

*Government Orders*

•(1215)

We know the debt and deficit problem will not be solved only by cuts to the public service. The entire cost of operating the Government of Canada is \$20 billion out of total government expenditures of approximately \$168 billion. The compensation cost of the public service employees who run that government is \$12 billion, considerably less than 10 per cent of the budget of Canada.

Given this morning's clippings, I would like to comment on the report of the C.D. Howe Institute. It has identified further cuts to public service wages and government operating costs as a major candidate for government reductions. I must admit I am confused. Not long ago the Conference Board of Canada was telling Canadians that a freeze on public sector wages at the federal level would have a dampening effect of 1.5 per cent on economic recovery that would be even further intensified if the example was followed by provincial governments and the sectors at other levels.

As I said, we realize the debt and deficit problem cannot be resolved only by cuts to the public service. Therefore we have implemented many other cuts in an attempt to achieve the deficit target we have set for ourselves.

Many have questioned why pay increments were suspended in addition to the wage freeze. The answer quite simply is fairness. Increments were frozen because it is important that all public service employees be treated equally in this difficult time. It did not seem to us to be fair that some people working for the public service were seeing their salaries rise while others were not.

[*Translation*]

I know very well that some consider these measures to be severe, but it is important to place them in their proper context. The government is committed to maintaining job security for its employees. In its opinion, extending the salary freeze and suspending pay increments are better ways to control public spending than forced leave, wage reductions and layoffs. In addition, this approach will minimize the impact on our ability to offer quality services to Canadians.

[*English*]

I recognize there is concern over potential job losses. While there have been layoffs and wage rollbacks in the private sector and in other public areas, our government is committed to maintaining a high level of job security in the public service. Despite these measures, our government is taking a number of steps to rebuild a positive and constructive relationship with the public service.

We believe that our best allies in controlling government expenditures while maintaining the delivery of quality services to the people of Canada are the people who work for the Government of Canada. That is why in the budget we committed

to undertake an efficiency review in co-operation with the unions. Any efficiency savings in government operations identified through this process will be used to shorten the period of the wage and increment freeze.

These discussions have begun and are addressing longstanding concerns of our employees, such as contracting for service and the use of temporary employees from outside the government. Already we have been able to show that under the previous government while departments were being downsized, while Canadians were being told that costs were being reduced in this manner, the cost of contracting actually increased at a rate 43 per cent higher than other government expenditures.

The efficiency review is not limited to these two areas, although they are certainly a prime concern to our employees. We are prepared to consider any area of government spending that the unions, our employees, our managers, or indeed members of this House of Commons believe should be looked at in terms of their efficiency in delivering quality services to Canadians.

•(1220)

This is a new process and naturally enough, there is some apprehension on both sides as to how successful it will be. A great deal of time and effort is needed on both sides to ensure that a relationship of trust is built up so that we can work together on this.

In addition to a close examination of contracting as part of the efficiency review, the President of the Treasury Board has asked a committee of Parliament to undertake a full review of contracting and to prepare a report to the House. Throughout government as well, deputy ministers have been asked to work closely with the unions representing their employees and indeed with their employees at all levels to find the necessary means of meeting their operating cost reductions.

I believe that by working together we will be able to identify those savings that will not affect the delivery of services to Canadians but will allow the period of the wage and increment freeze to be shortened. It will allow us to assure Canadians that we are working to get the best possible value for the dollars they pay in taxes.

This is the first opportunity employee representatives have had to work with the government, to work with their employer, to help manage the difficult economic situation we face and the changes it necessarily entails.

The unions have correctly made the point that the pay increment freeze will affect proportionately more women than men employees. At the same time I should indicate that for our lowest paid employees earning under \$30,000 proportionately more women than men have benefited from reclassifications and promotions which have improved their earnings, even during the period of the wage freeze. Nonetheless it is the case that approximately two-thirds of employees at the lowest salary