other problems concerned 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.” Moreover, decisions about these reporting matters were often left up to individual units, meaning that whatever data existed were often idiosyncratic and difficult to compare across units. As a result, it has been very difficult to arrive at an accurate assessment of the scope and use of consultants, including management and policy ones, across government (Howard 1996; British Columbia, Office of the Auditor-General 2001).

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 and to contracting scandals and their aftermath. In 2003, the federal government developed a Management Accountability Framework (MAF), laying out the Treasury Board’s expectations of management best practices across all areas of government including contracting.² In addition access to data about federal government contract expenditures was improved dramatically due to two developments which occurred in response to the 2004 scandal surrounding Quebec advertising contracts and the Liberal Party (“Sponsorgate”) (Canada, Commission of Inquiry into the Sponsorship Program and Advertising Activities 2005, 2006). First, on 23 March 2004, the federal government introduced rules of “proactive disclosure” requiring that all contracts above \$10,000 be published on government websites as of October 2004. By lowering the old reporting limit of \$100,000, these rules increased the number of contracts reported in detail. Second, on 12 December 2006, the government’s Federal Accountability Act came into effect. 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 procurement policies and practices.

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The new data and enhanced clarity are useful to researchers inquiring into government contracting including policy and management-related

consulting. Problems still exist in this data concerning the amount of detail provided on the work performed (McLean and Bailey 2013), and issues such as separating purely policy-related from purely management-related activities remain. Also at least one major federal actor, the Department of National Defence, still does not use the 0491 reporting category followed by other departments. Nevertheless this article presents the results of an analysis of new data made available since 2004 which allow us to determine much more precisely not just the aggregate level of federal spending and activity on policy and management consulting, 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 Meredith and Martin 1970; Deutsch 1973), 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 levels (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 has heretofore dealt with policy consulting only in passing (Perl and White 2002; Saint-Martin 2005, 2006; Prince 2007; Speers 2007; Howlett 2009; Howlett and Newman 2010).

Perl and White, 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" (2002: 52), 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)" (2002: 53). As a share of total government expenditures this meant almost tripling Ottawa's budgetary allocations over the period.

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 patterns of expenditure on policy consulting. Because of its aggregate nature, the data tended to combine all kinds of professional services, for example, in the information technology, geology or environmental areas,

which have little direct impact on public policy decision making. The data thus allowed for a preliminary broad-brush exploration of the management side of the consultancy issue but severely limited the study of the policy side.

Similar problems were highlighted more recently by the Public Service Commission (PSC) of Canada (2010) in a study of temporary help services use — including most consultants — in eleven Canadian public service organizations. The PSC 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 per cent) 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 per cent 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 (Canada, Public Service Commission 2010: 4).

Overall, the PSC study also found the growth of personnel contracts to be rapid and increasing in recent years (Canada, 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 (2010: 23). The study concluded that temporary services had become permanent and argued 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 (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, in a more recent study of federal outsourcing used the new data collected since 2004 and included management consultants in his analysis. Although he also continued to encounter serious data limits, he too argued that an overall trend towards increased contracting had intensified in recent years as federal government departments initiated measures to “cut expenditures in an age of austerity” (2011: 5). He found the cost of federal personnel outsourcing of temporary help, IT consultants and management consultants since 2005–06 to have ballooned by almost 80 per cent, 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 nine per cent since 2005–06, but their personnel outsourcing costs rose by 100 per cent (2011: 5). However he did not break out expenditures specifically related to management and policy consulting.

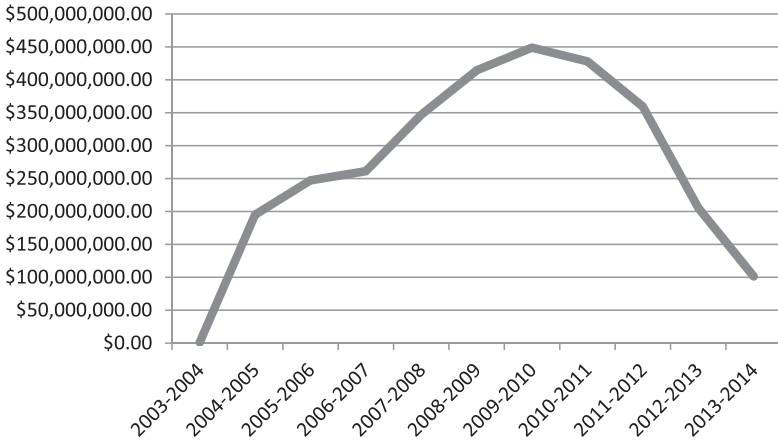
Assessing the demand side for consultants: new data from Canada since 2004

We are able to do this now given the improved data alluded to above. Three major datasets are now available for research on contracting in the Canadian system. They include the MERX database, the Public Accounts of Canada, and the new Proactive Disclosure reports; their merits and demerits are well summarized by Macdonald (2011: 22–23). This article relies on the Proactive Disclosure reports because they provide the finest level of disaggregation for all contracts above \$10,000.

