Reform of public sector management: Canada's response to the challenge

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A Renewed Focus on Public Sector Management

There has been a new interest and emphasis on public sector management in the last fifteen to twenty years, evident in most Western nations, but also articulated in the policy statements of international organizations such as the OECD, the World Bank, the IMF, the Inter-American Development Bank, among others. The principle that a strong public sector can facilitate, if not actually promote, economic development and growth, has come to dominate public administration thinking, and the public sector has benefited from an unprecedented number of studies, analysis and experiments.

Like in the private sector domain, the public sector has recently demonstrated a similar preoccupation with management reform and restructuring in an effort to strengthen its efficiency, effectiveness and performance. There are a variety of reasons which can account for efforts to reform public management, on which the literature has focused; these can include a general malaise with respect to “big government” in most liberal democracies, a crisis in faith in public sector institutions, and a rethinking of the role of government in the economy. More pragmatically, financial pressures on public expenditures have resulted in a need to do “more with less”, so as to achieve greater efficiencies with fewer resources, a trend similar to the wave of restructuring which took place in the private sector. The emergence of a new generation of value and quality-conscious constituents, with unprecedented access to information, can also account for this shift, as can the increasing concern that the public sector cannot be all things to all people.

Public Sector Reforms in 90s

In the West, public sector reform during the past two decades has very much been a mixed bag of goods, with ideologically incompatible, often contradictory, ideas and instruments being implemented. Echoing many of the trends which have swept the business world, the public sector reform has likewise witnessed the influence of various approaches, from privatization, decentralization, public/private partnerships, Total Quality Management, downsizing, delayering, reengineering, reinventing and benchmarking, to name but some of the proposed “solutions” to increase efficiency and effectiveness in the management of the public sector.

The management literature has reflected this interest in public sector issues and public administration, perhaps in recognition of the need for a strong and focused state environment to support private sector activity. [see, for example, Michael Porter, *The Competitive Advantage of Nations*, (1989) Moss Kanter, *World Class: Thriving Locally in the Global Economy* (1992)] Osborne and Gaebler’s *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (1992) has also had a powerful influence on public sector thinking, with the major tenet being the adaptation of private sector techniques and ideas to government administration. Osborne and Gaebler had a very influential effect on many government departments and agencies, and was required reading for many public...
servants. The reengineering movement has also had its impact on public sector management, and has been associated with extreme cost-cutting and downsizing measures and staff cutbacks [Hammer and Champy, *Reengineering the Corporation*, (1995)], as it did in the business world, effectively destroying a class of middle managers.

Public Sector reform has “flirted” with many of these prevalent corporate restructuring ideologies, which Henry Mintzberg has described as “an obsession with measurement and accountability” [Mintzberg, *Managing Quietly*, 1999], often bringing government into conflict with the public sector values and ethic which it is designed to champion.

**Reforms under the New Public Management (NPM)**

Under the auspices of the New Public Management, the traditional relationship of government to economic and social institutions has been revisited, and in several instances, reconfigured, driven by the seminal question of “what governments should really do”. There has been a noticeable shift from the concept of “Public Administration” to “Public Policy and Management”, with a corresponding emphasis on the policy process rather than on formal institutions, a view which places increased emphasis on the political context, on forms of organization, and on policy networks. The New Public Management perspective has fundamentally reassessed the historic role of the state in society and in the economy, and has questioned the traditional social and economic responsibility of modern governments. From that perspective, it has redefined size, structure, form and the entire domain of the public sector (what should be public, versus what should be private). The study of public administration previously focused primarily on classical bureaucratic theory (Weber) and concentrated on administrative systems, formal structures and institutions of government in which a conceptual separation between administration and politics was maintained. The focus under the NPM moved to the public policy and management arena, which deals more with the management of the policy process rather than with the administration of formal institutions. The defining themes of the public policy and management reform have emphasized the imperatives of economy and efficiency in the context of the newly-defined relations between state and market. In most Western liberal democracies, there has been an explicit focus upon the dominance of individual over collective rights, with citizens being reconfigured as “clients”, “customers” or service “users”. Likewise, preoccupations have centered on issues of cost control, efficiencies, accountability, transparency, service quality and public participation.

