Public Sector Statistics

The Public Sector statistical program measures and analyses the economic dimensions of the public sector of Canada, including the multidimensional financial interrelationships among the thousands of entities, which make up the three levels of government in Canada (federal, provincial, territorial, and local). In order to carry out this program, the Public Institutions Division (PID) maintains a universe of all public sector entities including their myriad relationships. One of the distinctions made in the public sector universe is the distinction between General Government and the broader category of Government. The Public Sector is the combination of Government and the Government Business Enterprises (GBE). The Public Institutions Division (PID) also develops, maintains, and applies the Financial Management System (FMS). The FMS is an accounting standard with imbedded, standard statistical classifications unique to the public sector.

The economic dimensions include revenues and expenditures, assets and liabilities, as well as employment-related statistics, of public sector entities in all levels of government including their business enterprises. The public sector includes entities such as government departments, agencies, establishments and funds, as well as government controlled business enterprises which political authorities at all levels use to implement their social and economic policies. It also includes non-profit entities such as universities and hospitals, which, while not necessarily owned by government, obtain most of their funds from government. (The public sector does not include supra-national bodies such as agencies of the United Nations or other international organisations that may exist and operate within Canada.) The coverage and structure of the public sector are schematically represented by the chart at the end of this document.

PID is responsible for Statistics Canada's statistical infrastructure related to the public sector. This infrastructure consists of a universe of public sector entities, their interrelationships, and several standard statistical classifications assigned to them. PID also serves as the centre of expertise in Statistics Canada (and outside) in measuring the public sector and classifying its entities.

The public sector

The public sector contains all institutional units controlled and mainly financed by government. Institutional units are economic entities that are capable, in their own right, of owning assets, incurring liabilities, and engaging in economic activities and transactions with other entities. Control may take the form of full ownership of the institutional unit or a majority holding of the voting shares.

Public sector components

The public sector universe is divided into two components, namely government and GBEs. The primary distinction between institutional units assigned to government and those assigned to GBEs is whether their principal activity is commercial or non-commercial in nature. An institutional unit is considered commercial if it is operating in the marketplace at prices that are economically significant. Prices are said to be economically significant when they have a significant influence on the amounts the producers are willing to supply and on the amounts purchasers wish to buy. All non-commercial institutional units controlled by government are classified to the government component while the commercial entities are classified to the GBE component.

Government component

Institutional units in the government component are not-for-profit entities and do not operate in the commercial market. The government component is further categorized into two distinct groups: sovereign and non-sovereign public administrations; and non-commercial, non-profit public institutions.

(a) ***Sovereign and non-sovereign government institutions*** – Sovereign and non-sovereign government institutions are entities created and controlled by federal, provincial, territorial, and local governments. This covers all ministries, departments and agencies; autonomous organizations, boards, commissions and funds; and the Canada Pension Plan (CPP) and Quebec Pension Plan (QPP). These government institutions would include agencies created at arms length from government ministries to deliver services on behalf of the government. For example, these entities might provide legal aid services, support film production, or provide loans to fishermen.

(b) ***Non-profit public institutions*** – Non-profit public institutions are non-commercial, non-profit public entities mainly financed and controlled by sovereign and non-sovereign government institutions. This includes entities such as educational institutions, cultural facilities, hospitals, residential care facilities, and health and social service agencies.

Government component inclusion criteria
There are four criteria used in classifying an entity to the government component of the public sector.

(a) ***The entity is non-commercial in nature*** –The principal characteristic of these entities is that the goods and/or services that they produce are generally provided free of charge or at prices that are not economically significant. Individual units within the organization may operate on a cost-recovery basis or charge user fees but, in general, the operations are non-commercial in nature and are chiefly financed by public funds.

(b) ***The non-commercial entity is entirely owned by a government*** – A government holds a legal deed to the entity's property. The entity's assets therefore revert to the owning government in the event of its liquidation.

