

What's The B.C. Spirit?

Recent Experience in the Management of Restraint

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Notes for Presentation

Institute of Public Administration of Canada

National Conference, August 1983

(Revised September 1983)

When the Stranger says: 'What is the meaning of this city?  
Do you huddle together because you love on another?'  
What will you answer? We all dwell together  
To make money from each other'? Or 'This is a community'?

T. S. Eliot, Choruses from 'The Rock' (1934)

## Preamble

The last people to go out to talk to the people [to determine the public will in matters of public policy] were the MLAs in British Columbia, and in particular the Ministers in the Government of British Columbia. The returning government of Premier Bill Bennett faced a number of serious problems as it contemplated its new, perhaps not altogether expected, mandate. These problems included:

- an appalling budgetary outlook
- a history of labour-relations strife which was thought to frighten away business investment
- a general feeling that an overgrown bureaucracy had to be trimmed
- a general feeling that a growing burden of regulation had to be eased
- accumulated experience suggesting that militant public sector unionism would block any significant transformation of the public service into a leaner and more effective body
- a public service which, if not of questionable loyalty, certainly contained pockets of extensive partisan activity in opposition to the government
- entrenched professional groups which seemed to be largely insulated from economic reality while enjoying a comfortable base from which to campaign against the government.

No doubt Ministers heard a great deal about these matters during the campaign leading up to the May 5<sup>th</sup> election. This paper does not presume to question their reading of the public will, or their judgement as to the priorities for the current mandate.

But precisely because there are so few controls on the use of the apparatus of state power by a Cabinet with a legislative majority, the government's exercise of that power must be

continually appraised; an insistence on the government's responsibility to look beyond the mere expression of public sentiment is essential. Elected ministers owe us more than simply the packaging of popular measures. It is surely the most basic truism that responsible government includes the responsibility to ensure that the exercise of state power conforms to standards of justice and equity even when -- most exactly when -- these are not popular.

More particularly, one may examine a program such as the July 7 restraint program at four different levels. One may consider the objectives, the strategy adopted to achieve those objectives, the implementation of that strategy, and the selling of that strategy to achieve public acceptance. There may have been a failure in the selling of the program -- a deficient PR job; I am not concerned with that here. And at the other end I see no reason to doubt the Government's reading of the imperatives of the current mandate -- the objectives to be set to reflect the popular will.

Many people have observed that the implementation of the restraint program leaves much to be desired; some of these concerns are explored in this note. More fundamentally, however, this note also asks whether the strategy adopted is the right way to accomplish the objectives set by the Government.

So this note does not suggest any partisan position respecting the Government's judgement as to the objectives appropriate to its program. It does, however, call into question the management of restraint, both in the strategy adopted to achieve the objectives, and in the manner of implementing that strategy.

This paper reflects the personal views of the author alone, and is not necessarily endorsed by any of his colleagues or any organization with which he is affiliated. It was produced in the Centre for Public Sector Studies, a fully revenue-dependent unit of the University of Victoria,

not tax-supported.

## 1. Introduction

This paper attempts to clarify some of the controversy surrounding the July 7 B.C. budget and its accompanying snowstorm of legislation. The purpose is to isolate the main features underlying these recent initiatives, to assess these against the background of the principles one normally teaches in seminars on cutback management, and to consider the broader implications for the conduct of public administration.

The plan of my remarks is this. In this first section I attempt to set aside both the rhetorical flourishes which characterize the budget as one of restraint, and the purely political differences over expenditure priorities. This permits concentration on the more fundamental structural features of the government's initiatives.

In the second section it is suggested that the two technical props underlying the budget -- the appeal to "ability to pay", and the emphasis on "productivity" -- are both largely meaningless in the present context.

Setting aside both these general issues and the question of social priorities, the third section concentrates on an assessment of the B.C. government actions as a case study in the management of restraint, and concludes that they fail some rather basic tests.

In an attempt to understand the reasons underlying the government's program, I go on in the fourth section to speculate that motives much broader than restraint must be recognized. If there is any substance to these arguments, some serious long term consequences (especially for the practice of public administration) must also be contemplated; these are discussed in section five.

