

CIVIL CIRCLES: BUDGET

Experts warn there's little to cut in federal public service



Photograph by Cynthia Münster, *The Hill Times*

Government spending: Stockwell Day, pictured with his wife Valorie at Rideau Hall on Jan. 19 shortly after he was sworn in as the new Treasury Board president.

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BY CYNTHIA MÜNSTER

Stockwell Day's recent appointment to the Treasury Board presidency has been trumpeted as a signal of fiscal restraint to come, but experts warn there is little to cut in the federal public service.

The Treasury Board president holds the purse strings to all federal government spending and even before the \$52-billion two-year stimulus fund starts to dwindle, the government will be starting to review spending in order to find savings that may help it get out of deficit.

In an interview with **Kathleen Petty** on CBC Radio's *The House* last Saturday, Mr. Day (Okanagan-Coquihalla, B.C.), talked about "taking the necessary steps to have smart, efficient spending" and sending "signals of fiscal restraint."

Declared Mr. Day: "In the budget, you'll see the remainder of the rollout of the Economic Action Plan—all the commitments that we've made in that area will continue—but you'll see what will be the start of a roadmap to balanced budgets and the signposts along the way. You'll have a clear indication of how we're going to approach this."

Much emphasis has been placed on strategic reviews, which began in 2007-08, with the intention of finding five per cent in cuts to low priority or low-performing programs and possibly shifting them to higher priority programs.

Mike Joyce, a former assistant secretary at Treasury Board, said restraining spending to eliminate the deficit will be a government priority over the coming years, which means the Treasury Board Secretariat will increasingly focus on program reviews as a way to restrain spending. A change in minister helps signal the importance of the change in focus, said Mr. Joyce.

"The fact that the Prime Minister changes a minister usually is some kind of a signal, and I think there's speculation in the press, that it's a signal that there's perhaps to be a greater focus on strategic reviews is a reasonable speculation to make but

whether that would only occur because of Stockwell Day being appointed the minister, it's fairly clear that the attention on expenditures is going to increase more than it has perhaps in the past, because they said they want to chart a path after the deficit that is forecast," said Mr. Joyce.

Robert Shepherd, assistant professor at Carleton University's School of Public Policy and Administration, said that "there's not going to be very many rocks left unturned" and that strategic reviews may be done similarly as they have been until now but applied to a wider range of departments and programs.

"The consensus of opinion out there is that given Mr. Day's experience as treasurer in Alberta and getting them into surplus territory, the same sort of lens will be brought into the federal experience and there's going to be rough times ahead and he's talked about cutting back on staff, akin to program review of '94 and budgetary cutbacks and they're going to be using strategic reviews to assist with that, what programs to trim back a little further than they have and so there's a lot of public servants and agents of Parliament that are quite concerned with this," said Prof. Shepherd.

However, it's not certain whether the increased emphasis in program reviews means an intention to return to the **Paul Martin** strategy that started in 1994, when departments were told to cut by certain percentages. Environment, for example, was asked to cut 33 per cent of its spending.

From 1995 to 1999, the government cut overall spending by 10 per cent and capital spending cut by 35 per cent, which led to a \$3.5-billion surplus in 1997-98. The strategic reviews that started in 2007-8 have reviewed about 40 per cent of direct program spending and led to \$349-million in reallocations in 2009-10, according to the most recent budget.

There has been no indication that the current government is ready to go down this road and that it may just be trumping up the process that is already in place, said **Peter DeVries**, a former director of fiscal policy at the Department of Finance. Mr. DeVries worked at the department from 1990 to 2005.

"I don't see them being much different," said Mr. DeVries. "I think you've got a new face there who will portray them maybe a bit more aggressively than up until now,

because who's really heard of them? So there may be more of a PR campaign put on in order to demonstrate that the government is actively looking at expenditure restraint, so beyond that, I don't see much coming out of it."

Another approach to cutting spending is to freeze or reduce hiring, also something that was done by Mr. Martin. Federal public sector employment declined by

about 55,000 between 1994 and 1998 and the consequences of this are being felt now with the wave of retirements that highlight the generational gap created by this freeze in hiring.

James Lahey, the former deputy secretary to Cabinet in public service renewal, was in charge of overseeing the hiring of public servants to deal with the "tsunami of retirements" that is going on in the public service. Currently a visiting research professor and director at the Centre on Public Management and Policy at University of Ottawa, Mr. Lahey said that "it's always feasible to freeze hiring or reduce hiring or expand hiring if you plan it properly."

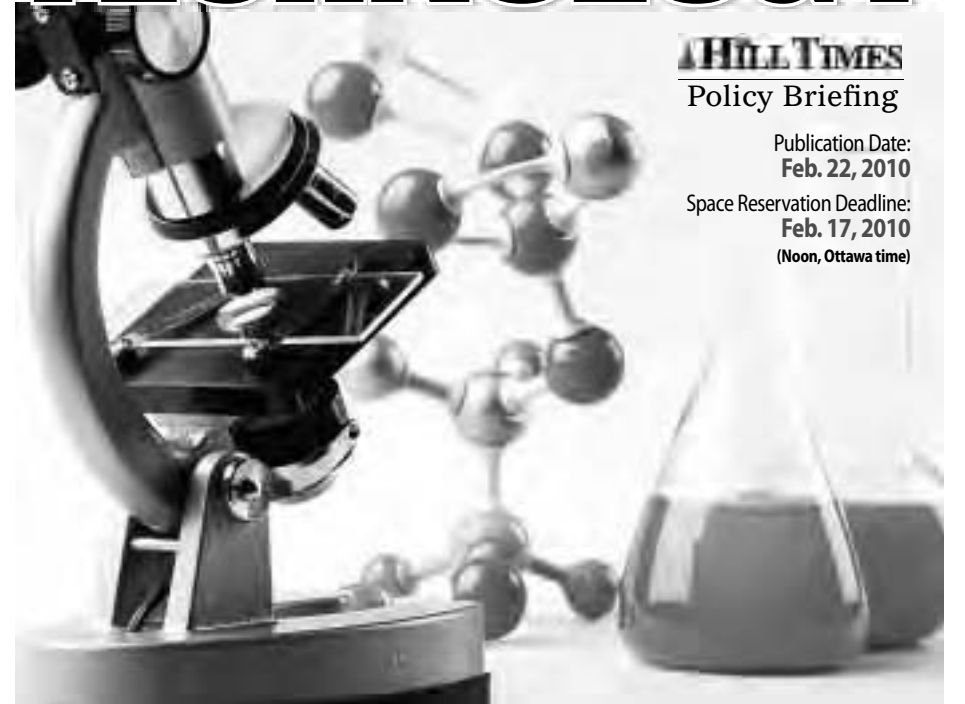
"If you plan it, any time is an okay time to do it, if you have a large deficit and you try to close the gap, compensation is an important component to federal expenditures, particularly the discretionary expenditures, so it's not surprising they would be looking at compensation in some ways, and in a sense, on compensation the simplest way to save money is not to hire people, or not to replace some of them, it's certainly a lot easier than laying a lot of people off, so I would be surprised if the Treasury Board Secretariat was not thinking of all these options but what they'll decide to do, who knows," said Mr. Lahey.

The other measure Mr. Day could take to reduce spending is change public servants' pensions and the public service unions have been increasingly concerned about the government taking some of the benefits away.

Mr. Lahey, however, said that is a very long-term process that's not easy to do and any savings in that area would not materialize for a long time, so he said he is "skeptical" of how important that would be to any strategy.

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