(c) ***The non-commercial entity is controlled by a government*** – Control is determined by examining the proportion of financing provided by government and the degree of accountability for its use. The non-commercial entity's expenditures must be primarily financed (50%) by public funds. It must be accountable to the public or to a government for its use of public funds. Any one of the following conditions would indicate such accountability:
- the entity's budget is approved by a government or one of its institutions
- the entity must undergo official audits and report to a government
- the entity's result of operations and use of resources is reflected in the government's financial accounts
- the entity's financial accounts are subject to examination by the auditor general
- the entity's employees negotiate collective agreements with a government

(d) ***The non-commercial entity's activities are intrinsically governmental*** – There are unique cases where an entity's activities are intrinsically governmental. This would be when the entity performs a regulatory function or provides goods and services only to government.

Government Business Enterprises (GBEs) component
The GBE component of the public sector contains all entities controlled by government, engaged in operations of a commercial nature (charging economically significant prices), and similar in motivation to private business enterprises. They operate in the marketplace, often in active competition with similar organizations in the private sector, producing goods and services for sale on the market at prices that are economically significant. GBEs are usually established by governments through an act of parliament/legislature or in accordance with existing laws governing incorporation. In some instances, an entity will become part of the public sector through takeover of a private corporation by government: by expropriation, purchase of a controlling portion of voting shares, or other means.

Government Business Enterprise (GBE) component inclusion criteria

A business enterprise is classified as a GBE if a government controls it. Control is defined as the potential to affect the strategic decision-making process of the entity. Such strategic decisions include the acquisition or disposal of assets, the appointment of the chief executive officer, the allocation of resources or the diversification of activities.

To determine if a government controls a business enterprise, one of three conditions must be evident. These conditions are direct control, effective control or indirect control.

(a) ***Direct Control***
- (i) Direct control of a corporation implies that there exists actual or potential majority voting ownership by a government.
- (ii) Where there exist irrevocable options or the right to acquire shares, or convertible debt or equity, exercisable at the discretion of a government, then the calculation of the voting equity of the government is generally made as if the option had been exercised.
- (iii) A corporation is directly controlled by a government if more than 50% of the voting equity is held directly, other than by way of security only, by or for the benefit of that government.

(b) ***Effective Control*** – A business enterprise is effectively controlled by a government, if it meets one of these conditions:
- (i) The government holds a significant voting ownership in a public enterprise where ‘significant’ is taken to mean:
  - the holding is the largest block of voting equity
  - the holding exceeds 33.3% of the voting equity
  - that block is larger than the combined percentage of the next two largest blocks
- (ii) The business enterprise declares that a government effectively controls it.
- (iii) There exists a method or a variety of methods that yield effective control. For example, there could be significant voting ownership of the enterprise; technological agreements; supply controls or contracts; management contracts; interlocking directorships; debt; or convertible debt or equity. In rare instances, these factors will be insufficient to determine effective control. In these circumstances, the inclusion criteria may be based on related information such as historical precedent.

(c) ***Indirect Control*** – A business enterprise is indirectly controlled by a government if that government directly or effectively controls a GBE that in turn directly or effectively controls that enterprise.

In addition to the direct, effective, and indirect control criteria, there are other associated factors considered when determining if an entity belongs to the GBE component. These factors are:
- if revenues are not primarily financed by a government, (i.e., not greater than 50%)
- if the entity finances its own capital formation
- if the entity provides goods and/or services to other than a government
- if the net operating surplus is not transferred to a government

Government Business Enterprise (GBE) inclusion criteria – International convention

Certain public sector entities may be classified as GBEs in accordance with international convention. For example, the Bank of Canada is part of the GBE component in keeping with this standard.

