



CANADA

Third Annual Report

to

The Prime Minister

on

The Public Service of Canada

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Clerk of the Privy Council and
Secretary to the Cabinet

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August **16, 1995**

Dear Prime Minister:

I am pleased to submit to you the Third Annual Report on the Public Service of Canada. This report is prepared pursuant to the *Public Service Employment Act* and covers the period from March 28, 1994, to March **31, 1995**.

This year, the Annual Report has three main components: an overview of international trends affecting the role of the public sector; a report on the past year; and some general observations on the future.

The objective of Chapter I is not to present a new perspective on changes in the public sector, but to remind us that a number of major trends, taking place at the international level, are simultaneously affecting the public sectors of all the developed countries. These factors are also making their influence felt, in addition to those specific to Canada which are more familiar to us.

Chapter II contains the Clerk's traditional report to Parliament and presents an overview of the achievements and reforms of the year. One function of this chapter is to help us bear in mind the scale of the changes under way and the extent of the achievements of departments and agencies.

The third and final chapter is entitled 'Preparing for the Future.' It is intended as a modest contribution to the emerging debate on the future of the Public Service of Canada.

The Public Service of Canada is a national institution of great importance. It contributes to the orderly functioning of our democratic society; it is the custodian of the values and ideals that successive Parliaments have wrought for Canadian society as a whole; it contributes to the prosperity, well-being and quality of life of all Canadians.

Mr. Prime Minister, the challenge for the men and women working in the Public Service today is to modernize their institution to ensure that it is well adapted to the future needs of Canadians. Under your guidance, our goal is to hand on to those who will come after us a vigorous, modern institution well adapted to the needs of Canadians and operating within our collective means— an institution we will all be proud of.

A handwritten signature in black ink, appearing to read 'Jocelyne Bourgon', with a long horizontal flourish extending to the right.

Jocelyne Bourgon

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I

The Changing Role of Government

Introduction

All of the governments in Canada are making significant changes to their roles and functions. While certain determinants of change are unique to Canada, others are affecting all western nations. One of the most striking features of western democratic nations in recent years has been that they have all been engaged in rethinking the role of government and the organization of their public sectors. In many nations the essence of governance is being redefined.

This phenomenon is not limited to governments which represent a single ideological perspective. Regardless of ideology, there is a high degree of convergence in what is emerging. For instance, recent government reforms in Great Britain and New Zealand are more similar than distinct, although a Conservative government spearheaded change in the former, a Labour government in the latter.

In fact, in redefining the role of government and reforming their public sectors, western nations are experimenting with alternative approaches and in the process are learning from each other. Given that they face similar challenges and pressures, one nation's approach will often influence that of others.

Under the influence of several significant trends — globalization, new information technologies, fiscal pressures and the changing fabric of society — governments are confronted by ongoing changes to their political, social and economic environments. Because of the sweep of their impact and the type of change they represent, these trends are forcing governments to redefine the way they interact with citizens and even the organization of political systems.

Sweeping trends are forcing nations to rethink the role of government.

In responding to these trends, governments must serve both as conduits for the forces of change and as catalysts in responding to change. This chapter will briefly review the impact of the major international trends on the role and functions of government and their implications for public sector reform.

The Determinants of Change

This section examines the impact of four international trends on the role and functions of governments. Their implications for Canada will be explored in subsequent sections.

Globalization

Much has been written on how globalization is affecting the ability of governments to pursue their sovereign interests. In the past, a government's policy agenda, with a few exceptions such as trade policy and international conflict, was determined mainly by domestic concerns and interests. In most public policy areas, governments addressed the needs of citizens by looking inward, not outward.

Globalization has changed this. National boundaries can no longer be an exclusive reference point for determining how citizens' needs and interests are addressed in a wide variety of policy areas. Globalization has moved many national public policy issues into the international arena. This phenomenon is not limited to

economic policies but extends to many other sectors, such as environmental protection, labour laws and human rights.

As national economies have become more interwoven, they have come more under the influence of international institutions and less subject to the exclusive control of national policies. Nations must be able to make use of international institutions and decision-making processes to manage their interdependence. International organizations, such as the International Monetary Fund and regional trade alliances, are key in responding to certain issues. Globalization, then, has led to a pluralistic decision-making and policy-making international environment. Advancing the interests of each country depends not only on state-to-state relations but on relations within a complex network of international forums.

Governments have a critical role to play in connecting what is happening globally to what is happening in the daily lives of their citizens. They must be able to deal with the local and regional aspects of major national and international issues.

Governments must link global events to citizens' daily lives.

Conversely, governments must interpret and communicate to citizens the implications of globalization for public policy decisions. National governments can help connect and reconcile global imperatives and local needs.

In sum, globalization is making governance more difficult and complex. Dealing with the impact of globalization requires governments to assume additional roles:

- to understand the interdependence of national, international and global issues;
- to ensure that local dimensions of public policy issues are reflected in how national interests are represented in the international arena; and

- to ensure that the impact of globalization informs the management of local issues.

To do this well, national governments must focus on core issues.

New Information Technologies

The recent explosion in the use of and access to information and communications technologies has lessened the importance of both national boundaries and time zones and increased the interdependence of nations. For example, through international computer networks, people exchange money across national borders without restraint and instantly transmit the news of the day to each other's homes around the world.

The information revolution will continue, and it would be

Technology is affecting the way governments develop policy and deliver programs and services.

premature to comment on whether its ultimate impact will be a blessing or a burden for citizens and their governments. It is clear, however, that it is affecting how governments respond to the needs of citizens. It is changing the way policy decisions are made, and is

opening new possibilities for the delivery of programs and services.

Policy Development

In developing public policy, governments face an environment where increasing volumes of information are transmitted more rapidly and more widely than ever before. Citizens know instantaneously what is happening in all parts of the world and in their nation. The flow of information outpaces government's capacity to assimilate and address it.

At the same time, citizens and interest groups can influence government and political leaders in more ways than ever before. For example, members of Parliament, through electronic mail, can

Governments are experimenting with new organizational models.

exchange views with their constituents instantaneously; what was once local becomes national through the tapping of a keyboard.

