

Legislative Costing Note

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Short title: The Incremental Cost of Employing 10,000 Reservists as Part of CAF Readiness Efforts in Response to COVID-19

Description: The Canadian Armed Forces (CAF) are employing a projected total of 10,000 reservists on full-time contracts in response to the current COVID-19 pandemic and potential operational requirements associated with seasonal flooding and forest fires during the Spring and Summer months. This estimate covers the incremental salary cost of employing reservists on full-time contracts for a period beginning in April, 2020 and ending on August 31st for a total of 144 days and includes employee benefit costs, temporary duty allowances, deployment costs, and support costs.

Data sources:	<u>Variable</u>	<u>Source</u>
	Total CAF Regular Forces Salaries	PBO Canadian Military Force Structure Model
	Total CAF Reservist Salaries	PBO Canadian Military Force Structure Model
	Regular Force Personnel Counts	Department of National Defence Departmental Results Reports, 2017 to 2019
	Reserve Force Personnel Counts	Department of National Defence Departmental Results Reports, 2017 to 2019
	Temporary Duty Allowance Costs	Department of National Defence Calculations
	Deployment and Redeployment Costs	Department of National Defence Calculations
	Real Life Support Costs	Department of National Defence Calculations
	Consumer Price Index	PBO Estimates

Estimation and projection method:

This cost estimate contains five elements: the incremental salary cost of employing reservists on full-time contracts, the associated employee benefit costs, additional temporary duty allowance costs, deployment and redeployment costs, and real life support costs.

To calculate the incremental costs associated with employing CAF reservists on full-time contracts, military pay data was extracted from PBO's military Force Structure Model (FSM). Aggregate pay amounts for regular force members and reservists were respectively divided by the number of regular force and reserve personnel as reported in the Department of National Defence (DND) Departmental Results Reports in order to produce an average salary for both regular force members and reservists. The resulting costs were then inflated to the 2020 calendar year using PBO projections of the Consumer Price Index. In order to account for minor year-to-year fluctuations in personnel cost data, this process was repeated for FSM data from each of the 2017, 2018, and 2019 fiscal years, and an average was taken. The incremental cost of employing a reservist on a full-time contract was then calculated as the difference between the average CAF regular force member salary and average reservist salary. This incremental salary cost was then multiplied by 10,000 to account for the number of reservists being employed on a full-time basis. Finally, the resulting cost was adjusted to reflect the projected duration of employment of 144 days.

Following Treasury Board Secretariat costing guidance, Employee Benefit Program (EBP) costs were calculated as a percentage (67%) of the total incremental salary cost.

In accordance with National Joint Council Travel Directive guidelines, temporary duty allowance costs were calculated at a flat rate of \$17.30 per day for each military member for a period of 144 days.

Deployment and redeployment costs were based on DND estimates. These were calculated at a flat rate of \$287.50 for regional transport and an additional \$108.55 for meals and incidentals. Each service member receives these amounts for both the initial deployment and the return trip at the end of the period.

Real life support costs were also based on DND estimates. These were calculated at a rate of \$85 per day for rations and quarters for each service member for a period of 144 days.

Aggregate Results:

This policy has an estimated total cost of 456 million in the 2020-2021 fiscal year.

Source of Uncertainty:

As the full extent and nature of CAF operations in response to COVID-19 remains uncertain, this cost estimate concerns only those costs directly associated with the employment, deployment, and sustainment of the 10,000 reserve personnel. Any costs associated with specific military activities during the deployment are not included. Further, the incremental pay costs used in this estimate are based on the difference between average regular force member pay and average reservist pay; while reservists employed on a full-time basis receive comparable rates as regular force members, the calculated average may differ due to differences in the military rank distribution between the reserve force and the regular force. Finally, costs associated with real life support may increase substantially if operations call for

reservists to be stationed off base; this could increase the cost estimate by as much as \$230 million.

Prepared by: Christopher Penney

Cost of proposed measure

\$ millions	2019-2020	2020-2021
Total cost	-	456

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost