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BACKGROUND

GOVERNANCE AND PUBLIC INSTITUTIONS

Supporting Employees who Deploy:

The Case for Financial Assistance to Employers of Military Reservists

Colin Busby



In this issue...

Given the key roles Canadian reservists play in meeting Canada's increasing domestic and international security demands, policymakers need to rethink who pays for employer costs when employees deploy.



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THE STUDY IN BRIEF

Military reservists have become a vital component of Canada's forces at home and abroad, and like their counterparts in the regular forces, provide a service for all Canadians. However, owing to recent federal and provincial job protection legislation, employers of reservists tend to bear a disproportionate share of the costs when their employees are deployed overseas or domestically. If reservists choose to take on full-time military duties, their civilian employer's search for a temporary replacement worker of equal skill represents a genuine and potentially significant cost. An unintended consequence of the current policy framework is that relationships among employers, reservist employees, and the military can be eroded.

Canadian employers of reservists and the Canadian Forces need to work together to restore and strengthen that relationship, in combination with policy reforms at the federal level. Given the key roles Canadian reservists play in meeting increasing domestic and international security demands, policymakers need to rethink who pays for employer costs from the temporary loss of an employee and how this, in turn, affects a reservist's smooth transition away from – and back to – civilian life.

This *Backgrounder* urges financial assistance for employers who incur costs by protecting the jobs of reservists who choose to serve full-time in the military. Such a program would target the provision of higher levels of benefits to firms likely to suffer disproportionately from the loss of an employee, therefore shifting the costs of some military operations from a few employers to all taxpayers, but at a low price. A Canadian system of financial assistance for employers would more equitably distribute the costs of national defence actions that benefit all Canadians, and be fair to the general public.

ABOUT THE INSTITUTE

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INDEPENDENT • REASONED • RELEVANT

Military reservists today are more than just strategic reinforcements to enhance readiness in time of conflict. Indeed, they have assumed key roles in both domestic and international operations, especially in Afghanistan. Canada currently rotates about 2,500 soldiers in that country, mostly in the Kandahar region, and some 20 percent of these servicemen and women are reservists.

Canada has approximately 66,000 regular force members and 26,000 reservists. By maintaining pools of potential soldiers in peacetime, military planners can save on institutional and overhead costs. Given the demands on the regular forces, the military has reacted to increasing operational demands, both domestic and international, as well as the coming Winter Olympics' security requirements, with unprecedented use of the reserves, making their availability an essential component to operational success.

Clearly, the use of reservists in military operations promotes the peace, security and prosperity of all Canadians. These are commonly known as “public good” characteristics and underpin the general case for publicly provided and financed military forces.

Employers of reservists tend to bear the risk or the costs of having their employees deployed overseas, owing to federal and provincial job protection legislation. Since a large percentage of reservists – historically around 40 percent – attend school or postsecondary institutions,² such legislation affects those in the remaining 60 percent who hold civilian positions.

Overall, only a small proportion of Canadian businesses hire reservists. As a result, few individuals or companies have an incentive to share in the burden of job protection costs, even though they all benefit from increased security. Hence, job protection legislation singles out the employers of reservists to incur disproportionate costs for society's benefit from reservist operations.

The employer's obligation to protect the job of a reservist has parallels with other mandated workplace requirements where the costs of social obligations are transferred onto employers who employ specific groups. Examples are maternity leave job protection, leave for jury duty, and the requirement to accommodate the disabled in the workplace. In the case of maternity leave, the number of employers who hire women of a fertile age is relatively diffuse, thus spreading out the costs of this obligation. In the other cases, such as jury duty, a select few employers are required to bear the burden of the costs of activities that society believes are worthwhile. The question then arises as to whether society at large ought to share at least some of the costs of accommodating special classes of workers, rather than them being borne in the main by particular employers.

While reservists bring important skills to their jobs, employers may nonetheless be reluctant to hire reservists because of the costs of long absences. Without the confidence and support of their employers, reservists may choose to leave military service or try to keep secret their volunteer activities.³ Neither of these outcomes is desirable.

Although reservist job protection laws – formally proposed in the 1995 Special Commission on the Restructuring of the Reserves – are intended to

I would like to thank the following individuals with experience in Canadian reservist policy who provided feedback on previous iterations of this paper. They are: Blake Goldring, Valerie Keyes, Adam McLeod, Maj.-Gen David Fraser, Jack Granatstein, Brian MacDonald, Brig.-Gen, Larry O'Brien, Chris Madsen, Morley Gunderson, Johan Carignan, Susanna Cluff-Clyburne, John Dolbec, and Finn Poschmann. The paper also benefited from discussions at the October 27, 2009 Reservists Conference at the C.D. Howe Institute in Toronto. All errors and opinions in the paper are those of the author.

- 1 The total force concept is a policy, introduced by many nations in the 1970s, that treats components of the military such as the regular forces and reserves as a single unit. Canada's 1994 Defence White Paper, “Security in a Changing World,” highlighted Canada's commitment to this concept while raising concerns over response capabilities in case of mobilization.
- 2 Federal reforms in Bill C-40 in 2008 amended the *Canada Student Financial Assistance Act* and *The Canada Student Loans Act* to protect full-time student reservists who deploy against accumulating interest on their student loans and to protect their active student status. There is also similar student-specific legislation enacted in some jurisdictions.
- 3 Attrition issues are particularly relevant to the reserves – a typical reserve career is roughly three to five years whereas a regular force career is about 17 years.

support a reservist's choice to volunteer for military deployment, these laws shift the costs of military activities to individual employers, potentially causing hiring discrimination that, in turn, raises doubt about the effectiveness of these laws.

This *Backgrounder* urges financial assistance for employers who incur costs by protecting the jobs of reservists who choose to serve full-time in the military. It addresses issues surrounding a reservist's decision to volunteer for military deployment and examines policy options that would ease the costs of job protection legislation directly incurred by employers.

To better align employer interests with the greater public interest, a more comprehensive reservist policy in Canada would see the creation of simple, and reasonably inexpensive, employer-based financial compensation packages for operational leave. Following international examples, Canada would benefit from such an approach by covering the burden of losing workers temporarily, better supporting deployment decisions and better assisting a reservist's transition back to civilian life. Such a program would target higher levels of benefits to firms likely to suffer disproportionately from the loss of an employee, therefore shifting the costs of some military operations from a few employers to all taxpayers, but at a low price.

A Reservist's Choice

Under almost all circumstances, Canadian reservists have the choice to activate – to take on a larger military role and temporarily remove themselves from civilian life. Involuntary service occurs only in a state of emergency, which is defined in the *National Defence Act* as “an insurrection, riot,

invasion, armed conflict or war, real or apprehended.”⁴

There are three classes of reservists: Class A (traditional part-time), Class B (full-time), and Class C (full-time deployed).⁵ Each class performs a range of military duties, from exercises and courses to international operations.⁶ For most international deployments, reservists need extra training to raise their capabilities to the level of the regular forces.⁷ In the current Afghanistan mission, the period of reservist service consists of three distinct phases: pre-deployment training (three to seven months), operational tour (six to 12 months) and post-tour leave (one to two months).⁸ The total length of active duty ranges from 14 to 21 months (O'Brien 2008). Clearly, such long periods of active duty may complicate the transition back to civilian life.

New entrants to the labour force, or those who are enrolled in post-secondary institutions, may find opportunities for higher earning, adventure and service to the nation by volunteering for full-time duty as opposed to remaining in civilian life.⁹ In contrast, those who have been working in civilian jobs may have stronger ties to the labour force, family responsibilities and may receive a higher salary than that offered in full-time military service. This is the trade-off faced by individual reservists, who must weigh the national, personal and financial benefits of military service against the financial costs and the risks of death or injury.