Public sector reform has, in general, tended to blur the distinctions between public and private sectors, as the size and activities of the state have been considerably reduced (the scope of reform, of course, varying among OECD member states), and private sector methodologies and disciplines have been introduced into the public sector. These reforms have witnessed attempts to reshape the boundaries and responsibilities of the state, especially through privatization measures, restructuring of public services, as well as the introduction of new models of governance and service delivery. With the New Public Management, the “good” state has come to be equated with the “small” state, more technologically and culturally sophisticated, with a noticeable preference for decentralized, executive agency models of public management. In a sense, administrative and executive decentralization have come to be seen as the political and administrative correlates of economic liberalization and deregulation. Thus, the older welfare assumptions of the state have given way to a redefined “entrepreneurial” model of government involving a restructuring of the traditional public sector. NPM measures introduced to the public sector have included:
Privatization;
Restructuring and paring down of central services;
Introducing competition, especially through internal markets;
Contracting public services to the private sector;
“Partnerships” with business and with non-governmental organizations;
Improving efficiency through performance auditing and measurement.

Public sector reforms were initiated in the 90’s and were particularly experimental in such jurisdictions as the United Kingdom, Australia, New Zealand, and in the United States. The UK and New Zealand have demonstrated the highest level of experimentation with the New Public Management reforms.

Canada’s record of reform has been much more modest. However, the impact of these measures has long-lasting repercussions. As Evert Lindquist points out,

In the early 1990’s, Canadian governments undertook more dramatic attempts to reduce costs. These initiatives included reducing the number of ministers and departments, negotiating or legislating compensation rollbacks for employees, introducing layoff and early retirement programs for public servants, and mounting increasingly determined efforts to review, privatize, off-load, contract out, and eliminate programs. These developments entailed enormous upheavals for senior public servants and staff alike, leading to declining morale in all of Canada’s public services. The ‘moral contract’ between governments as employers and their workers was broken – the traditional bargain, where public servants were to receive employment protection and moderate levels of compensation in return for anonymity and neutrality, was shattered.

[Evert Lindquist, “Government Restructuring and Career Public Service: Do We Need a New Cosmology?”, 2000, 125-126]

The wave of reform, both in developed and developing countries, as well as in transitional economies, was predicated on the principles that there are normative models (universal) of “good governance” which must be applied. It is interesting to note that these ideas of “good governance” originally emerged from a set of conditionality principles improved by multilateral and bilateral agencies. The World Bank and the IMF’s structural adjustment programme came to be closely associated with the New Public Management reforms. NPM was initially propelled by domestic pressures for control of public spending, and then incorporated quality control concepts, and came to involve decentralization of operations and the utilization of public agencies.

The evolution of public sector reform has closely resembled the restructuring wave in the private sector. Initially, private sector restructuring was characterized by “slash and burn” approaches, downsizing and reengineering, frequently endangering the very core and integrity of the corporation. More recently, the pendulum has swung back to “right-sizing”, as private sector firms reaffirmed the need to protect and preserve their core values, competencies and corporate memory.
In its most basic form, the NPM can be characterized as follows:

- Separation of strategic policy from operational management;
- Concern with results rather than with process;
- Orientation to needs of customers, rather than with bureaucratic organization;
- Withdrawal from direct service provision in favour of a “steering or enabling role” for the state;
- A transformed bureaucratic culture.


Thus, the NPM reforms have given rise to a managerial redefinition of the public sector, introducing new paradigms, such as “public governance”, “capacity building”, “debureaucratization”, the “steering role” of the state, all utilizing instruments largely adopted from private sector management. This new management model involves the networking, coordination and interaction of actors at different levels of political and social context, and a new “outward” orientation, particularly the economic and social environment. NPM has also redefined the role of the citizen as central in this new relationship.

The section below encapsulates some of the major tenets of public sector reform which have been introduced over the past two decades.

**The New Modalities on the Public Management Landscape**

NPM has advocated the separation of politics from administration, and emphasized the enhancement of the measurement and monitoring capacity of government over public service delivery. It encouraged the utilization of market-based mechanisms to deliver public services, replacing traditional bureaucracies.

**Reduction in Public Expenditures/Reduction in Public Services**

Downsizing of the public sector has taken place in most jurisdictions as a way of reducing public expenditures. In many jurisdictions as well, user changes or user fees have been introduced as a way of collecting revenue without imposing new taxes. This has occurred notably in the health sector, where demand for services has been increasing as a result of the aging of the population. Rationing of public services has been another model of cutting costs.

**Restructuring/Reengineering**

This has involved breaking up of large bureaucracies into a small strategic and policy core at the centre, and large operational units through a variety of models; organizational decentralizing and delayering of vertically integrated organizations – replacing “tall” hierarchies with flatter, flexible and more responsive structures. Changes have included:

- Shifting power to senior management in public organizations, with clear responsibility and accountability relationships;
- Introducing new forms of corporate governance and moving towards board of director models (e.g. executive agencies, related to ministries through contractual agreements);
The emergence of separate purchaser and provider organizations;
Devolving budgetary and financial control to decentralized units; giving managers greater control over resources.

Privatisation

“Privatisation” has meant a host of arrangements to reduce the financial commitments of the state – these have ranged from divestment of public assets, new public/private relationships, contracting out, joint ventures, and financial and managerial restructuring of public enterprise.

Contracting Out

Many countries in the West have contracted out the provision of public goods and services to the private sector. These services have ranged from internal services required by government (e.g. cleaning, maintenance, computer services) to traditional state-run operations, such as health management, hospital administration, prisons or schools, based on the assumption that the private sector can provide these services more efficiently than the public sector, as a result of competition in the market. The modalities of contracting out services vary from direct contracting based on a competitive bidding system, to the creation of publicly-financed internal markets with purchaser/provider relationships.

Competition

This has involved the incorporation of the rules of the market to public sector goods and services. Many states allowed for the creation of internal, publicly financed markets, wherein public service organizations have had to compete against private sector bids to deliver public services. This has resulted in a climate where public sector organizations have been required to compete for contracts from the public sector “purchaser”. This model of internal public competition is used in the British health care system, where health providing organisations (e.g. hospitals) compete to obtain funding from health purchasing organisations (regional health authorities).

Redefined Role of the “Centre”

Changes to the structure and role of the public sector, and the emphasis on greater decentralization and devolution of authority, have necessarily required a reassessment of the role of the “centre”. Its redefined role has it focusing more on:

- Maintenance of an equitable rule of law and a sound regulatory framework;
- Definition of the strategic vision, goals and objectives;
- Provision of basic core services;
- Management of public finance;
- Management of government bureaucracies;
- Oversight of regional operations.

A New Focus on Efficiency and Effectiveness

Parallel to the private sector’s original restructuring and downsizing measures, public sector reform in most OECD countries evolved from an initial preoccupation with the reduction of
costs to foster greater efficiency (mid 80s), to a growing focus on the concept of effectiveness, and finally to seeking “value for money”, which integrates the concepts of economy, efficiency, effectiveness, together with equity and ethics. An emphasis on performance management and results obtained have become dominant motifs in most public sector administrations.

**IMPLICATIONS OF THESE REFORMS FOR PUBLIC SECTOR MANAGEMENT**

The scope of the reforms undertaken as described above have brought to light the need to design and develop new models of management, which entail transformations to traditional concept of public administration and to conventional notions of public service. In addition, the effects of downsizing on the bureaucracies of many government administrations resulting from the reforms of the nineties had significant effect on the cadre of civil servants who remained and on their notion of the social contract with their governmental employers. Perceptions of career-long employment and loyalty have been eroded by many of the waves of downsizing which occurred. Furthermore, the demographic situation in most OECD countries, with “baby boomers” set to retire in the next five to ten years, will profoundly affect the capacity of the civil service to continue to administer programmes and services, while the demand for these services continues to mount.

The public sector reforms undertaken during the past two decades, as described above, have certainly necessitated a revisitation of the principles of public sector management, as well as the skills and competencies required of the new managers. As Peter Drucker has emphasized, the vast set of public sector changes would require the rethinking, reconceptualising and restrategizing of public sector management – the new set of capacities required, in light of the new management realities. [Drucker, Peter, “The Next Society”, in *The Economist*, November, 2001] In addition, the management of more sophisticated and autonomous knowledge workers necessitates very different managerial and leadership approaches than those utilized in more traditional management paradigms, as well as fundamental review of training programmes used hitherto.