We collected from the Proactive Disclosure websites the amounts for the period between 2003–04 and 2013–14 in the 0491 category (Canada, Treasury Board Secretariat 2013). The last full set of contract data available at the time of writing was for 2011–12, so data beyond that fiscal year only contain adjusted figures for multiple-year contracts (this accounts for some of the “decline” apparent in Figure 1). Furthermore, a new definition of the 0491 category was introduced in 2006 and is consistent only since 2006–07. Some administrative units provide data for previous years under the 0491 category but it is unclear (and unlikely) whether these were reconciled with the new definition. Hence truly comparable data span only the period between 2006–07 and 2011–12.

Table 1 provides raw data and Figure 1 illustrates the trend for the total amounts in the 0491 category for the period 2003–14. Multi-year contracts were distributed annually according to the number of months the contract

Figure 1. *Management Consulting Total Expenditures in the Federal Government, 2003–14, in Canadian Dollars*



Source: Canada, Treasury Board Secretariat (2013).

Table 1. *Management Consulting Total Expenditures in the Federal Government*

<i>Fiscal year</i>	<i>Contract amounts</i>	<i>As percentage of whole period (2003–04 to 2013–14)</i>	<i>Year over year change (%)</i>
2005–06	\$247,259,885.22	8.09	26.71
2006–07	\$261,054,176.68	8.54	5.58
2007–08	\$347,094,921.94	11.36	32.96
2008–09	\$414,364,314.65	13.56	19.38
2009–10	\$448,848,332.83	14.69	8.32
2010–11	\$428,023,992.24	14.00	-4.64
2011–12	\$359,413,275.71	11.76	-16.03

Source: Canada, Treasury Board Secretariat (2013).

covered.³ The figure shows rapid growth in expenditures in this category through to 2009–10 followed by a decline. However, reporting issues explain a large part of this apparent decline beginning with the 2010–11 fiscal year as all of the data after 2011–12 solely reflect multi-year contracts extended into the future. Hence, in the key 2006–11 period the data show only a modest decline since 2010–11. However this is still enough to negate some of the concerns mentioned in earlier works about the continued “explosive” growth of this form of activity.

Tables 2 and 3 and Figure 2 break these figures down by contracting agency and show, again against some expectations and earlier findings and

Table 2. Top 16 Federal Administrative Units by Expenditures in Category 0491
(\$ millions)

Department	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Agri-Food	12.39	10.45	6.73	5.76	5.54	4.80	45.69
Canada Revenue Agency	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
Fisheries and Oceans	8.10	8.74	10.12	12.42	13.65	8.20	61.24
Foreign Affairs and International Trade	1.65	3.95	8.47	12.74	16.74	9.88	53.45
National Defence	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
Human Resources and Skills Development	32.23	61.29	61.70	62.20	57.14	53.65	328.22
Aboriginal Affairs and Northern Development Canada	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
National Research Council	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
Public Works and Government Services	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
Treasury Board Secretariat	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
Total for Canada	261.05	347.09	414.36	448.84	428.02	359.41	2,258.79

