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Projecting Federal Personnel Expenses



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

The PBO's fiscal model includes a federal personnel spending module. This module has been enhanced to provide a more detailed framework regarding in-year personnel changes across federal organizations, including characteristics such as employment tenure.

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Table of Contents

Highlights.....	1
Personnel Spending 101	2
Motivation	3
Approach.....	4
Results	6
Notes	9

Highlights

Personnel costs are the largest component of federal operating spending, estimated at \$71.1 billion in 2024-25.

The Parliamentary Budget Officer (PBO) is improving and expanding its modelling of personnel spending. These changes are necessary to monitor the Government's contemplated operational restructuring, which may involve staffing changes across federal organizations.

To this end, the expanded model will now incorporate higher frequency staffing data from federal pay systems and a greater breadth of information. This includes staffing movements by tenure (for example, indeterminate status) and, for the first time, a separate projection of non-civilian federal staffing (for example, National Defence).

In the absence of expenditure restraint exercises, PBO projects that personnel spending will rise to \$76.2 billion by 2029-30. This is approximately two per cent higher than our March 2025 projection, reflecting new Departmental Plan data and modelling improvements. PBO now projects that indeterminate federal employees will increase to 87 per cent of all FTEs—the highest percentage since 2015.

Compared to our March 2025 projection, growth in personnel expenses is driven by an increase in the number of full-time-equivalents (FTEs), projected to reach almost 442,000 by 2029-30. Overall compensation per FTE (including pensions and other benefits) is projected to reach over \$172,000 by 2029-30, largely driven by salaries and wages and other standard compensation.

This projection does not reflect federal announcements made after May 2025. That is, neither the June 2025 additional spending for the Canadian Armed Forces nor potential impacts from the recently launched Comprehensive Expenditure Review are incorporated. As such, it provides a baseline for the anticipated policy changes to be announced in Budget 2025.

Personnel Spending 101

What is personnel spending?¹

Personnel costs are the largest component of federal operating spending. Personnel spending includes salaries, wages, bonuses, overtime, pension compensation, and other employee-related benefits.² It is presented in the Public Accounts (Volume II Table 3A) as the following:

1. **Current cash-based compensation:** This is the compensation paid to an employee for work performed in the current year (including the Government's cash contributions to pension plans). Salaries and wages (and other standard compensation)³ represent more than 80 per cent of these costs. The key drivers for this cost are the number of employees and the compensation per employee.
2. **Accrual and other adjustments:** In a fiscal year, various adjustments are needed to compensation on a cash basis. These largely relate to differences between benefit payments made during the year (to current and former employees) and the value of benefits earned by current employees during that year (based on actuarial valuations).⁴

How much does the Government spend each year on personnel?

In 2023-24, the Government spent \$69.6 billion on personnel in federal departments and agencies. This was composed of \$65.3 billion in current cash expenditures and \$4.3 billion for accrual and other adjustments.⁵ In 2024-25, we estimate that personnel costs increased to \$71.1 billion.

What is the difference between headcount and full-time-equivalents (FTEs)?

Headcount is a simple count of all individuals on the payroll, including full-time, part-time, and temporary staff.⁶

FTE is a calculated metric that standardizes the workforce into an equivalent number of full-time positions. For example, two employees working half-time would equal one FTE. This provides a more accurate measure of the Government's labour utilization and associated costs.

Motivation

The Parliamentary Budget Officer's (PBO) approach to projecting federal employment has historically relied on high-level, annual data. Projections were based on planned FTE figures published in Departmental Plans, which provided a solid but aggregated view of the Government's personnel landscape. This method assumed a relatively stable and uniform evolution of the federal workforce within a given year.

Recent trends in public service hiring and attrition, however, have highlighted the limitations of this approach. The dynamics of the federal workforce are becoming more complex, with significant shifts between temporary and permanent staff and varying trends across different departments and agencies.⁷ An annual snapshot does not capture the in-year fluctuations and specific movements that have a material impact on personnel costs and government operations.