Increasing demand for Canadian reservists has led to a proliferation of federal and provincial job protection laws (Table 1). For reservists to qualify for job protection, they must provide acceptable notice to their employer of their decision to take on full-time military duties. Reservists must also have

- 4 Section 33(2) of the *National Defence Act* says that should a state of emergency be declared, a government with the advice of Cabinet may call reservists into active service by passing legislation through an order-in-council, forgoing the normal legislative procedure. However, the legislation must be signed by the Governor General before it can be enacted.
- 5 See Park (2008) for a more detailed explanation of different reserve functions and activities. In terms of compensation, Class A and B reserve forces are paid roughly 85 percent of regular force pay when serving full-time or part-time duties; Class C reservists earn pay equal to regular force members.
- 6 CFLC (2005) lists the different types of military leave for reservists.
- 7 Only in rare circumstances would reservists not need additional training for deployment. Among the exceptions are doctors, nurses and engineers.
- 8 The military purpose for post-tour leave is mainly to gradually reintegrate soldiers with society and their families – reducing the psychological impact of operational work – and to monitor their medical condition. With the current mission in Afghanistan, Canadian soldiers also spend a few days in Cyprus before returning to Canada.
- 9 See Appendix B of Klerman (2008) for a formal model on reserve compensation and deployment decisions in the US context.

Table 1: Re-instatement Leave Legislative Guidelines, Canada and Abroad

Jurisdiction	Federal	NL	PEI	NS	NB	QC	ON	
Eligibility Notice (weeks)								
Public Sector	0	8	as soon as practical	12	as soon as practical	4	as soon as practical	
Private Sector	4	8	same as above	12	same as above	4	same as above	
Special Conditions								
Public Sector	Leave is not guaranteed; manager's discretion	Employer may apply for exemption due to undue hardship	none	Only for Class C service	Only for Class C service	Leave can be refused if affects public health or safety	Overseas missions qualify for leave; domestic ones must meet certain conditions	
Private Sector	Leave can be refused if causes undue hardship to employer or affects public health or safety	same as above	none	same as above	same as above	same as above	same as above	
Minimum Period of Civilian Employment (months)								
Public Sector	0	6	6	12	6	12 (overseas only)	6	
Private Sector	6	6	6	12	6	12 (overseas only)	6	
Duration (months)	0 to 24+	0 to 24+ (with 12-month break)	0 to 24+	max of 18 in 36-month period	0 to 18 (with 12-month break)	0 to 18 (with 12-month break)	0 to 24+	
Return to work notice (weeks)	0	0	0	0	0	0	0	
Compensation Policies								
Employer	No	No	No	No	No	No	No	
Employee	No	No	No	No	No	No	No	
Jurisdiction	MB	SK	AB	BC	YK	US	UK	AUS (federal)
Eligibility Notice (weeks)								
Public Sector	as soon as practical	none	4	4	4	none, as soon as practical	as soon as practical	as soon as practical
Private Sector	same as above	none	4	4	4	same as above	same as above	same as above
Special Conditions								
Public Sector	none	none	Overseas missions qualify; domestic ones must be emergencies same as above	Overseas missions qualify; domestic ones must be emergencies same as above	Leave can be refused if causes undue hardship to employer or affects public health or safety same as above	Employer may apply for exemption due to undue hardship	Employer may apply for exemption due to undue hardship	None
Private Sector	none	none	same as above	same as above	same as above	same as above	same as above	None
Minimum Period of Civilian Employment (months)								
Public Sector	7	0	6.5	0	6	0	0	0
Private Sector	7	0	6.5	0	6	0	0	0
Duration (months)	0 to 24+	0 to 24+	0 to 24+	0 to 24+	0 to 24+	0 to 24+	not specified	not specified
Return to work notice (weeks)	0	0	4	0	0	ranges from 0 to 12 weeks depending on length of service	ranges from 0 to 3 weeks after service	not specified
Compensation Policies								
Employer	No	No	No	No	No	No	Yes	Yes
Employee	No	No	No	No	No	Yes	Yes	No

Source: DND (2009b); various sources.

worked a minimum amount of time, depending on the jurisdiction, in either the public or private sectors to qualify for job protection. The operations for which employees may qualify for job-protected leave also vary by jurisdiction, although most provinces cover Class C overseas missions.

Some legislation also includes a “hardship clause,” which permits employers to deny a request for military leave if they can provide proof that doing so would materially damage their business. Further, some jurisdictions place limits on the frequency of job-protected leave by requiring a break between periods of deployment.

Upon return to work, employees have the right to be reinstated to the position occupied before the leave. If this is not possible for a valid reason, employees must be reinstated to a comparable position of similar wages and benefits. A company is not obliged to pay a reservist’s salary or benefits while he/she is deployed.