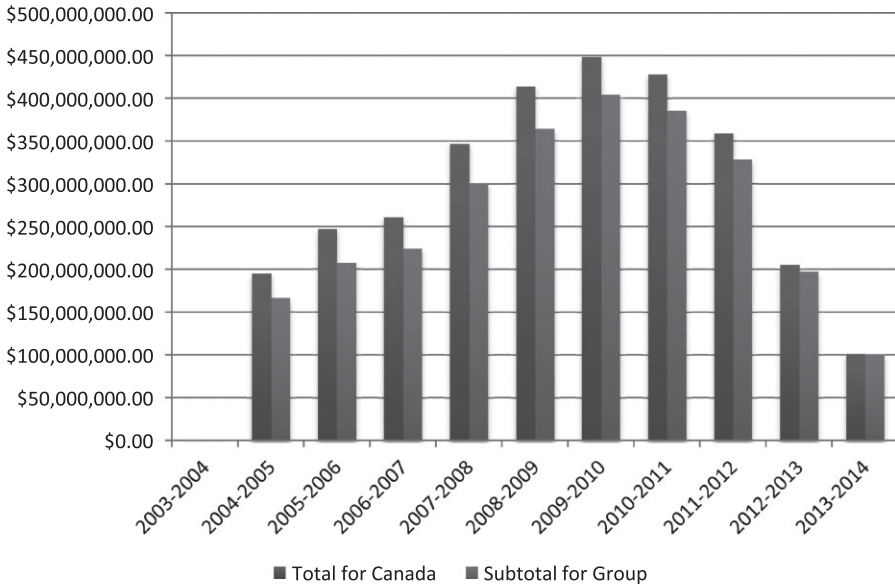
Source: Canada, Treasury Board Secretariat (2013). Please note that PWGSC, HRSDC, Service Canada's and DND's totals are affected by a small number of very large contracts (\$407 million, \$270 million, \$67 million and \$108 million respectively).
Note: Aboriginal Affairs and Northern Development Canada was formerly known as Indian Affairs and Northern Development Canada.

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

<i>Department</i>	2006–07 (%)	2007–08 (%)	2008–09 (%)	2009–10 (%)	2010–11 (%)	2011–12 (%)	Total
Agri-Food	4.75	3.01	1.62	1.28	1.30	1.34	2.22
Canada Revenue Agency	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
Fisheries and Oceans	3.11	2.52	2.44	2.77	3.19	2.28	2.72
Foreign Affairs and International Trade	0.63	1.14	2.04	2.84	3.91	2.75	2.22
National Defence	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
Human Resources and Skills Development	12.35	17.66	14.89	13.86	13.35	12.35	14.51
Aboriginal Affairs and Northern Development Canada	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
National Research Council	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
Public Works and Government Services	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
Treasury Board Secretariat	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
Total for Canada	\$261.05	\$347.09	\$414.36	\$448.84	\$428.02	\$359.41	\$2,258.79

Source: Canada, Treasury Board Secretariat (2013).

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



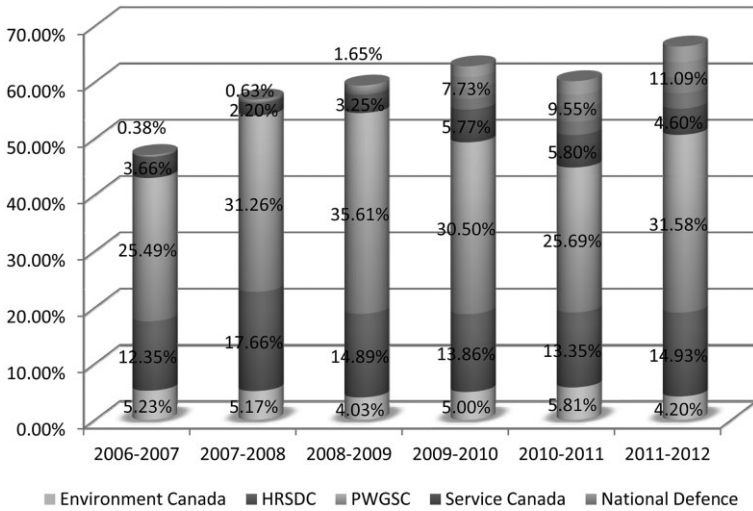
Source: Canada, Treasury Board Secretariat (2013).

suppositions, that this growth was not government-wide but rather emerged in a small number of federal departments.⁴ The top 16 administrative units of the over 70 for which data are available account for over 80 per cent of yearly expenditures in this area.

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 also accounts for a very high proportion of multi-year forwarded contracts.

In fact, the concentration is much higher than even these figures reveal. 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 classification system, the Department of National Defence (DND) was the next largest at about 12 per cent (although spending in this area here became significant only with the 2009–10 fiscal year). Service Canada and Environment Canada followed with about five per cent each of the total (see Figure 3). These five departments have consistently been dominant in this category of

Figure 3. Select Management Consulting Spending – Percentage of Total



Source: Canada, Treasury Board Secretariat (2013).

expenditures over the entire period, now accounting for roughly 70 to 75 per cent of federal government expenditures on management consultants.

