

# A CHALLENGING YEAR AWAITS PUBLIC SERVANTS



DAVID ZUSSMAN

The federal government will be considering two major initiatives this year that will have a profound impact on the public service for many years to come. The first is the work of the expenditure review committee that is being guided by National Revenue Minister John McCallum, and the second is the phasing in of the Public Service Modernization Act that was passed by Parliament in the fall of 2003. The expenditure review exercise is the subject of today's column since it will figure prominently in Finance Minister Ralph Goodale's budget next month.

Expenditure review is the federal government's response to Prime Minister Paul Martin's decision — motivated by recognition that several emerging policy challenges will be expensive to fund — to reallocate spending within

the current suite of programs and activities.

Mr. Goodale laid out some of these challenges in his November fiscal and economic update when he argued that Canada's aging population will soon place significant demands on our social and health programs. He also signalled there would be greater pressures on those who remain employed, and that changes to the nature of work in Canada may be possible, because of our growing reliance on "increasing (work-force) productivity in order to ensure a continuing rise in our standard of living." At the same time, Mr. Goodale noted the need to improve our competitiveness in the global economy due to the economic expansion of China and India.

Mr. McCallum is looking to reallocate almost \$12 billion of spending over five years — approximately \$3 billion from a base of \$42 billion a year — by eliminating low-priority government programs and replacing them with high-priority initiatives consistent with those raised by Mr. Goodale. At the same time, he is committed to developing a permanent mechanism for an on-going expenditure review process that

represents a "permanent shift in the culture of government."

Even though there is general support among parliamentarians for the exercise, they continue to question Mr. McCallum on a number of issues. The most common query is why the government feels obliged to undergo such a massive reallocation when it has just declared a \$9.1-billion surplus. The minister's consistent response has been to underscore the principle that good managers always reallocate from low-priority items to high-priority ones, regardless of their fiscal capacity. As well, he has emphasized the need to examine the overall level of federal government spending, since it has increased by 7.8 per cent for each of the past five years, while the size of the public service has increased by 21 per cent over the same period.

It is unclear just how much of the \$12 billion will be reallocated in the short term within the existing programs and how much is scooped up by the centre to pay for the health-care accord, the equalization agreement, child care and the cities agenda. But parliamentarians feel that removing overlap and duplication from federal and provincial pro-

grams and attacking wasteful management practices can realize considerable savings.

In the meantime, a number of thornier policy issues have preoccupied the members of Parliament who have met with Mr. McCallum. In particular, they have been interested in whether there will be job losses, whether regions or women will carry a disproportionate burden in terms of job reallocations, and whether certain program areas, such as those supporting scientific research or industry, will be exempted from this exercise.

Judging from Mr. McCallum's recent speeches, it appears the bulk of the initial savings will be found in the management of government-wide corporate services, such as procurement, service delivery and property management. The 1995 program review that was part of the Martin deficit-fighting budget instructs us that these kinds of exercises can have a profound impact on all federal government operations. As a result, we can be confident that the 2005 budget will have a similar effect, possibly fuelling a renewed interest in value-for-money evaluations, better costing of new programs, partnerships with the

provinces and eliminating duplication.

Targeting broad administrative reform instead of specific programs will be a huge challenge for the public service, since the savings will only be realized when the diverse interests that are found in individual departments can see the benefits of working together. Regardless of the specific measures taken, 2005 promises to be a very hectic and challenging year for federal public servants.

DAVID ZUSSMAN is chief operating officer at EKOS Research Associates and a professor of management at the University of Ottawa.  
E-mail: dzussman@ekos.com

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