Costs to Employers and Potential Consequences

Employers are a key link between the civilian life of a reservist and his/her military duties. They benefit from hiring reservists through the practical skills that reservists learn in training, such as teamwork, managerial and communication skills. Yet despite this obvious upside, once employers hire a reservist, they must also assume the risks that come with it.

For reservists, voluntary, as opposed to compulsory, call-up creates another problem: should a reservist choose temporarily to depart from an employer – essentially choosing military

activities over civilian ones – the employment relationship could be harmed.¹⁰ Some firms may attempt to avoid the problem entirely by not hiring reservists, hindering the reservist’s employment prospects. Given the range of possible employer responses, another potential consequence of job-protection legislation may lead to shifting the deployment risk onto employees in the form of lower wages.¹¹

In the case of military deployment, an employer will likely need to hire someone else to perform the reservist’s lost work time, or increase the workload of existing employees.¹² Output may fall, productivity may decline and the search costs for a new employee may be substantial. The obligation to reinstate a reservist after many months of leave may also require retraining costs. By extension, this may put any firm employing reservists, large or small, at a competitive disadvantage.

Evidence from a U.S. Congressional Budget Office study reveals that among the six percent of all American businesses that hire reservists, the ability to cope with the loss of an employee varies substantially. Small businesses and businesses that require workers with highly specialized skills often suffer significantly and in rare cases partially shut down when these employees are lost to reserve duty. Larger firms, on the other hand, also experience disruptions but are generally more able to absorb lost employee hours with a limited slowdown in production or additional expenses (CBO 2005).

10 In the case of students, postsecondary institutions could lose tuition fees as a result of a student leaving a restricted program. The concern here is that schools could discriminate against the readmission or acceptance of reservists. Although schools could lose a source of income, a student leaving an educational institution does not pose any obvious operational costs: teachers will not need to teach more, and students will not need to study more. This blurs any policy need.

11 Empirical evidence on US employer responses to the costs of legislated accommodation requirements, such as the protection offered to disabled citizens under the, *Americans with Disabilities Act*, shows significant adverse affects to the hiring of people with disabilities that, contrary to the legislation’s intent, made them less employable (see Acemoglu and Angrist 2001). There is also evidence that the costs of accommodation requirements get shifted back to workers in terms of lower wages.

12 A large proportion of Canadian reservists – historically about 40 percent – are students at postsecondary institutions or secondary schools. For these reservists, the decision to activate may come at the expense of losing a place in their program or losing credits for courses taken (CFLC 2006). Most universities today, however, accommodate their reservist students to the greatest extent possible, within the limitations imposed by program demands, availability of instructors, etc.

Table 2A: Personnel Issues: Reservists and Total Force Strength, 2009

	Regular Forces	Reserves	Total Forces	Percent Reserves
Army	33,475	18,429	51,903	36%
Navy	11,381	3,817	15,199	25%
Air Force	20,085	2,501	22,586	11%
Other	2,008	1,580	3,588	44%
Total	66,949	26,327	93,276	28%

Note: The author's calculations here are meant to reflect the environment in which regular and reserve forces serve (land, air and sea) as reported in Park (2008). Officially, it is uncommon for the Canadian Forces to aggregate its units - of which there are 30 component capabilities - into the above 3 categories because not all of the components report directly to the Army, Navy, or Air Force.
 Source: CANSIM; Park (2008); DND (2009c); Author's calculations.

Canada's Growing Military Need for Reservists

The majority – around 15,000 – Canada's 26,000 reservists are in the part-time, non-deployed category.¹³ They serve across five major elements: the Army Reserve, Naval Reserve, Air Reserve, Health Services Reserve and Reserve Legal Services (Table 2A). Reservists are proportionally younger than the regular forces – more than 40 percent of reservists are aged 25 and under – and they tend to concentrate more in combat arms and operations (Table 2B). By maintaining a pool of potential soldiers in peacetime, military planners can plan for cost efficiencies with a mix of reserve and regular force personnel.