Analysis: contracting behaviour of Canadian federal government departments

Of course, these are the same units highlighted by Macdonald (2011) as the major purchasers of all types of contracts. And the trends listed here for the policy and management consulting category are similar to those found using more aggregate data, namely rapid growth until recently concentrated in a small number of departments and agencies.

Another question that this data can address, however, relates to the size of contracts; that is, whether contracts in the policy and management consulting areas 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 large percentage of overall contract expenditures. In fact, four very large multi-year contracts skew the final

amounts considerably. For example, during the 2009–10 fiscal year, National Defence awarded a large multi-year contract worth \$108 million (accounting for an adjusted amount of over \$20 million per year) to Calian Ltd, a major business and technical services company with a history in satellite communications. 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 2006–07 and averaging an adjusted amount of \$57.5 million per year 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 as well as call centres and other kinds of activities, a \$270 million contract spanning the period between the third quarter of the 2008–09 and 2012–13 fiscal years. The adjusted yearly average of \$42 million represents over two thirds of the department's total expenditure during this period. Finally, Service Canada awarded a contract to Quantum Management Systems, a U.S.-based "full service management and training" company, for an adjusted value for 2009–10 and 2010–11 of over \$22 million, representing over 85 per cent 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, in which a larger number of units and a larger number of small firms and contracts are involved.

Number and size of contracts

In terms of the number of contracts the various administrative units let over the whole period, only 11 of 78 administrative units included in the database showed more than 1,000 contracts, while 32 had between 100 and 1,000 contracts.⁵ 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 Aboriginal Affairs and Northern Development, Fisheries and Oceans, and the Department of Foreign Affairs and International Trade follow an upward trend into 2010–11.

The average contract value over the full period under examination was \$203,114.54. However both the median and the mode were \$25,000, reflecting the skew occasioned by the largest contracts. Table 4 highlights the average for each department/agency in the federal government. This is interesting not the least because the modal value is well below the pre-2004

Table 4. *Distribution of Average Contract Values Among Federal Administrative Units*

	<i>Administrative unit</i>	<i>Total 0491 contracts (\$ millions)</i>	<i>Administrative unit</i>	<i>Total 0491 contracts (\$ millions)</i>	
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	
\$25k to \$50k average	National Parole Board	1.5	Telefilm Canada	2.0	
	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 Professional Relations Tribunal	0.19	National Research Council Canada	37.5	
	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	
	Canadian Radio-television and Telecommunications Commission	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	9.1	
				Veterans Affairs Canada	

Table 4. *Continued*

	<i>Administrative unit</i>	<i>Total 0491 contracts (\$ millions)</i>	<i>Administrative unit</i>	<i>Total 0491 contracts (\$ millions)</i>
\$50k to \$100k average	Aboriginal Affairs and Northern Development Canada	122.9	Department of Justice Canada	10.6
	Canada Border Services Agency	11.1	Foreign Affairs and International Trade	57.8
	Canada School of Public Service	1.6	Public Health Agency of Canada	36.9
	Canadian International Development Agency	15.5	Public Safety Canada	27.6
	Canadian Revenue Agency	34.6	Royal Canadian Mounted Police	15.6
	Commission for Public Complaints Against the RCMP	0.7	Statistics Canada	0.77
	Department of Finance Canada	14.0	Transport Canada	115.3
Over \$100k average	National Defence	192.8		
	Human Resources and Skills Development Canada	395.4		
	Public Works and Government Services	1,032.63		
	Service Canada	104.4		
	Treasury Board Secretariat	44.03		

Source: Canada, Treasury Board Secretariat (2013).

\$100,000 accounting cut off and thus 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; (2) "Medium" between \$25,000 and \$50,000; (3) "Large" between \$50,000 and \$100,000; and (4) "Very Large" for contracts averaging above \$100,000. Twelve administrative units belong in the first category, 46 in the second, 14 in the third, and five in the largest. 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 and \$50,000.⁶

Now consider the distribution of total amounts spent on policy and management consulting for administrative units with contract averages between \$25,000 and \$50,000 and between \$50,000 and \$100,000. Out of 46 departments and agencies only eight have spent over \$20 million on these contracts over the period in question with most spending under \$20 million. Three departments are clear outliers in the sense of focusing much of their activity on small contracts: Environment Canada (expenditures of \$136.6 million over 3,488 contracts), Industry Canada (expenditures of \$108.7 million over 2,827 contracts), and Health Canada (expenditures of \$115.5 million over 2,793 contracts), while AANDC (expenditures of