As personnel expenses constitute the single largest component of federal operating spending, a more granular understanding is essential for effective parliamentary scrutiny. A detailed and timely projection allows for a more accurate assessment of the Government's budget and provides parliamentarians with the necessary tools to hold the Government accountable for its staffing and spending decisions.

To address this, the updated personnel model will be significantly expanded. It will incorporate higher frequency staffing data (monthly or quarterly) directly from federal pay systems, providing a greater breadth of information. This will allow for detailed analysis of staffing movements by tenure (that is, indeterminate and other).

Furthermore, for the first time, the model will produce a projection of non-civilian federal staffing, including for large organizations such as National Defence and the Royal Canadian Mounted Police.⁸

Overall, these enhancements will provide a more robust, timely, and comprehensive projection of federal personnel. This will not only improve the accuracy of our main fiscal projection but also deepen our understanding of the key drivers behind federal personnel spending, allowing for more insightful analysis and reporting to Parliament.

Approach

PBO's old approach⁹

The previous model was based on annual FTE figures from Departmental Plans for a sample of large departments. These figures were adjusted for historical projection errors and scaled up to represent the entire federal government.

Beyond the planning horizon, FTEs were assumed to grow in line with historical averages, and current costs per FTE were projected to increase with general inflation. This included projections for actuarial adjustments to account for differences between benefits payments made and earned during the year.

Our new approach

The updated approach places more emphasis on understanding the detailed drivers of personnel costs. It incorporates high-frequency (monthly or quarterly) staffing data directly from federal pay systems, allowing for a more detailed analysis. The model now differentiates between employee tenure (for example, indeterminate versus term) and separately projects non-civilian personnel for National Defence and the Royal Canadian Mounted Police.

Overall, the modelling framework considers a wider array of pertinent data (Table 1). In concert with a more disaggregated structure and broader range of projected variables, PBO's new approach offers greater flexibility regarding policy changes and real-time trends in federal personnel spending.

Table 1**Comparison of old and new personnel modelling methodologies**

	<u>Old</u>	<u>New</u>
Data inputs	<ul style="list-style-type: none"> • Annual Departmental Plans, • Public Accounts aggregate and disaggregated cash-based compensation from the Receiver General, • Actuarial Reports on the Governments' Pension Plans. 	<ul style="list-style-type: none"> • All previously used data inputs, plus: <ul style="list-style-type: none"> • High-frequency federal pay data, • Tenure and, departmental details.
Structure	<ul style="list-style-type: none"> • High-level extrapolation and scaling. 	<ul style="list-style-type: none"> • Bottom-up from microdata; Disaggregated by department, tenure, and civilian/non-civilian.
Projected variables	<ul style="list-style-type: none"> • Aggregate FTEs; average personnel costs. 	<ul style="list-style-type: none"> • All previous variables, plus FTEs by tenure; non-civilian personnel projection; detailed cost components.