Given that the regular forces are hard-pressed to meet all their commitments, the military has reacted to increasing operational demands by making significant use of the reserves (Granatstein and Belzile 2005). As of late 2009, over 3,000 reservists have served in Afghanistan since the start of the mission.

Canada's future security realities and personnel needs are broadly outlined in the Canada First Defence Strategy (DND 2009a). In it, the size of the reserves is expected to grow to about 30,000 over 20 years. Meanwhile, the demographic age group that normally produces reservists is expected to decline as

a proportion of the total workforce population over the next decade (see Figure 1).¹⁴ The Canadian Forces shares – and to some extent compete for – reservist personnel with many domestic employers, such as local police forces, fire departments and paramedic services, among others. Critical to the future capacity of the reserves is the ability to retain personnel, an issue dependent on the cooperation and good faith of civilian employers.

Employer Support Program Options

As noted, a cost burden falls on the few Canadian employers who hire reservists. This can have a ripple effect on a reservist's ability to find employment, smoothly return to civilian work, or even remain in the reserve forces. The Canadian Forces' current desire to rely on the reserves more than in the past, and to do so in the very near future, means that the immediate risks and potential losses for public- and private-sector employers are growing.

Although a small fraction of Canadian firms extend support to their reservist employees without reimbursement,¹⁵ shifting reservists' deployment costs onto government would better foster a reservist's relationship with an employer and protect the role of reservists in Canadian society.

13 This is the figure for the effective "paid-strength" size of the primary reserves. Because of the part-time nature of reserve service, not all of Canada's 35,000 primary reserve personnel will be working on any given day; hence, the figure most often referred to is the reserves paid-strength size. Students make up about 12,000 of this total figure.

14 I note as well that this age group will be increasingly composed of visible minorities, a traditionally under-represented group in the Canadian forces.

15 This refers to the few Canadian employers that have included support for reservists as part of the company's human resources policy. See www.cflc.forces.gc.ca for more.

Table 2B: Personnel Issues: Characteristics of Canada's Reservists and Regular Forces, 2008

	Regular Forces (%)	Reserves (%)	Civilian Workforce (%)
Sex			
Men	87.8	79.2	53.3
Women	12.2	20.8	46.7
Age			
15 to 24	9.9	42.1	19.3
25 to 39	57.7	37.4	33.3
40 to 54	32.0	19.2	36.6
55 to 64	0.4	1.3	10.7
Education			
Less than high school	7.1	4.3	13.3
High school diploma	31.4	15.2	19.5
Some postsecondary	13.1	11.0	6.6
Postsecondary degree/diploma	48.2	69.4	59.6
Visible Minority			
	4.5	11.1	17.1
Occupation			
	(% of regular forces)	(% of reserves)	
Combat arms	22.2	46.1	
Maritime (incl. communications and technical)	12.4	8.6	
Aviation (incl. technical)	17.1	5.0	
Administration	23.9	20.8	
Medical	4.8	4.9	
Engineering	2.4	1.5	
All other	17.2	13.1	

Source: From Park (2008).

Any potential reforms must consider the impact on: i) an individual's decision to become a reservist; ii) an employer's decision to hire reservists; and iii) the reservist's decision to volunteer for military deployment. When considering these factors, it is clear that other countries are more progressive than Canada.