Resistance rule

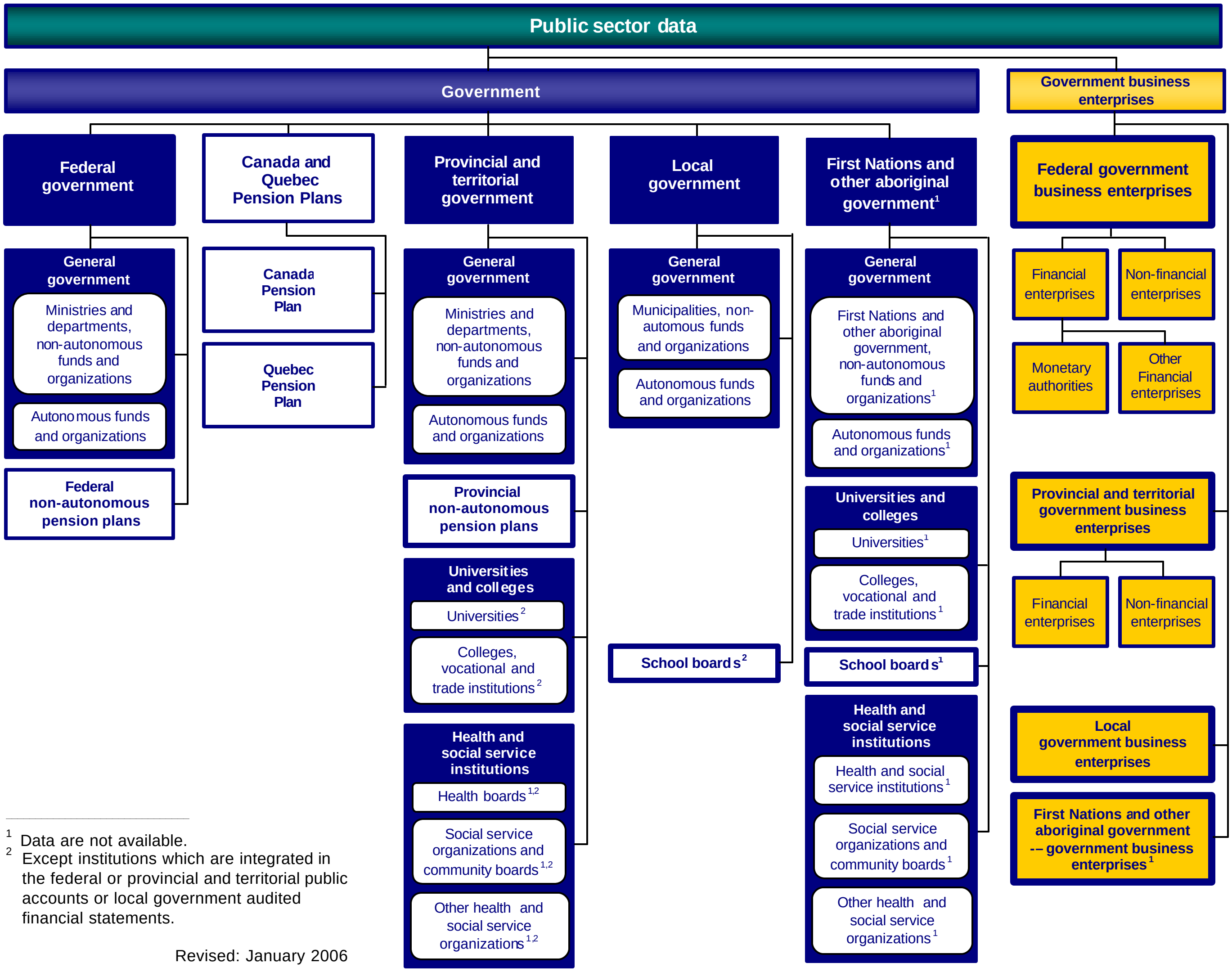
Classification changes to public sector entities from one component to the other are only performed when there has been a permanent shift in the major source of their revenue, evidenced over a period of years.

Public sector sub-components

The government and GBE components are divided into sub-components to study public sector activities at a finer level of detail.

(a) The government component of the public sector is divided into these sub-components: federal government; the CPP and QPP; provincial and territorial governments; local governments; and First Nations and Inuit governments.

(b) The GBE component is presented by level of government: federal; provincial and territorial; local; and First Nations and Inuit.



[1] Data are not available.
[2] Except institutions which are integrated in the federal or provincial and territorial public accounts or local government audited financial statements.

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