The public sector is learning how to use a rich universe of information.

Governments and citizens are still grappling with how to use this growing volume of information. These technologies provide citizens with more venues to participate in the public policy process; as a result, citizens have greater control over policy decisions and outcomes which directly affect them. The public sector must continue to adjust to the "information society"; it is learning how to structure a rich universe of information and integrate it into policy and decision making.

Program and Service Delivery

The second fundamental impact of the information revolution is on how governments deliver programs and services. New information technologies mean new ways of doing business.

A defining characteristic of traditional public sectors has been the existence of a large physical infrastructure to deliver programs through a network of points of service and offices in communities and towns across the country. This physical infrastructure was the most effective way to deliver public goods and services directly to citizens. A physical presence also helped to bring government into touch with the citizens they served and to promote the exchange of information.

The information revolution challenges the appropriateness of this traditional model of service delivery. New information technologies have allowed governments to experiment successfully with new ways of organizing themselves. Citizens and clients can now receive, through a single service centre, a range of government services from several departments. Services can also be provided

directly to the home. New information technologies allow improved service through faster delivery and reduced red tape, and by tailoring programs to specific groups of clients.

While the information revolution has lessened the need for a large physical infrastructure to deliver programs, it should not mean that governments lose touch with citizens. The legitimacy and relevance of government can actually be enhanced by improved service. New information technologies offer the possibility of close and ongoing interaction between governments and citizens. The use of these new technologies, then, is not only evidence of globalization, but can serve as an antidote to some of its disruptive side effects.

Fiscal Pressures

The 1980s saw a rapid increase in the public debts of most western nations. As indebtedness and deficits grew, international investors became impatient. The globalization of financial markets focussed international scrutiny on how much money governments were spending and what they were spending it on. In the 1980s, the size and sustainability of public debt emerged as a global issue which nations have been forced to address.

Governments must establish clear priorities.

In this environment, the fiscal capacity of governments to sustain existing programs and to implement new ones is diminished. Governments have had to establish clear priorities and make hard choices about what existing programs and services to preserve and what new programs to provide.

Many western nations have reexamined the role of government from the perspective of what is affordable. An incremental or gradualist approach to improving the operations of government and reducing cost is being replaced by deeper and more durable reforms. Traditional techniques of modernizing public administration practices through "doing more with less" or "across

the board cuts" have proved ineffective in addressing the debt problem. These approaches have to make way for more vigorous measures — such as eliminating non-core activities, creating new organizational structures, or privatizing services and functions previously managed by the public sector.

In sum, the weakened state of public finances has contributed to fundamental changes in the role of government. Many national governments have had to address these basic issues:

- What are the primary functions that only governments and only a national government can perform?
- What is the appropriate role of government relative to the private and volunteer sectors?
- How can programs be delivered in the most efficient manner?
- Above all, what is affordable?

While responses vary from nation to nation, and some approaches work better than others, several governments have found that they must seek a new consensus among citizens on the role of government.

The Changing Fabric of Society

Nations are facing far-reaching changes in the fabric of society. Aging populations, higher levels of education, increased heterogeneity resulting from immigration, higher labour market participation rates by women, and chronic high rates of structural unemployment provide some of the context for the changing role of government. To the degree that the basic socio-demographic profile of nations is changing, so are citizens' expectations of government.

The changing fabric of society is redefining the policy agenda of governments and obliging them to reexamine the allocation of scarce resources among competing priorities. Thus, issues that were previously private — such as child care and family violence — have become matters of public concern. Aging populations increase pressures on public health care services and raise questions about the pension system.

A less homogeneous society combined with increased access to information has broadened the spectrum of perspectives on public policy issues and the range of competing views. Galvanized by the "information society," a participatory and consultative culture has arisen. Citizens and interest groups want their say in what governments do — before decisions are

Citizens and interest groups want their say — before decisions are made.

made. To the degree that citizens or groups do not see their views taken into account in final decisions, their faith in government is weakened. At the same time, citizens' interests have tended to become specialized and to focus on single-issue agendas. Single-issue groups thus wield significant influence.

The changing fabric of society has made governance and consensus building more complex. Within this environment, governments must understand a diversity of viewpoints; they must help the people with these diverse views understand the consequences of

alternative choices; and governments must strike a balance between responding to competing perspectives and speaking to collective interests. It takes time to build consensus. There is a push and pull between perspectives. Governments must know when to listen and when to act.

Changes in Government and the Public Sector

Global trends such as those discussed above are contributing to rethinking the role of government and the organization of public sectors in a number of western nations. National governments, regardless of political philosophy, are experimenting and learning from each other. There are striking similarities in what is emerging.

The first 40 years following the Second World War saw western governments expand to play an increasingly active and interventionist role in the lives of citizens. In contrast, the 1980s and 1990s have witnessed the beginning of a new cycle, one which will likely continue for some time to come. In the past, national governments had come to occupy an ever growing portion of a nation's political and economic space. Today, as issues have become more complex and governance more difficult, national governments are striving to become more selective in the responsibilities they assume on behalf of citizens and are developing clearer priorities in relation to other levels of government and the private and voluntary sectors.

This, in turn, is leading governments to reform their public sectors to ensure that they remain modern and relevant organizations able to fulfill their role in contemporary society. While public sector reform has been unique to each nation, the sheer volume of reform in so many nations in so short a time is striking. No western nation has endorsed the status quo and few have been satisfied with minor administrative or institutional adjustments.

Public sector reform has focussed on both the policy development and program and service delivery functions of government. Among the characteristics of reform shared by various countries:

- **Many nations have been experimenting with ways to address horizontal issues more effectively.**
In several nations, the policy development functions of government have been separated from the operational aspects. In many nations, central agencies have increased their strategic planning focus.
- **Greater emphasis is placed on delivering high-quality service to citizens and clients.**
The needs of clients have become the focus around which program and service delivery is organized.
- **Increased delegation, service performance standards, and accountability have replaced centralized control.**
Many nations have tried to copy private sector management and production methods to improve program and service delivery. However, these nations are discovering that the usefulness of private sector methods is more limited than initially envisaged. In the private sector, firms compete with each other for the loyalty of consumers who are free to purchase services from the supplier of their choice. In contrast, the public sector is the guardian of citizen's rights and entitlements; and it serves them in what is often a monopoly situation. Given its unique role and frequent monopoly, the public sector must develop its own management tools.
- **Many new structures and practices are emerging.**
There has been an explosion of institutional models ranging from large public sector organizations sharing a common culture to independent organizations, and from using career public servants to hiring individuals through performance pay contracts.

The Canadian Experience

From the Past to the Present

In Canada, as in other western nations, the 1950s to the mid 1980s marked a period of growth in the role of government and in the size of the federal public sector. In many ways, this growth reflected a widely held view about the role of government as including a growing range of economic, social and cultural responsibilities.

The new trends have brought about, in Canada and elsewhere, a

Two phases define public sector reform in Canada.

reforming of the role of the federal government and the public sector over the last 15 years. Canada has adopted a gradual, phased approach to permit time for reflection and adjustment. Recent

public service reform in Canada can be grouped into two distinct phases.

First Phase

During the first phase, from the early 1980s to the early 1990s, the government sought to modernize public service management and personnel practices and to reduce central agency control over line departments. The government also sought, despite budgetary constraints, to maintain most programs and services by "doing more with less." Many of the achievements of this period, such as Public Service 2000, have been reported in detail in the first and second annual reports to the Prime Minister on the state of the Public Service of Canada.

Second Phase

Public sector reform in Canada recently entered a second phase, which focusses on fundamental questions about the role the federal government must play in the Canadian federation and how the Public Service must be organized to manage these responsibilities. In June 1993, a comprehensive restructuring consolidated 35 departments into 23. The restructuring and a streamlined Cabinet committee system were maintained, albeit with some modifications, by the current government.

With the announcement of the Program Review in the February 1994 budget, the new phase moved on to a fundamental review of all programs and services and an examination of the federal government's responsibilities.

From the Present to the Future

Rethinking the role of government and the modernization of the Public Service cannot be done overnight. Instead there will be an ongoing exercise in renewal and reform. The process and the importance of change will continue to accelerate. In moving forward there are important lessons to be learned both from the experiences of other nations and from past experiences in the Canadian context.

- **Reform must be a continuing exercise.**
There is no one right answer. Experimenting and learning from others is the key.
- **Integration is essential.**
Public sector reform must be integrated into the government's broader policy and budgetary priorities.
- **The strategic policy capacity of the federal public service must be strengthened.**
This is essential, given the complexity of issues that governments must address, and the increasingly horizontal and cross-sectoral nature of these issues.
- **Client service is what counts.**
The changing needs and perspectives of clients must be the basis of program and service delivery.
- **The concept of "doing more with less" must be replaced with choices about what programs and services should be treated as priorities.**
Focussing the Public Service on its core functions will be a critical step in managing change. Each level of government

will have to clarify and modernize its roles and responsibilities in order to serve Canadians better.

- **The values of the Public Service must be preserved.**
It is essential to maintain a non-partisan and professional federal public service governed by fairness, integrity and service to Canadians.

The next chapter highlights initiatives begun in 1994-95 and aimed at redefining the role of government and modernizing the Public Service of Canada to meet the challenges of the future.

II

1994–95: The Year in Review

Introduction

In 1994–95, the size and role of the Public Service were affected by changes to the federal government's policy and programs. These changes modernized the collective decision-making process and focussed federal spending on priority programs and services. No major government activity or program went untouched by the events of 1994–95. It was a year of debate and reflection on the changing role and responsibilities of government. Government reforms to the Public Service in 1994–95 went beyond modernizing administrative, personnel and financial management systems, to addressing the basic question of what was required to situate the Public Service as a modern, affordable and relevant institution in the future.

Changes have affected the size and role of the Public Service.

The reforms of 1994–95 are another step in the ongoing process of change for the Public Service. This chapter will explore how the reforms of 1994–95 affected the role and management of the Public Service and its contribution to Canadian society. It will review reforms the government has made to its decision-making apparatus, how a start has been made on redefining the government's functions, and what steps have been taken to modernize government operations. It will address what these changes mean for the Public Service and for public servants.

The Public Service will continue to change.

Reform of the Decision-Making Process

The Government of Canada's decision-making processes were reformed in 1994–95 to better manage the complex and changing environment. The reforms build on the organizational and structural changes made to Cabinet and the Cabinet committee system in 1993. Cabinet was made smaller (24 members) and the number of standing Cabinet committees was reduced to four.

With fewer ministers, policy and program priorities are more integrated within single portfolios. With only four standing committees of Cabinet, ministers can focus on the government's major economic and social priorities, leaving the government's routine business to be dealt with by individual departments.

These changes strengthen individual ministerial accountability by

A new balance has been struck between the individual accountability of ministers and their collective responsibility.

allowing ministers to run their departments without resort to a complex Cabinet committee system. Collective responsibility is achieved by using full Cabinet to make decisions on key priorities. The fact that Cabinet focusses primarily on strategic priorities creates ongoing and increased demand for policy analysis and advice from the Public

Service.

Strategic Planning Cycle

In 1994–95, Cabinet's strategic focus was reinforced by the introduction of an annual strategic planning cycle, based on three special Cabinet meetings held in June, October and January. The sessions permit ministers to take stock of progress in implementing the government's agenda, to consider options for managing key issues and to identify priorities for the future. With strategic leadership from Cabinet, the Public Service has a clear policy framework within which to manage the operations of government. As well, the framework sets the boundaries for developing policy options to address new challenges.

Expenditure Management System

In 1994-95, a new Expenditure Management System was

Budget planning is now integrated into the Cabinet planning cycle.

introduced in order to respond better to the changing political, fiscal and public policy environment. The budget planning process is now integrated with the Cabinet planning cycle. New policy and program proposals are considered in the context of the

government's overall priorities and the fiscal framework.

Expenditure decisions on new priority initiatives are made at the Cabinet table, where ministers discuss the issues and the options.

Ministers also have greater individual responsibility and accountability under this new process. New initiatives can be considered outside the budget and planning cycle, but they must be funded through reallocations from within the fiscal framework as established in the budget. Reallocations may be made from within a single department or interdepartmentally. There is no longer a central policy reserve for new initiatives outside the budget cycle.

The capacity of the Expenditure Management System to reduce central agency control over departments and encourage a more strategic approach to portfolio spending needs to be tested. The coming year will be one of experimentation, learning and adjustment. Central agencies and line departments will need to work closely together to realize this system's potential benefits. On the one hand, central agencies will need to ensure line departments have the financial and administrative flexibility required to achieve innovation in program design and delivery. On the other hand, departments must use the system to develop strategic visions and policy frameworks based on clear priorities. Finally, for the system to be successful, the government will need to demonstrate the capacity to reallocate spending from existing programs and services to new priorities.

The Government's Policy Agenda and the Public Service

Over the past year, the Public Service has participated in several major policy reviews, including:

- *Improving Social Security in Canada*;
- *A New Framework for Economic Policy*;
- *Creating a Healthy Fiscal Climate*;
- *Into the 21st Century: A Strategy for Immigration and Citizenship*;
- the *1994 Defence White Paper*;
- *Building a More Innovative Economy*; and
- *Canada in the World*, the government's foreign policy statement.

In the context of these reviews, the Cabinet and ministers called upon public servants to help develop creative and forward-looking policy options and to redesign program and service delivery. Public servants responded to the call and met the challenge.

In addition, the government launched three initiatives to help "get government right": the Program Review, the Efficiency of the Federation Initiative and the Agency Review. In each exercise, the Public Service made a contribution to finding new ways to provide Canadians with affordable government and better service.

Program Review

Of all the major initiatives of 1994-95, Program Review dominated the agenda and will have the greatest impact on the Public Service.

The government is rethinking what it does and how it does it.

Through Program Review, the federal government has started to fundamentally rethink not only what it does, but how to do it.

The Public Service has been managing with steadily shrinking financial resources for more than 10 years. During this period, measures to address pressures on public finances took the form of across-the-board cuts and efficiency improvements. However, it became clear that this approach to managing expenditure reductions was not sustainable in the long term. Several problems emerged:

- without an attempt to establish priorities, all programs and services were being adversely affected by the repeated cuts;
- there was no incentive to eliminate programs that no longer served the public interest or that could be provided by other organizations;
- with declining resources, the federal government no longer had the means to maintain all its activities; and
- the Public Service was reaching its limit in being able to provide quality service to Canadians in all traditional areas of activity.

The Program Review exercise was initiated to help redefine the roles and responsibilities of government in the Canadian society of today. It also grew out of a recognition that further progress in dealing with fiscal pressures could not be achieved by "doing more with less" and "across-the-board cuts."

Program Review is helping to redefine government's roles and responsibilities.

Program Review was a collective exercise of reform in which ministers, with the help of their departments, led their own reviews and were the architects of their own reform. Central agencies were the guardians of the process, ensuring that a consistent approach was used and that the underlying principles of the Review were sustained.

Program Review has made a significant contribution to redefining federal roles and to deficit reduction. Broadly speaking, it led to:

- a greater focus on core policy and legislative responsibilities;
- withdrawal from certain lines of business of lower priority;
- significant reductions in subsidy programs;
- putting government activities on a commercial basis wherever desirable and possible;
- increased user fees for government services that confer a direct benefit on the recipient; and
- increased efficiency in service delivery.

Over time, Program Review should help to ensure that programs and services respond to a clearly defined public interest, are

managed efficiently and do not displace the activities of others in Canadian society. In the long term, it should lead to a more targeted, more efficient federal government that delivers high-priority programs and services to Canadians.

Two factors have contributed to the success of the Program Review: firstly, the fact that ministers called upon the Public Service to help carry out the review of their own organization and, secondly, the hands-on role of deputy ministers and senior departmental management in undertaking their reviews. The Program Review provided public servants with an unprecedented opportunity to help determine the future of their organizations. The degree of involvement varied among departments, reflecting the circumstances and culture of each organization. Since Program Review is an ongoing process, departments will be able to learn from each other's best practices and see greater employee participation.

The success of Program Review will depend upon the quality of implementation. While Program Review provides a blueprint for action, effective implementation will require departments to work with provincial governments, clients and other stakeholders to achieve results.

Implementation is key to the ultimate success of Program Review.

The philosophy of Program Review — to ensure that the federal government's functions are relevant, effective and affordable — remains a facet of how the federal government sets priorities and delivers programs and services in the future. The first phase of Program Review was department-centred; the next phase should address interdepartmental and intergovernmental issues.

Efficiency of the Federation Initiative

The Efficiency of the Federation Initiative was initiated by First Ministers at their December 1993

Federal and provincial governments are working together to improve program delivery.

meeting. It is a process of intergovernmental collaboration aimed at making governments work better. Federal and provincial levels of governments are co-operating on an ongoing basis in order to increase administrative efficiencies and

improve client service, to harmonize procedures and regulations, and to reduce both costs and unnecessary overlap and duplication.

Action plans, which include items aimed at improving program and service delivery in virtually all sectors, have been signed with most provinces and territories. There are multilateral initiatives, such as the ongoing work toward the establishment of a Canadian food inspection system that will harmonize standards and improve service. There are also bilateral initiatives, such as a community economic development item with Nova Scotia that will reduce the 50 to 60 associations, boards and commissions involved with community economic development to 12 regional development authorities.

The ongoing discussions reflect a pragmatic approach to governance by the federal and provincial governments. All participating governments have shown a willingness to reassess their policy and programs, and to negotiate new arrangements aimed at improving efficiencies. Much more remains to be done to reap the benefits of the flexibility inherent in Canada's federal system.

Agency Review

A review of all federal boards, agencies, commissions and advisory bodies was carried out in 1994. The Agency Review resulted in decisions to eliminate outdated organizations and streamline others. It had a direct impact on 30 per cent (120 out of 400) of the bodies reviewed. Close to two-thirds (73 out of 120) of the affected agencies are to be wound up. The remaining 47 will be restructured by such measures as:

- reducing the number of board members;
- changing full-time board members to part-time;
- refocussing the mandates of organizations;
- integrating functions within a department instead of having a separate agency;
- merging organizations doing similar work; and
- privatizing certain functions carried out by federal agencies.

Of the approximately 3,000 Governor in Council positions, 665 will be eliminated.

The next challenge should be to examine and modernize the accountability regimes existing between agencies, departments and their ministers. The key issues to be addressed are:

- the role independent agencies will play in the public sector of the future; and
- how best to ensure greater policy and program co-ordination between agencies and departments within a single portfolio.

Departmental Restructuring

In 1994–95, the government pursued legislative change to implement the 1993 government organizational changes. This reorganization created new departments, re-mandated some existing departments and wound up others. Without the permanency of legislation, a jurisdictional vacuum was created in some departments which contributed in part to the instability and uncertainty resulting from these organizational reforms.

To date, legislation for six departments has been brought up to date: Agriculture and Agri-food, Citizenship and Immigration, Industry, National Revenue, Natural Resources, and Foreign Affairs and International Trade. Legislation for Canadian Heritage is awaiting Royal Assent, while the Public Works and Government Services bill is in the House. Legislation for the departments of Health and Human Resources Development is scheduled for introduction in June 1995.

Impact of Major Trends on the Public Service

As a result of the reforms that have been outlined here, several major trends have emerged that contribute to redefining the federal public service of the future. These major trends include:

- an explosion of organizational models to deliver programs and services;
- a widening distinction between programs of general application and those that provide specialized benefits to specific groups;
- increased use of information and knowledge as the basis for federal leadership in public policy;
- ensuring that programs and services are organized from the perspective of the client's needs; and
- using information technologies to deliver programs and services in new ways.

If these trends continue, over time, the Public Service will progressively:

- put greater emphasis on policy development and on establishing legislative and regulatory frameworks; and
- delegate direct program delivery to specialized units.

The delivery of public goods and services will to a large degree remain the responsibility of the broader public sector, which will nevertheless use a range of organizational and accountability regimes.

Choosing Organizational Models

The Public Service is breaking out of its traditional organizational mode. Given new information

The Public Service is breaking out of its traditional organizational mode.

technologies, the diverse needs of clients and the emphasis on efficiency and innovation, no single organizational model can be used to deliver all federal programs and services. The traditional model of

large, hierarchical departments continues to work well in some cases. In recent years, the Public Service has experimented with alternative delivery mechanisms and organizational change, such as special operating agencies and public-private sector partnerships.

An illustrative example involves the government's 1995 budget announcement that the Air Navigation System will be commercialized rather than managed directly under the act creating Transport Canada. The system will not be funded by general tax revenues but through user fees and service charges.

The number of special operating agencies (currently 17 have been established) will continue to increase as well. The Translation

Bureau, which was previously a unit in Public Works and Government Services Canada, will be made a special operating agency. Such agencies now employ a total of 7,000 public servants and are responsible for approximately \$1.2 billion in federal program spending.

The exploration of alternative delivery mechanisms to deliver federal programs and services will continue. These organizational models can give public service managers and front-line staff the flexibility they require to provide the best service at the lowest cost.

Distinguishing Between General and Specialized Programs

Program Review has helped to make a distinction between federal programs of general application and those that benefit a specialized group. In the future, it can be expected that general tax revenues will be used increasingly to finance programs and services which serve the collective public interest, while groups and individuals receiving direct economic benefits from federal goods and services will be asked to pay more towards the cost of delivering them. In turn, program and service users can be expected to demand greater input in program design and performance. The Public Service will face ongoing pressure to control and reduce costs.

Clients expect more input in program design and delivery.

As a result of Program Review, several federal departments will increase cost-recovery for programs that confer a benefit on specialized groups. For example:

- Parks Canada will increase user fees to maintain and expand Canada's national parks system;

- Health Canada will impose cost recovery for drug approval and other regulatory processes; and
- Fisheries and Oceans will impose user fees for the issuance of fisheries licences.

Public servants will need to ensure that the concerns and interests of users and clients are addressed in program design and delivery. These measures should lead to strengthened partnerships between service providers and service recipients, and to greater mutual understanding.

Basing Federal Leadership on Information and Knowledge

Program Review confirmed the trend that an important role of the Canadian government will consist of the provision of information, knowledge and ideas. Knowledge and research can help other governments and other organizations to pursue common goals or to increase their understanding of how to meet new challenges. For example:

- Environment Canada will track and report on threats to the environment;
- Health Canada will establish a health intelligence network to identify threats to public health and safety;
- Industry Canada will use information gathering and dissemination to help industry develop industrial and science framework policies; and
- Fisheries and Oceans will do more research to help conserve the oceans' ecosystems.

In a global environment, governments are uniquely positioned to use information and knowledge to shape and manage emerging public policy challenges. Governments can help ensure that their

citizens have access to the ideas and knowledge used by other nations to address similar issues. The explosion of new information technologies allows government to communicate and receive information in a timely and comprehensive fashion from citizens and groups.

Organizing Programs and Services from the Client's Perspective

Greater emphasis will be placed on organizing program and service delivery from the perspective and

The Public Service is moving towards an integrated approach to serving the needs of its clients.

needs of clients. Public servants are making greater use of intergovernmental and interdepartmental co-operation to address the full range of clients' needs in program delivery and design. For example, Canada Business Service

Centres have been established in all provinces. They bring together the activities and services of 19 federal departments, and often include provincial and private-sector participation. The centres provide single-window service to clients wanting access to government programs for business. Either directly or through interactive technology, clients can use the centres to tap into a large array of federal programs and services.

As a result of these arrangements, the clients' needs are paramount, not the needs of departments which deliver programs. The use of service delivery models, based on serving clients' needs, will accelerate in the coming years.

Using Information Technologies to Improve Program Delivery

New technologies are also helping public servants to serve clients better. New technologies mean that

New technologies are helping public servants serve clients better.

service delivery need no longer depend on the traditional approach of providing federal services during a standardized work day (for example, 9:00 a.m.–5:00 p.m.) and through direct exchanges between public servants and clients. The

use of modern technology will allow clients to decide for themselves when they require a service and how much service they want. In many cases, client demand, not the availability of public servants, should determine how often a certain service will be used. Several innovative projects were pursued in 1994–95:

- the Electronic Procurement and Settlement System became fully functional, allowing the private sector to do business electronically with the federal government in the purchase of goods and services and settlement of accounts;
- through the Canadian Governments On-line initiative, the federal, provincial and municipal governments began working together to develop opportunities for the electronic delivery of government information and services to Canadians; and
- Statistics Canada conducted an on-line pilot project, which will be fully operational in 1995, allowing clients to obtain and customize highly disaggregated statistical information to meet their own needs.

New information technologies will continue to revolutionize how programs and services are delivered and will help ensure that the government remains close to the clients, and may even bring it closer.

Impact of Major Trends on Public Servants

Just as certain major trends are reshaping the Public Service as an institution, others are affecting individual public servants and how they do their jobs. The trends include:

- public service downsizing;
- changing demographics;
- a critical public environment; and
- recent changes in the public service employment contract.

Managing Downsizing

Public service downsizing is a result of changes in the core functions of the federal government and fiscal pressures. Certain functions and programs previously managed by the Public Service are being transferred either to the private sector or to other levels of government. Other programs are being moved from the core public service to the broader federal public sector through the use of alternative delivery mechanisms.

Downsizing results from fiscal pressures and changes in the federal government's core functions.

The 1995 budget and Program Review will mean 45,000 fewer public service jobs over the next three years. The need for downsizing was based on new priorities; it does not reflect an assessment of the professionalism and dedication of the people who work in the Public Service. It is important to keep in mind that those who will leave the Public Service are colleagues and friends

of those who will remain. They have worked with dedication and served Canadians well. Their contribution is and will continue to be respected.

Many of those who will be leaving are looking forward with enthusiasm to new challenges and opportunities outside the federal public service. For others, it is a period of uncertainty and anxiety, and those who remain will share these emotions. Some employees will start new careers in the public sector, others in the private or voluntary sectors.

Special programs have been announced to provide for early departure and early retirement. Even with departure incentives, there will be a difficult adjustment. Every effort must be made over the course of the next year to help these men and women and their families through this transition.

For any large organization, managing downsizing is a difficult challenge for all employees. For the Public Service, downsizing will test the skills and judgement of its managers. In more general terms, downsizing will test the collective resilience and strength of the Public Service of Canada as an institution.

Those who remain also experience a sense of insecurity and anxiety about what is going on around them. For the vast majority who will keep their jobs, it will be a period of stress and change. Public servants are quite correct in thinking that their work world and the traditional concept of a public service career will continue to evolve. The changing nature of public service employment must be openly debated, and this debate must inform efforts to build the Public Service of the future.

Addressing Public Service Demographics

The Public Service is aging. Currently, approximately 30 per cent of the Public Service is in the 45–54 age range. In particular, over 60 per cent of those in the executive category range in age from 45 to 54 years. These senior public servants will be an indispensable

The Public Service is aging.

resource in guiding the Public Service through its current transformation. However, in a very short time, the senior ranks of the Public Service will need to be replenished. Measures are required in every department to ensure a smooth succession at all levels.

Renewing the senior ranks will provide an opportunity to reassess what leadership and management skills are required to best serve the Public Service of the future. University recruitment will also be an important instrument of staff renewal.

The dual challenges of downsizing and renewal will need to be managed at the same time.

Restoring Pride and Respect

The public and political environment in recent years has been critical of the performance of public servants. Inefficiency and waste in public service activities have been seen to be more prevalent than high performance and dedicated service. This critical environment discourages public servants from taking pride in their institution and profession.

The Public Service faces several difficult challenges in the coming years: adjusting to the changing role of government, achieving downsizing, renewing its ranks, and shaping the institution that will serve Canadians in the future. The Public Service will need the respect and confidence of all those it serves, to do its job well. Public servants need to have a sense of pride in the importance of the institution. Respect must be a governing feature of how elected

officials and public servants work together and of the relationship between public servants and citizens.

However, respect for the Public Service does not rest exclusively

Public servants should be proud of the important contribution they make to the quality of life in Canada.

on positive political and public attitudes, but also on how individual public servants view their jobs and responsibilities. Public servants should recognize the important contributions they make to the quality of life of all Canadians. They have chosen an honourable and challenging profession. They must

take pride in their institution and this pride must be evident in how they serve Canadians.

Modernizing the Employment Contract

The traditional contract between federal public servants and the government has been based on a commitment to provide employment security within the Public Service. Changes in recent years have led the government to revisit certain elements of this employment contract, while maintaining a commitment to the historical underpinning of the contract. The changing nature and role of government will inevitably lead to other changes in working conditions in the public sector.

While continued modernization of the public service employment contract is necessary, it must be recognized that ongoing salary and increment freezes do adversely affect the Public Service in its ability both to recruit the best talent in the country and to sustain morale and dedication. As the end of the current salary freeze approaches, the government must reflect on the consequences of future decisions regarding public service compensation.

Conclusion

Although much of the Public Service was fully engaged in major policy and program reviews in 1994–95, it maintained high quality in the delivery of a broad range of services and programs. Among other things:

- 6 million airplanes landed and took off safely at major and local airports;
- more than 18,000 tonnes of meat were inspected daily;
- some 80 million pension cheques were sent out on time;
- 200,000 applications from new immigrants were processed; and
- 108 million travellers passed through Canadian borders.

The daily efforts of public servants to be more efficient and innovative in the use of Canadians' tax dollars went unheralded. Success in the Public Service often goes unnoticed but it deserves nonetheless to be highlighted and celebrated.

The transformation of the Public Service must continue. The task ahead is to build a vibrant

The Public Service will continue to operate in a turbulent environment.

organization, adapted to modern needs and well suited to serving Canadians and governments in the future. There is no question that the

Public Service of Canada will continue to operate in a turbulent environment. The leadership challenge for the senior ranks of the Public Service will be to articulate a coherent vision and ensure that public servants have the tools they require to do their jobs.

While the Public Service will continue to undergo a fundamental transformation over the next decade, it is not without guideposts. It

will continue in its mission to provide high quality service to Canadians and policy advice to government. In carrying out these functions, the Public Service will be guided by its core values and principles. It will maintain its commitment to knowledge and honesty over opinion and expediency. The Public Service will remain dedicated to the principles of merit and fairness. At the same time, a greater emphasis will be placed on the importance of quality service, on the value of teamwork, on the will to innovate and on a sense of responsibility and accountability.

III

Preparing for the Future

Introduction

With so much changing for the Public Service, there is a tendency to lose sight of what is not changing — and a lot is not changing.

The Public Service is a national institution central to the

The Public Service is central to the functioning of our democratic society.

functioning of Canada's democratic society and parliamentary traditions. It makes an ongoing positive contribution to the prosperity, well-being and high quality of life of Canadians; it serves as the guardian of the framework of laws and regulations through which the

democratic principles Canadians value are secured.

The very functions and responsibilities of the Public Service are founded on the values and ideals that citizens, political leaders and legislatures define as the most important in Canadian society.

The Public Service is a non-partisan, professional institution,

The Public Service is non-partisan, providing government with frank, honest policy advice.

providing the government of the day with frank and honest policy advice — not for ideological reasons but because history has taught us that is the best way to serve Canadians and their elected

representatives. Highly trained experts and professionals are responsible for

delivering specialized programs and services to citizens. Policy advice to ministers and Cabinet is based on objective and well-researched analysis.

In the future as in the past, federal public servants will continue to be governed by their traditional values:

- service to Canada and Canadians;
- loyalty to the duly elected government of the land;
- honesty, integrity and probity; and
- commitment to merit and fairness.

These values will help ensure that the core public service of the future is a cohesive, integrated institution. Values speak to the collective ideals and shared commitments of all public servants; they help unite and set a standard framework for behaviour and performance.

Preparing for the Future

Over the coming years, the Public Service faces three key tasks:

- to continue the process of modernizing service delivery;
- to strengthen its policy capacity; and
- to build a vibrant national institution that is adapted to future needs.

Modernizing Service Delivery

The Public Service has made solid progress in recent years in improving the quality of service provided to Canadians. Efficiency, effectiveness and economy are central principles of the way the federal government's operations are managed. Federal public servants are working closely with their clients to get program and service delivery right. Important advances have been made, but

more needs to be done to ensure that program delivery and design more clearly reflect client needs. Doing so will be a major challenge for the Public Service.

Efforts to improve program delivery will be shaped by the operational environment faced by all public servants:

- ongoing political and public scrutiny as to whether the federal government's size and functions are affordable and appropriate;
- further efforts to clarify respective roles and responsibilities among governments;
- ongoing demands from Canadians for high-quality and diverse services, but no additional resources for program enhancements;
- continuing pressure to ensure that program and service delivery is designed from the client's perspective and to let clients have greater input in program design;
- continuing requests for increased openness and transparency in government decision making; and
- ongoing use of new information technologies to replace traditional modes of service delivery.

Front-line public servants face the realities and complexities of this operational environment on a daily basis. They play a vital role in interpreting and understanding what their clients require. But knowledge is of limited value unless there is discretion to act. Using the principles of modern public sector management, the following measures need to be considered.

Delivering Service from a Client Perspective

The Public Service must become better organized to deliver

The Public Service must be organized to deliver programs and services from the client perspective.

programs and services from the client perspective. Building on models such as the Canada Business Service Centres, more attention needs to be given to the use of "service clusters" where a group of departments and agencies share the responsibility and cost of

providing a range of services. "Service clusters" do not have to be restricted to federal departments. Partnerships — whether with the non-profit or business sectors or with other levels of government — can allow for innovation and specialization to a degree that is often not possible with a single organization.

Designing and implementing new ways of delivering services

The way financial and administrative authority is devolved must be reexamined.

requires a reexamination of how financial and administrative authority is devolved between central agencies and line departments, and also between national, regional and local offices. While reforms in the federal government's administrative, budgetary and personnel systems over the last 15

years have given departments greater control over program spending and operating budgets, further devolution of authority and responsibility down and across departments has not always followed.

As well, new ways of organizing service delivery may require departments with front-line responsibilities to delegate authority and responsibility to one another or to groups of managers working together to collectively provide a range of services. This will require rethinking traditional accountability regimes for people from different organizations.

Traditional accountability regimes need rethinking.

to delegate authority and responsibility to one another or to groups of managers working together to collectively provide a range of services. This will require rethinking traditional accountability regimes for people from different

Exploring New Organizational Models

New organizational models for service delivery need to be explored. There is a need to consider making greater use of alternative institutional arrangements, such as agencies, tribunals, Crown corporations and special operating agencies, to deliver services.

New organizational models for service delivery need to be explored.

Although the Public Service of

Canada has made some progress in this area, the results are modest relative to other western nations, which have witnessed an explosion of alternative institutional arrangements. Comparative experience has shown that program delivery can be improved using specialized organizations governed by rigorous accountability frameworks.

The expanded use of new institutional models will require careful consideration of how best to manage portfolios and a redefinition of the roles and responsibilities of departments, agencies, boards and other entities within the portfolio responsibility of a single minister. This raises important issues regarding what functions and structures will constitute the core public service and how such issues as recruitment, compensation and interdepartmental mobility will be managed.

Optimizing the Service Delivery Network

Efforts must be made to rethink the federal government's optimal service delivery network. New

Efforts must be made to define the federal government's optimal service delivery network.

information technologies will be invaluable tools in so doing. Efficiencies can be achieved through the sharing of data among departments, providing "single-window" service delivery, and even delivering services right into the home. With the use of networks and information sharing, organizational

boundaries should not serve as impediments to better service. New information technologies allow for integrated databases and common program delivery. Clients should be able to face a "seamless" federal government in their daily interactions for programs and services.

Among other benefits, technology will also help the federal government to retain close contact with Canadians. Through the use of electronic networks and interactive technologies, the Public Service will remain close to the citizens it serves. Individual public servants can continue to be aware of and responsive to the needs of their clients without necessarily having a physical presence in their vicinity.

Federal departments and agencies are exploring many of the initiatives discussed above, and this should be applauded. The Treasury Board Secretariat will provide leadership and strategic direction as needed.

Groups of officials representing headquarters and the regions have volunteered to deal with these issues. Their input and suggestions will guide the actions of departments and agencies. These working groups will:

- explore new models for program delivery;

- examine options to rationalize, integrate and optimize federal points of service;
- discuss the changing nature of the Public Service and its work force; and
- review the corporate management of federal overhead services.

The Public Service will be invited to debate these issues and develop ways of addressing them.

Strengthening the Public Service's Policy Capacity

In the last few years, while there has been significant reform in the

The Public Service's policy capacity must be strengthened.

Public Service, its core role of policy development has received less attention.

A group of officials has recently undertaken a review of the federal government's policy capacity. The review concluded that the policy development function is strong and

there are excellent people and practices in many parts of the federal policy community, but there is a need to pay greater attention to longer-term and strategic policy development, including horizontal and cross-cutting issues.

The challenge is to replenish the policy thinking in every department so that all departments are in a position to provide the government with broad policy options in every field.

Addressing Long-Term Policy Issues

The Public Service must better equip itself to address long-term

There is a restored demand for high-quality policy advice.

policy issues. Policy development needs to map out, in both the medium and long term, how the broad determinants of change will affect Canada's future. Although these points may seem self-evident to many public servants, they speak to the need to make policy advice

expansive and reflective rather than reactive and expedient. The changing policy environment has created a restored demand for high-quality policy advice from the Public Service; this has been amply demonstrated by the events of 1994–95.

Senior public servants must ensure their organizations are not fully absorbed in the "crisis of the day" at the cost of long-term policy development. This will be an ongoing challenge and responsibility. The best policy analysts must not be so busy working on transactional issues that there is no time or energy to devote to the long-term policy development and research that are needed to guide and advise government. Deputy ministers are especially responsible for ensuring that the appropriate balance is struck.

Addressing Horizontal Policy Issues

The Public Service must develop ways to better address horizontal, cross-cutting issues, including implementing the right system of incentives and accountability, which is one of the major challenges. Finding ways to effectively address horizontal issues is a difficult task, and all western nations are trying to do a better job of it. To date, public service practice in this area has not lived up to the concepts of interdepartmental collaboration that are professed, and a better job must be done.

The dominance of horizontal and cross-sectoral issues — where no single department has the exclusive expertise and resources required to address contemporary policy issues and many departments must be involved in developing the best policy advice — demands that public servants co-operate on policy development to a greater degree than in the past. Departmental boundaries and vertical accountability must not impede effective policy development in the Public Service. In the future, departments need to work in a different manner, such that collaboration, partnerships and consultation to build consensus are paramount.

Increased collaboration is needed to address cross-cutting issues.

The challenge for public servants over the next years will be:

- to educate themselves on new approaches to policy development;
- to address emerging challenges; and
- to work on new approaches to improve collaborative work on horizontal issues.

Working collectively will mean finding a system of accountability which ensures that responsibilities and roles are clearly defined and that collaboration is rewarded. The end result must be a strengthened policy capacity within the Public Service, to provide ministers with the best possible advice and options for meeting tomorrow's challenges and opportunities.

New approaches need to be explored to address horizontal policy issues. In order to develop collaborative policy recommendations across departments, greater use of specialized and temporary task forces may be required, whereby groups of officials are brought together to work on a specific policy area.

Working groups have been created to examine these issues and will report to the deputy minister community in 1995–96. The working groups will examine options for improving medium and long-term planning in the Public Service and for managing horizontal issues, including new accountability regimes.

Achieving Renewal and Rejuvenation

Of the challenges facing the Public Service, perhaps the most important will be to ensure that it remains a modern and vibrant national institution. This is a challenge for all public servants. For the Public Service of Canada to retain its reputation as one of the country's most important assets, it must be able to attract and retain high-calibre people. This will require renewal through recruitment and ongoing investment in training and development.

As noted earlier, the salary freeze that the Public Service has faced over the past several years will seriously impact the ability to attract and retain good people in the long term. At the same time, the Public Service faces a major problem in terms of succession planning:

- over 30 per cent of the current public service executive category will be in a position to retire by the turn of the century, and this rises to about 70 per cent by 2005;
- over 20 per cent of the executive feeder group will be in a position to retire by the turn of the century, and this rises to about 45 per cent by 2005; and
- over 15 per cent of the scientific and professional category will be in a position to retire by the turn of the century, and this rises to about 35 per cent by 2005.

In a very short time, the senior ranks of the Public Service will need to be replenished. Although the Public Service is going through major downsizing, careful attention will need to be paid to attracting and developing the leaders of tomorrow. New recruits will be crucial to rejuvenating the Public Service with innovative ideas on how to serve Canadians better.

New recruits will be crucial to rejuvenating the Public Service.

But entry level recruitment is not the only facet of renewal. Measures will be required to fill the senior ranks of the Public Service and to ensure a smooth succession. Renewing the senior ranks will provide an opportunity to reassess what leadership and management skills are required to best serve the Public Service of the future.

Conclusion

When organizations experience great stress and change, there are often calls for a renewed vision to bind and inspire. Questions then arise about whether existing values are in conflict with new ways of doing things.

The Public Service of Canada has a clear vision and mandate. No matter what the job, the task, the program or the location, all federal public servants are governed by a core philosophy: to serve Canadians and their government. Public attitudes and political institutions evolve, but our tradition of a professional, non-partisan public service transcends any specific reform or restructuring. The Public Service will continue to play an important role in the

The core values of public servants remain as relevant and important as ever.

lives of Canadians. The core values which govern the work of all federal public servants remain as relevant and important as ever.

It is important that we recognize the value of the contribution we all make as public servants to the quality of life of Canadians. We should be proud of the profession and career that we have chosen and the work we do. It should be evident in the way we serve Canadians and their government.