

## **Support for Employers Employing Military Reservists**

### **Issue**

Military reservists (in essence part-time soldiers) have become a vital; indeed also an extremely cost effective, component of Canadian Forces at home and abroad; and like their counterparts in the regular forces (full time soldiers), provide an essential service for all Canadians. However, while strongly supporting our Canadian Forces generally, many employers who actively employ reservists, face an inequitable burden in guaranteeing their employment; as now required under law, for those who have volunteered for temporary full-time service, particularly for such longer-term engagements as Afghanistan, which often exceed 12 months or more.

### **Background**

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 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.

For a detailed discussion on this matter, including detailed comparisons of models of employer support currently in place by our allies, reference to the January, 2010 C. D. Howe Report entitled: Supporting Employees who Deploy: The Case for Financial Assistance to Employers for Military Reservists ([www.cdhowe.org/pdf/backgroundunder\\_123.pdf](http://www.cdhowe.org/pdf/backgroundunder_123.pdf)) is highly commended, particularly the recommendations included therein.

However, in summary, 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.

### **Benefits and Costs**

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

### **United Kingdom and Australia Models**

With a similar reliance on reservist personnel as in Canada, the United Kingdom and Australia offer employer compensation programs in addition to job protection legislation.

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
- 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 incurred. 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 United Kingdom, 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 United Kingdom's 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. 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.

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. 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.<sup>1</sup>

### **Recommendation**

That the federal government, fiscal conditions permitting, provide reasonable financial assistance for employers to reimburse them for material costs incurred by them in protecting the jobs of reservists who

---

<sup>1</sup> [http://www.cdhowe.org/pdf/backgroundunder\\_123.pdf](http://www.cdhowe.org/pdf/backgroundunder_123.pdf)

choose to serve full-time in the military. Without limiting the generality of the forgoing, costs to be compensated under such a program should include:

1. Recruiting, hiring and training for replacement employees;
2. Overtime as a consequence of reservists' absences; and
3. Retraining necessary upon reservists' returns.