

Supply

about \$7.5 billion in savings over the next five years in government operations.

A key element of this spending restraint package is the freeze on employees' salaries for the next two years. Currently salaries account for about 55 per cent of the operating costs of the federal government.

The total employment in the Public Service is expected to drop by 16,500 by the year 1997-98 in order to accommodate the needs of the budget restraint. A good portion of this reduction will be handled through retirements and resignations. Nobody on this side of the House wants to create hardship for the many valuable public servants who have served us so well over the years.

Even though we are going to try to do what we can through attrition and through these measures, unfortunately there is no doubt that some people will find themselves looking for some other kind of work. That is one of the sad things, but it is true.

The government will have to provide services, no question about it, with fewer staff in a climate of very rapid change. That means that the way we do things has to change. Doing things the same old way is just no longer possible. We must find innovative new ways. We must be adaptable. We must be flexible.

Those are the things that will be essential to ensure that we can cope with the challenges of the very real budgetary restraints that all governments in Canada face.

That brings me to my second point. There are instruments available for managing change in this new, leaner Public Service that is currently under development. One of them is the initiative to reform the Public Service known as PS 2000. That has been an important step toward equipping managers to be more innovative, flexible and accountable. As the hon. member has just pointed out it is an issue that is necessary in a democratic society.

• (1805)

In this initiative managers have been given greater flexibility and more authority as well as responsibility and accountability for their decisions. They have more freedom to deploy staff. That makes it possible to make

practical decisions rather than bureaucratically-driven decisions. This means that decision making has moved down to the shop floor and that we are reducing layers of management when it comes to making some small but essential decisions in order to move the business of government along in a very efficient way. It also helps to remove some constraints that in the past have had the tendency to stifle creativity which then creates some job dissatisfaction. Obviously out of that flows ineffectiveness.

There are other benefits as well to PS 2000, but I want to focus now on operating budgets to illustrate the kind of change that is taking place in the Public Service. Change is needed for us to meet these challenges that are being created by the very necessary budget restraints that must happen in the next few years.

Operating budgets were implemented across the Public Service on April 1 of this year. There are some very fundamental and interesting changes. Under this operating budget approach managers will receive a set amount of money for the year to cover wages, operating expenditures and minor capital expenses. Operating expenditures would include utilities, materials, supplies, goods and services and the kinds of things they would generally have to purchase in the orderly conduct of their business. Some minor capital items might include furnishings, machinery or other equipment needed to operate an efficient administration.

This may not seem like much to you, Mr. Speaker, but this really is a significant change in the federal Public Service. To get a feeling for what kind of change this is and what it means, I think we should look back for a moment at the way things used to be done.

Since 1970 the Treasury Board has controlled the number of person years and the amounts of salary dollars that departments are entitled to. A person year for those who do not know is the equivalent of employing one person for one full year. It is one of the ways we measure productivity and employment activity here in Ottawa.

When the government started to reduce the work force in 1985 person-year controls really made it difficult to respond to the demands for cost-recovered services because a very structured and bureaucratic system had been set up. It was also an impediment to joint initiatives with the private sector, so clearly we needed to be more