Thus, these transformation in the role of the public sector have required a corresponding development of a systemic strategy, which would comprise renewed values, principles, attitudes, systems, structures, organisation and performance of public management.

**GOVERNMENT RESPONSE IN CANADA**

The Government of Canada has a significant role to play in the social and economic life of this country. As the largest organization in the country, it spends close to $200 Billion (CAD) annually in public services, administers close to 2,000 programmes and services, and manages the largest workforce in the country, with 450,000 employees. As such, effective management of the public institutions, policies, programmes and services is a essential objective of public administration, with profound implications for the social and economic health of the country.

Since the mid nineties, several major policy pronouncements and reports have been issued in ad attempt to introduce changes to the system of public administration and to allow for a “modernization” of the state apparatus. Particular attention has also been paid to the managerial leadership of the public sector and how to best develop its capacity.
The Public Sector Modernization Act [Government of Canada, *Public Service Modernization Act*, Public Service Human Resources Management Agency of Canada, July 2004] introduced a framework for modernizing the Canadian public service and is considered the most significant human resources legislation in this country in almost four decades. The PSMA aims to “fundamentally change how employees are managed, supported and led, and shifts responsibility away from central agencies into the hands of managers.” An important component of the Act focuses on leadership development, as well as on the monitoring of overall performance, so as to ensure accountability for results in the public sector. The PSMA presents three major strategic objectives:

- Modernizing human resources management and strengthening accountability;
- Ensuring effective and ethical leadership, and a quality work environment;
- Achieving a representative and accessible public service.

In terms of the first objective, modernizing human resource practices, processes and systems. It is designed to facilitate hiring the right people when and where they are needed to providing flexibility to departments and agencies, while respecting the values of fairness, transparency and access. A new approach to merit will allow managers to consider not only the essential qualification of positions, but also the current and future needs of both their own organization and the public service. There will be an increased focus on human resources planning to ensure that the staffing processes support strategic plans and priorities.

The second objective, of ensuring effective and ethical leadership and a quality work environment, targets the establishment of high standards of public sector behaviour, the ensuring of accountability, and a culture to ensure that public service managers and held accountable for their actions. Developed in the wake of a Sponsorship Scandal involving the then-governing Liberal Party, an integral component of the Management Accountability Framework in new Act stipulates that values and ethics must be part of the performance assessment process. Legislative measures for the disclosure of wrongdoing were also introduced.

The new measures introduce a focus on building learning capacity; development of training and learning programmes (including classroom and workplace courses; seminars and conferences, action learning, e-learning and train the trainer) to strengthen the cadre of public sector managers. Finally, the Act states that the public service, and its managers, must be more reflective and representative of an increasingly diverse Canadian population.

The PSMA notes a strong commitment to establishing “cultural change’ in the Canadian public service, and moving beyond the letter of the law”, to towards a more collaborate, solutions and strategy-focused approached.

Another major policy pronouncement of the Canadian Government is the *Management in the Government of Canada – A Commitment to Continuous Improvement* document, published in October, 2005. This document has as its prime objective the strengthening of management in the public service. It states: “Good management is about being accountable and transparent. It is about building an integrated, responsive government that can leverage information and manage resources and relationships in innovative ways to deliver public value. There is a
strong statement of commitment to more transparency and accountability; stronger internal controls and oversight; more responsive service, maintaining a professional public service; more coherent planning and management to meet horizontal priorities; and managing information better and managing better with information.” (7)

Recognizing that Canada needs to implement a different approach to public sector management in light of fundamental changes which have taken place in terms of the role, scope and new demands on government, Management in the Government of Canada sets out its vision of an accountable, responsive and innovative public sector, and puts into place measures to assist in the achievement of this vision. Training and education are key points: recognizing the importance of continuous learning and the need to assist managers to be able to undertake new tasks and responsibilities. There is a commitment to "organizational leadership for transformation", through career-long learning and development to give managers the skills needed to develop the workforce needed for the 21st century. It is recognized that fostering of innovation requires the requisite knowledge, competencies and organizational support.