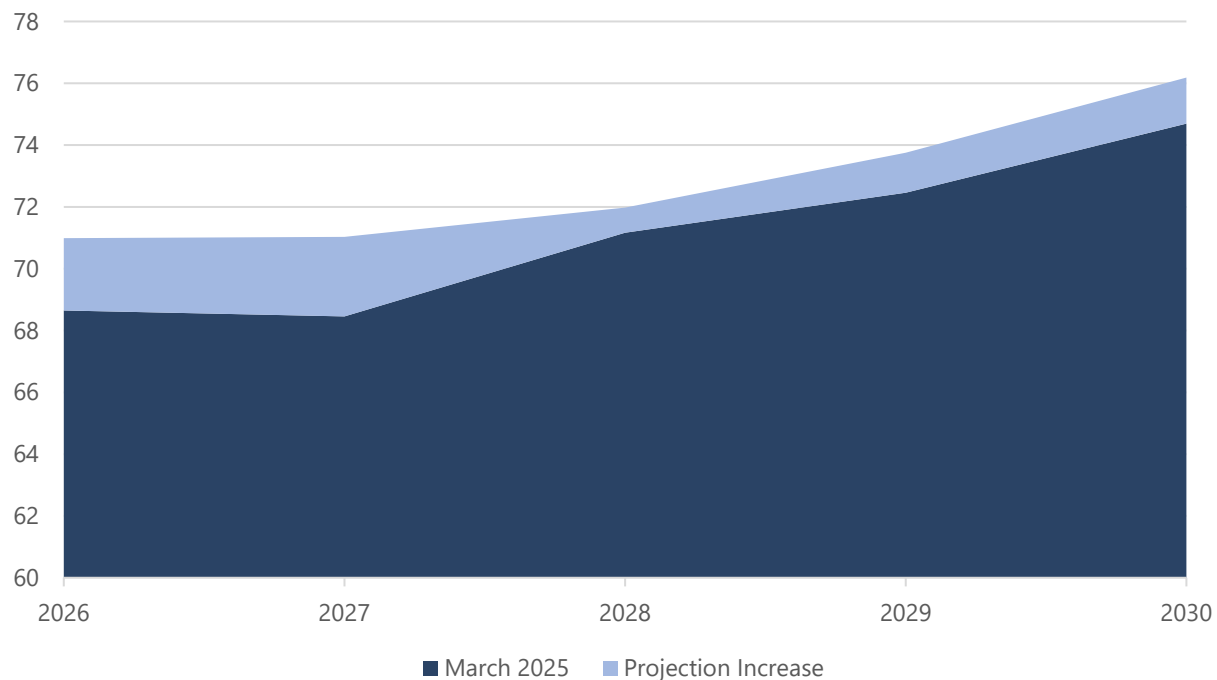
Source:
Office of the Parliamentary Budget Officer.

Results

On a status quo basis, we project total federal personnel spending to reach \$76.2 billion per year by 2029-30 (Figure 1). This is \$1.5 billion higher than our March 2025 Economic and Fiscal Outlook.¹⁰ Higher federal spending on personnel will cumulatively increase the deficit by \$8.5 billion over the next five years (or \$1.7 billion per year, on average).

Figure 1

Federal personnel spending to reach over \$76 billion by 2030
(\$ billions)



Source:

Office of the Parliamentary Budget Officer.

Note:

Spending is presented on an accrual accounting basis.

Data series are presented on a fiscal year basis (2030 represents fiscal year 2029-30).

As noted earlier, this projection does not reflect federal announcements made after May 2025. That is, neither the June 2025 additional spending for the Canadian Armed Forces nor potential impacts from the recently launched Comprehensive Expenditure Review