Table 5. *Distribution of Contracts in Top Units by Spending, 2003–04 to 2013–14*

<i>Administrative unit</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>Very large</i>
National Defence	124 (28.18%)	83 (18.86%)	100 (22.73%)	133 (30.23%)
Human Resources and Skills Development Canada	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%)
Public Works and Government Services Canada	2,819 (43.20%)	1,440 (22.07%)	1,503 (23.03%)	763 (11.69%)
Environment Canada	3,439 (73.50%)	643 (13.74%)	393 (8.40%)	204 (4.36%)
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: Canada, Treasury Board Secretariat (2013).

\$120.5 million over 1,660 contracts) and Transport Canada (expenditures of \$110.9 million 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.

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 (2003–04 to 2013–14) with the amounts billed by companies that were granted at least two contracts. Table 6 shows this measure for the administrative units that billed more than \$15 million.

Overall, the federal public administration awarded about 68 per cent of the money over the period under consideration to companies with two or more contracts. The Department of National Defence and Service Canada in particular 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 \$407 million, which accounts for 52 per cent of the total amount granted as repeat contracts through the department.

Table 6. *Percentage of Repeat Contract Amounts – All Contracts (by largest amounts)*

<i>Department</i>	<i>Contract amounts</i>	<i>Repeat contracts amounts</i>	<i>Percentage of repeat contracts</i>
Public Works and Government Services	\$1,074,854,102.68	\$800,288,555.35	74.46%
Human Resources and Skills Development Canada	\$395,823,017.06	\$103,962,362.72	26.26%
National Defence 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%
Aboriginal Affairs and Northern Development Canada	\$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%
Foreign Affairs and International Trade	\$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%
Treasury Board Secretariat	\$44,039,542.52	\$30,583,755.92	69.45%
National Research Council	\$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%
Royal Canadian Mounted Police	\$15,882,060.59	\$6,128,614.76	38.59%
Canadian International Development Agency	\$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: Canada, Treasury Board Secretariat (2013).

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

Although a significant finding relates to the general decline in the number and amounts of contracts in recent years, it suggests a pattern of long-term, ongoing interactions between suppliers and purchasers of these services

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 of contracting work carried out by the Public Service Commission of Canada (2010) and Macdonald (2011). They reveal 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 contracts in recent years, it suggests a pattern of long-term, ongoing interactions between suppliers and purchasers of these services — similar to the general pattern found by the PSC and Macdonald. It reinforces in this area of government activity the general pattern of the “permanence of temporary services” found in earlier aggregate studies of government contracting and temporary help.

While it is not possible to conclude from expenditure data what qualitative impact this consulting activity has had on policy work and the nature of policy advice provided to Canadian governments (see Howlett and Migone 2013), this pattern of expenditures is consistent with the idea put forward by Speers (2007) and Saint-Martin (2006) that policy and management consultants indeed comprise a large group of policy actors with continuing influence and impact on Canadian government policy making. Despite their erstwhile temporary and ad hoc legal status, they have a more or less permanent and fixed character which largely escapes traditional reporting and accountability measures. Until very recently, in fact, they operated without even the limited transparency provisions that now allow some quantitative insights to be made into the world of this part of the previously “invisible public service” (Speers 2007).

Notes

- 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 the government’s behalf (Freeman 2001; Vincent-Jones 2006; Butcher, Freyens and Wanna 2009). This move towards the “corporatization” of public services has been argued to have succeeded somewhat 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 In order to rationalize and streamline the process of government procuring between April 2008 and January 2009, Public Works and Government Services Canada also 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 to develop a set of shared rules for reporting across government agencies. However, this was mostly a business-oriented exercise, intended to facilitate the relationship between contractors and government.
- 3 For example if a contract covered two fiscal years and was awarded for a sum of \$100,000, each year was assigned \$50,000. Of course this is arbitrary but it allowed us to have a more “normalized” map of this spending.
- 4 National Defence and the Canadian Forces do not use the 0491 code.
- 5 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 to \$50,000 and then to \$100,000) and extended from one to two years, in our calculations it would still count as a single contract.
- 6 A similar spread in contract size emerged from an audit of Environment Canada (EC) in 2008–09 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 on behalf of EC from 1 April 2008 until 11 December 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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