Recent policy statements by the Canadian Government have acknowledged and underscored the transformations which have been taking place on the policy landscape. The focus on the primacy of centralized leadership has clearly shifted. Notably, there is recognition that the traditional role and purview of managers has evolved considerably, and that a new “profile” of public managers is called for, one which emphasizes a strategic stance; the capacity to lead and inspire more sophisticated knowledge workers working in matrix/team-based models; the ability to coordinate relationships, and see new patterns which transcend traditional vertical boundaries and embrace holistic issues. The new public sector manager must demonstrate flexibility, responsiveness, a high level of capacity to delegate, ensuring that his/her employees have the requisite skills to effectively undertake progressively complex tasks. Finally, the effective manager must demonstrate a high level of integration between a focus on the overall government-wide and ministerial objectives, with the capacity and genuine desire to develop the people who work in these organizations.

Reforms include a movement away from the classical rules-based approach to recruitment and promotion, to one based on competencies and merit. From a “rules driven model” of bureaucracy, staffing of public sector positions will ideally be based on the selection of people who are the best “fit” for an organisation and respond to its needs for innovative approaches. Managers in the 21st century will be able to inspire and promote innovation, and at the same time manage in a highly accountable and transparent, in learning organizations, continuously driven to improvement and to deliver high quality services and programmes for its citizens.

These policy statements underscore the realization by the federal government that the demographic trends both in Canadian society and in the federal public service are a cause for concern. Many ministries, both federal and provincial, are already experiencing a shortage of experienced knowledge workers and managers, as a large number of senior officials are approaching retirement. By 2025 more than 20% of the population of Canada will be over the age of 65, double the proportion of 1980 [Conference Board of Canada, Canadian Outlook Economic Forecast: summer 2006, 2006, www.conferenceboard.ca]

Clearly a need for innovative approaches need to be explored, including more flexible work arrangements, professional exchanges, partnerships programmes, creation of virtual centres
of expertise and networks, and, importantly, a review of Canada’s stringent immigration policies, which would also enhance cultural representation in the Canadian workforce and cadre of senior managers. In terms of management, more effort should be directed at the creation of fulfilling and challenging work environments which value employees’ contributions and skills, and offer flexibility.

As we have seen, the Government of Canada has adopted many of the new modalities on the public policy landscape over the past several years. The approach of Managing for Results has been adopted in all federal government departments and agencies, and new integrated new service standards have been introduced. For example, the creation of the new Service Canada agency, which provides a single Government of Canada service delivery network which brings together a comprehensive set of government services and benefits was an innovative move to improve services for citizens. Likewise, in the case of the Canada Revenue Agency, a “Taxpayer Charter”, akin to the British concept of the “Citizen’s Charter”, was introduced, along with a Board of Directors made up of private citizens. It should be also be noted that Canada has been recognized for its innovative role in e-government.

While the Government of Canada has developed and announced its managerial “platform” and a series of wide-sweeping reforms, only the test of time will demonstrate whether these changes have succeeded in the implementation the type of profound cultural change which is required to effectively equip its senior leaders with the skills to meet the challenges of the years to come and effectively manage the public trust.

CONCLUSION

In terms of implications for public sector management, the scope of the reforms undertaken during recent years brings to light several conclusions. “Managing at the top” in the public sector requires very different skill sets than were required a generation ago.

As noted by the OECD: “Governments in all OECD countries…face the challenge of responding to public demand for more responsive, efficient and effective government. For most countries, this implies a need to transform government into what is often described as a network form of organisation: interconnected agencies that retain their autonomy and flexibility, but operate under a “single-enterprise” vision of government in which shared resources and common standards allow seamless communication and the efficient and effective pursuit of common objectives” [OECD, 2005, 5]

Certainly, there is less adherence to vertical structures of command and control which prevailed in classical bureaucratic organization. New approaches and the capacity of information technologies have given rise to different structural configurations in terms of service delivery, different relationships between service providers and recipients. Decision-making has become increasingly consultative in nature, and the citizen-state relationship altered. Public sector issues are increasingly “horizontal" and today’s managers need to manage up, down, and out, to motivate knowledge workers to perform to increasingly higher - and transparent – standards of performance. The challenges for public sector managers have never been greater.-
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RESEÑA BIOGRÁFICA

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