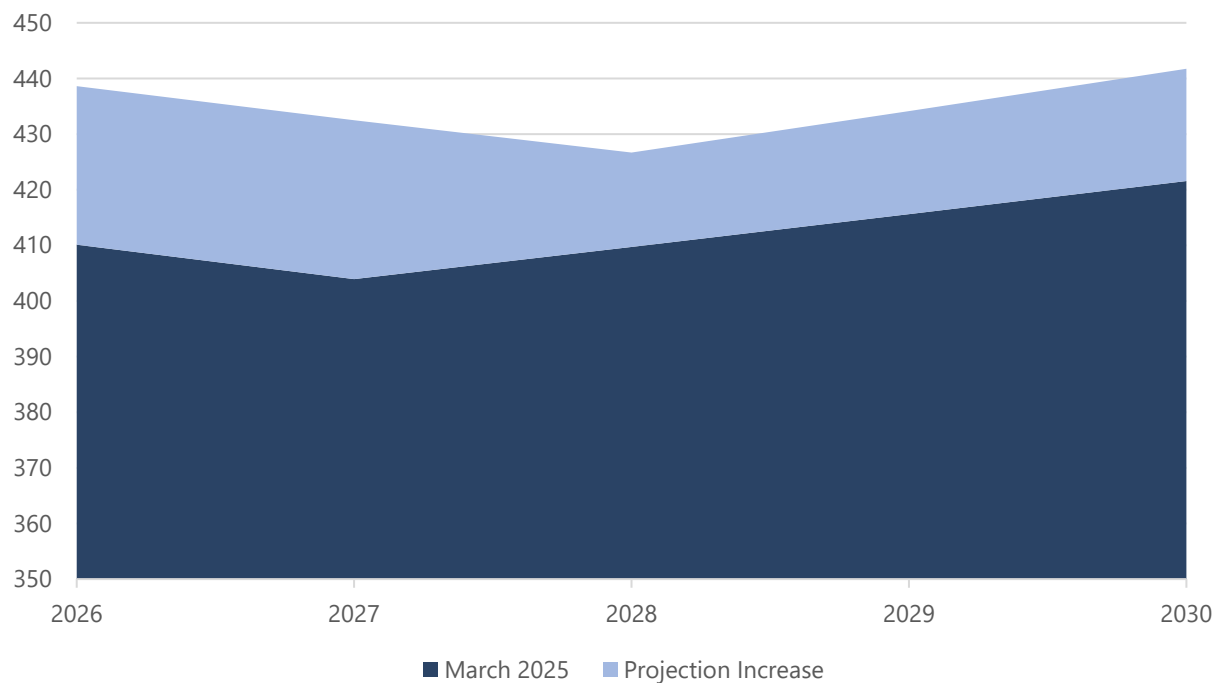
(CER) are incorporated. As such, it provides a baseline for the anticipated policy changes to be announced in Budget 2025.

The projected changes in federal personnel spending are primarily driven by revisions to PBO's FTE projection. As noted in our [July 2025 analysis](#), updated figures presented in the Government's 2025-2026 Departmental Plans indicate that overall human resource levels in the public service are currently higher than originally expected. Based on the most recent Departmental Plans, we expect FTEs to fall over the next two years, before rising to almost 442,000 by 2029-30. The results of the CER, once known and implemented, will likely lower the number of FTEs.

Based on recent trends, we project that in 2025-26 indeterminate federal employees will increase to 87 per cent of all FTEs. This would be the highest percentage since 2015.

Figure 2

The number of FTEs will rise to almost 442,000 by 2030
(thousands)



Source:

Office of the Parliamentary Budget Officer.

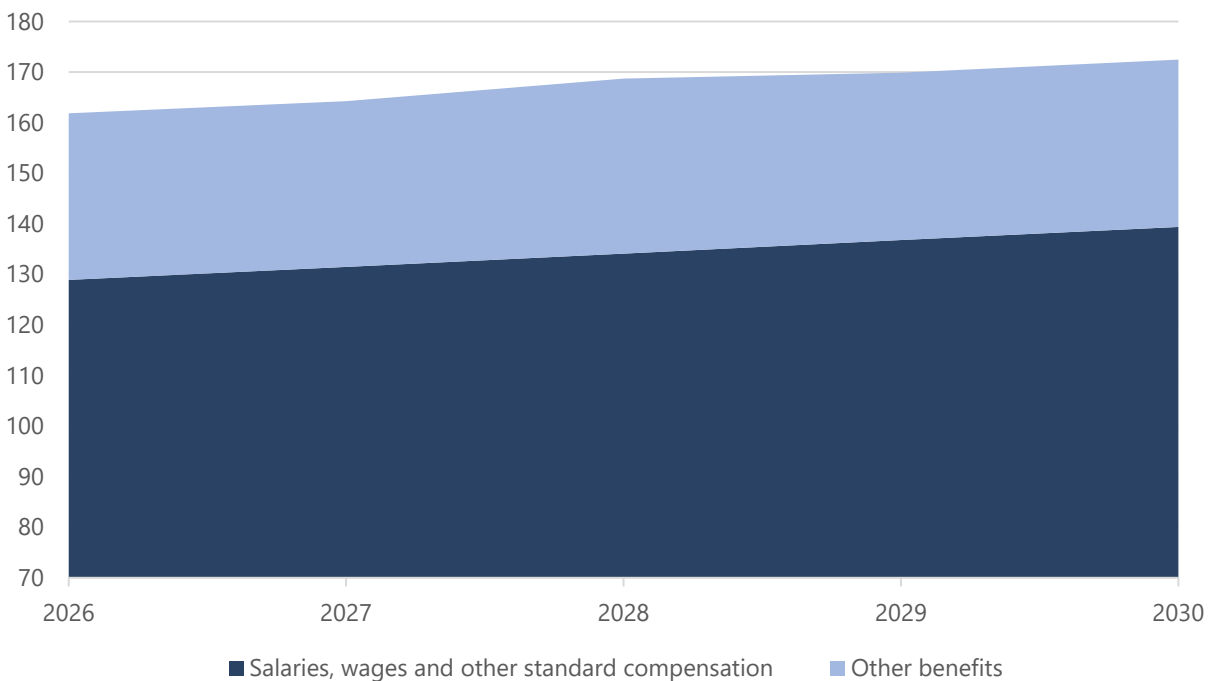
Note:

Data series are presented on a fiscal year basis (2030 represents fiscal year 2029-30).

Average cost per FTE is mainly driven by salaries and wages (and other standard compensation). This average cost is largely unchanged compared to our March 2025 outlook and is projected to increase to \$139,000 by 2029-30, growing in line with consumer price inflation. Accounting for other types of benefits and payments, such as one-time payments, and expenses related to pensions and other benefits, the average cost per FTE is projected to rise to over \$172,000 by 2029-30.

Figure 3

Total per-FTE expenses will rise above \$172,000 by 2030
(\$ thousands)



Source:

Office of the Parliamentary Budget Officer.

Note:

Spending is presented on an accrual basis.

Data series are presented on a fiscal year basis (2030 represents fiscal year 2029-30).

Notes

¹ Personnel spending in this report excludes net actuarial gains and losses. In 2019-20, the Government began presenting personnel expenses net of actuarial gains or losses which account for changes in valuations to public sector pensions and other future benefits.

² Government of Canada. 2025. [2025-26 Chart of Accounts for the Government of Canada](#).

³ Other standard compensation largely includes spending related to overtime, severance pay and termination benefits, pay equity, contributions to Employment Insurance, bilingual bonus, hospital and medical plans, and disability insurance.

⁴ For current employees, accrual adjustments are made between benefit contributions and benefits earned largely due to timing differences. Using pension plans as an example, due to timing differences between when contribution rates are set (every January) and pension valuations are determined (every March 31) employer pension contributions do not match the value of pension benefits in a fiscal year, but rather always track them with a delay.

For retirees, accrual adjustments are made to reverse benefit payments made (recorded in current cash expenditures) as those were expensed in prior years.

⁵ This excludes personnel spending on Consolidated Crown Corporations and other entities, as these are part of overall operating spending for Consolidated Crown Corporations in our model. Government of Canada. 2025. [2024 Public Accounts of Canada \(Volume 2\)](#).

⁶ Office of the Parliamentary Budget Officer. 2025. [Full-Time Equivalents in the Federal Public Service – 2025-2026 Departmental Plans](#).

⁷ Ibid.

⁸ Previously we projected total FTEs for National Defence and Royal Canadian Mounted Police using their respective Departmental Plans without distinguishing between civilian and non-civilian personnel.

⁹ Office of the Parliamentary Budget Officer. 2018. [Federal Personnel Spending – Past and Future Trends](#).

¹⁰ Office of the Parliamentary Budget Officer. 2025. [March 2025 Economic and Fiscal Outlook](#).

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