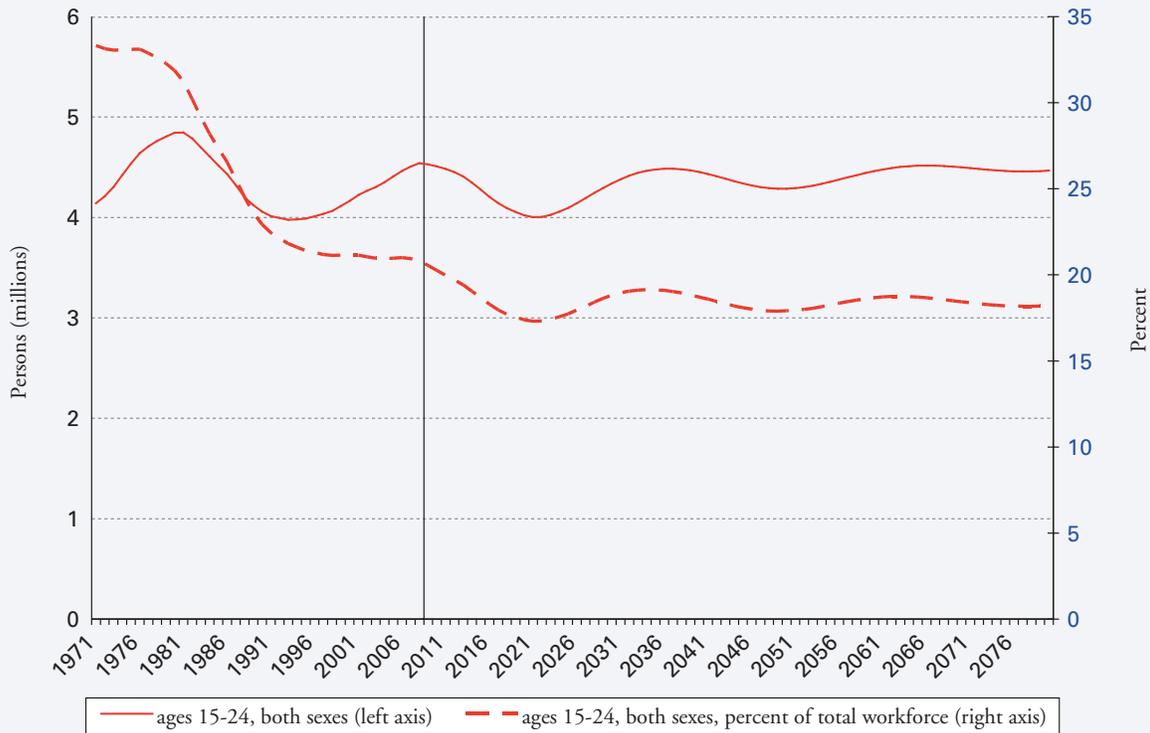
Approaches Abroad: Australia and the UK

With a similar reliance on reservist personnel as in Canada, the United Kingdom and Australia offer employer compensation programs (Table 3) in addition to job protection legislation (see Table 1). While these programs reduce employer losses associated with reservist service within easily

understood frameworks, they differ in important ways. Whereas Australia provides one stream of weekly compensation to employers, the UK effectively has three different compensation packages: one to assist employers with the hiring costs of finding a new employee; a second to cover overtime costs as a consequence of the employee's absence; and a third to compensate employers for any retraining necessary upon the reservist's return.

Both international examples have advantages and disadvantages. The Australian system of employer supports, established in 2001, does not require employers to release much sensitive information, making the application and approval process relatively easy. Yet the level of compensation to all employers is the same, regardless of the actual costs

Figure 1: Key Reservist Demographics, Past and Future



Sources: CANSIM; Author's calculations.

incurred.¹⁶ On the downside, this tends to make the compensation unrelated to firm-specific factors. For instance, some firms may not even want to replace a reservist while he/she is activated, making government assistance for them largely unnecessary.

In the UK, a system of financial assistance has been in place since 1997. Companies can, without financial limits, claim one-off costs, such as recruiting agency fees for replacement and advertising costs. Recurring expenses, such as the overtime costs of other employees and temporary replacement fees, can be claimed up to about \$200 per day per lost employee. And additional training costs, above and beyond what is normally required in relation to the activation period, can be claimed upon a reservist's return, without limit. Though the advantage of the UK assistance package is that it attempts to tailor the size of benefits to costs, isolating the total costs in terms of lost output,

productivity and additional expenses from the loss of an individual employee is a nearly impossible task (CBO 2005). As well, trying to determine such costs places a burden on both the administrative body and the employer – and may encourage fraudulent claims.

The United States, perhaps owing to a reliance on job protection laws and an emphasis on patriotic spirit among employers, does not offer a program of employer supports.¹⁷

What to Do?

Canadian reservists, their employers and the general public would benefit by adopting a hybrid of the above compensation schemes. From the perspective of simplicity and administrative ease, a financial support program should limit the administrative burden for both employers and administrators (UK

16 Employer assistance is awarded at the average weekly full-time adult, ordinary-time earnings as determined by the Australian Bureau of Statistics. Employers who claim that the weekly levels of payments are insufficient may apply for more.

17 The US does, however, offer support targeted to reservists that increases employee compensation with full-time military service.

Table 3: Varied Employer Compensation Programs

	Type of Claim	Full- or Part-Time	Time Restriction on Claim (weeks)	Maximum Costs (Canadian dollars)
UK	One-off (i.e., recruiting fees, advertising costs, admin. costs for claim)	FT/PT	4	none
	Recurring (i.e., overtime costs)	FT/PT	4	\$200 per day
	Retraining (i.e., additional retraining costs from activation)	FT/PT	8	
	Self-employed (can claim for employer supports as well as employee supports)	NA	same as above	same as above
	Special Hardship for Employers	FT/PT	4	NA
Australia	General Employer Support Payments	FT/PT	24	\$1,102 per week* up to 78 weeks; updated annually; PT prorated
	Self-employed reservist can claim for employer supports	NA	24	same as above

* special hardship can result in larger compensation.
Source: Various government documents.

Table 4: A Canadian Employer Compensation Program

	Time (months)
Eligibility Notice	as soon as practical
Minimum Period of Civilian Employment (consecutive)	1
Duration	0 to 16
Time to File Claim	6
Claim Approval Period	1
Restrictions	FT/PT prorated
Service Type	Class B or C
<i>Benefit Types and Levels</i>	
General Claims	
Based on employee's tax return and size of firm	
Firm size (employees)	Percentage of annual salary
100+	40%
20 to 99	50%
10 to 19	60%
5 to 9	70%
1 to 5	80%
	max claim of \$47,200 annually
	special hardship can also be claimed

Source: Author's calculations.

MOD 2004). And although it is unclear which international example is the more expensive of the two above, the UK program's attempts to limit costs should be incorporated in a Canadian context.

A Canadian Compensation Program for Employers of Reservists

Any Canadian compensation program for employers of reservists should be administered by the Department of National Defence so that it can reflect informed military personnel choices. The administration of the program could feed into human resource decisions. Both public- and private-sector employers should be able to claim financial compensation and use the money for whatever purposes they deem suitable.

Benefits would be based on compensation levels obtained from employer payroll data. The implication is that a reservist's wage is a reasonable estimate of disruption costs; i.e., a high salary implies high productivity and thus high disruption costs. Should an employee not have worked the full 12 months prior to the end of the tax year, earnings could be prorated, thereby covering full- and part-time employees. Importantly, benefits would extend more support to smaller firms that are less likely to absorb employee losses. Compensation would be capped at a maximum of 80 percent of a reservist's annual salary with the annual ceiling set at the yearly maximum pensionable earnings – \$47,200 per year in 2010. However, there could be a special hardship exemption (see Table 4).

Who Qualifies?

For a private or public employer to qualify for these payments, the employee would have to be on either Class B or C service for more than 30 days. Claims would be submitted within a fixed period, such as within six months from the first day of the employee's new military duties. Benefits would be

paid for a maximum period of 16 months, which includes pre- and post-deployment obligations, and claims could potentially be made for longer periods as a result of injury or illness experienced during the employee's defence service.

The main challenge with setting qualification rules is designing them to work within the myriad of standards under federal and provincial job protection laws. One solution is to set national qualification criteria that roughly correspond to the minimum requirements of the least stringent provincial or federal legislation. Using this approach, a reservist would need, say, one month of civilian employment in order for his/her employer to receive benefits for up to 16 months.

Two outcomes are possible under these rules: one where an employee qualifies under job protection legislation and his/her employer can now qualify for benefits, and a second where an employee does not qualify under job protection legislation but his/her employer still might receive benefits. In the case of the latter, an employer would have to agree to protect the job of his/her employee as if they were covered under the job reinstatement laws.

What are the Benefits and Costs?

Although data do not exist to accurately cost out this proposed program, I base my calculations first on the assumption that students are slightly more likely to deploy than other reservists,¹⁸ given what is known about reserves force activation, pre-deployment and deployment length.¹⁹ I further assume that 70 percent of all non-student reservists are employed,²⁰ earning an average weekly wage of \$821, and that all employers of these reservists qualify for benefits up to a cap of 16 months.

Under these conditions, I estimate this program would have cost some \$7 million in 2006, \$19 million in 2007, \$21 million in 2008, and about \$19 million in 2009. Looking ahead, costs can be estimated based on future deployment levels.

18 This assumption reduces the level of reservists that would qualify under this program by estimating that 50 percent of all deployed reservists are students or recent graduates without civilian employment – an approximation well supported by commentators on this paper.

19 The author would like to thank Johan Carignan for supplying reservist deployment data.

20 This employment rate projection is slightly above actual figures for the Canadian population aged 25 and up.

Annual costs should be roughly \$26 million in 2010 and roughly \$8 million in 2011.

Such a program would help employers by lowering their competitive losses. As a result, employers would lend more support to the decisions of their employee-reservists, thus improving their civilian working conditions. Such a program of employer compensation that targets higher levels of support to firms generally less able to cope with losses can also be cost-effective for taxpayers, because benefit levels would fluctuate with firm size – shrinking for large companies and expanding for smaller ones.

With a better understanding of true reservist costs, military planners can achieve more informed personnel decisions, minimizing the level of resources diverted from the civilian workforce. An improved mix of policies to support the reserve force would also ensure that the realities of distant military engagements continue to be transmitted to communities across Canada.

Other Issues

More administrative capacity and technical requirements would be necessary to extend the coverage of employer supports to self-employed reservists. Today, about one in six people in the Canadian labour force are self-employed. In the UK and Australia, the self-employed are covered. In each case, legitimate business tests must demonstrate that an active business is the principal source of income. Although the self-employed compose a large fraction of Canada's workforce, which is an argument to extend benefits to cover them, the voluntary nature of deployment in Canada complicates the case for benefits. Individuals with personal capital invested in their business, as both employee and employer, would in most cases be less likely to volunteer for deployment than others, raising doubt as to whether self-employed individuals are a good match for the needs of the Canadian Reserves.

Administrative costs, though difficult to quantify, can be kept in check by a simple application

process.²¹ Also, the burden of information to qualify for supports should not rest only with the employer: reservists should be required to notify their employers of the program and its implications in case of activation, thereby ensuring employers are aware of what is necessary to qualify. This would facilitate an open and cooperative relationship.

Opponents to reform argue that because the current system of policies ensures that reservists who deploy can expect, by law, to come back to a job, deployment decisions are already supported without cost to the taxpayer. This is a common position with policies that provide diffuse benefits with narrow costs – there is no incentive for those who benefit to pay if others are bearing the cost. While recruitment and deployment decisions may not appear to be an issue today, there is strong reason to believe that this will not always be the case, owing to increasing military needs and domestic demographic change. And as long as some employers of reservists struggle to absorb the costs of losing an employee, the employer relationship with reservists – and ultimately the Canadian military – risks breaking down.

Conclusion and Recommendations

Canadian employers and the Canadian Forces need to work together to keep reservists engaged and to develop their potential for the benefit of all three parties. Given increasing security demands, policymakers need to rethink employer costs from the temporary loss of an employee and how this, in turn, affects a reservist's smooth transition away from – and back to – civilian life.

Skilled reservists must balance obligations to two employers. Should they choose to take on full-time military duties, their civilian employer's search for a temporary replacement worker of equal skill represents a genuine and potentially significant cost. Though civilian employers of reservists gain from the skills reservists learn from military duties, job-protection legislation shifts a significant portion of military operations' personnel costs to a reservist's

²¹ A full-time administrative staff of 10 to 15 people would cost in the range of \$1.3 million annually at average salaries and benefits.

employer. The unintended consequence of the current framework is that employer-employee relationships may erode. And the cost of using reservists, from the perspective of the Department of National Defence, is artificially low, which may cause an overuse of reserves versus regular forces. A more robust system of employer supports would ensure a proper balance of interests among reservists, civilian employers and the Canadian Forces.

A Canadian system of financial assistance for employers would minimize the risks of reservists facing employer hostility. It would also more equitably distribute the costs of national defence actions that benefit all Canadians. Extending financial assistance to employers of reservists is fair to both employers and the general public.

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