The question as to whether there is now any responsible course of action to recommend, short of civil disobedience, is addressed in the sixth section, and the conclusions of the paper are recapitulated briefly in the seventh and last section.

These conclusions, just to let you know where all this is going, are as follows:

1. From Section 3 I conclude that the “public service downsizing” component of the program is tragically flawed by the classic failure: impatience for results, leading to an unwillingness to invest in the slow process of building trust in an open consultative undertaking.
2. From Section 4 I conclude that the deregulation and wage restraint components of the program threaten fundamental features of the social structure and community institutions, and likewise destroy trust and credibility.
3. In Section 5 I suggest that the consequences include not only problems for the practice of public administration but also threaten to erode the longer term productive capacity of the community.
4. From section 6 I conclude that - if the program was thought out at all -- these unfortunate results can only be understood a. part of a move first, to centralize power in an overwhelmingly dominant executive, and secondly, to make the social climate in B.C. safe and attractive to foreign investment by limiting any sources of countervailing power outside the ownership of property.
5. I go on to speculate that the only hopeful signs in all this are, first, that the government

really has put all of the weight of its restraint program on the search for greater productivity which, in the end, can only be accomplished through cooperative consultative processes; second, that both the large employers (as represented by Jim Matkin of the B.C. Employers Council) and the labour movement (at least in the words of Senator Ed Lawson) have called for serious consultations in good faith; and third, that no legislation has yet been passed -- indeed one central amendment has already been accepted. If the government, having set out on what appears to be an ill-considered and unacceptable path, can now back off enough to permit serious consultation in good faith, we may yet see B.C. back on the road to recovery from the economic problems we inherited, and from the social injury we inflicted on ourselves on July 7.

The remainder of this note is an attempt to flesh out this argument.

To begin, then, by attempting to define the issues in more objective and less sensational fashion than the recent controversy displays, it has to be recognized that expenditure restraint is not really the issue. A government which in a bid for re-election (and in response, of course, to massive pressure for substantial job creation measures) commits close to half a billion dollars in new expenditures (mostly confirming construction outlays previously announced) on a base of less than \$8 billion is not likely to be able to bring in a budget of expenditure restraint. Nor did it, despite all the rhetoric of the budget speech. With nominal growth (at 12.3%) well over twice the rate of inflation, real growth in excess of the average of all other provincial governments, and in excess of its own record for most of the past 30 years, the July 7 budget can only in jest be called a budget of expenditure restraint.

Indeed one is tempted to bet that the total of demonstrable net cost savings from all the cuts in social programs and support services announced in the budget falls short of the advertising and public relations budget now controlled by Doug Heal in his new position as the Premier's

coordinator of information services. But that is again an issue of program priorities and, however real and vocal (and however legitimate) the grievances of those who feel betrayed by this government's present expenditure priorities, the decisions of a duly elected Cabinet on these issues obviously are not open to question in a paper on management practices in public administration.

So we need not debate the merits of expenditure restraint, and we ought not to allow ourselves to be diverted by the strictly political or social questions of program priorities. While vitally important, these are not matters that fall within the scope of this more technical session.

Getting rid of a few other side-issues will permit us to focus discussion still further. The necessity for the public sector to respond to changing economic circumstances, and for public sector jobs to be eliminated as low priority programs are cut back is not a source of protest. Nobody is arguing for "tenure" in the public service.

Indeed one can feel an element of sympathy with the politicians' feeling that the public service 'technostructure' has been too much insulated from economic reality, and a fleeting resonance with public resentment of the apparently smug enjoyment of perquisites of office by bureaucrats, or the snug elegance of an apparently leisurely academic life. One can also feel sympathy with the frustration of politicians hindered in their actions by rules, regulations, countervailing coalitions, and bureaucratic delay. One can applaud their determination to take significant action, to show that government is not always and everywhere condemned to the ponderous inertial creep of the bureaucratic machine.

There is no question that collective bargaining in the public sector poses difficult problems. Politicians and managers probably are justified in feeling that the exercise of both necessary disciplinary powers and legitimate management discretion is unduly limited by self-serving

exploitation, by sea-lawyers operating from union circles, of procedures and practices built into the collective agreement. Some measures to correct serious abuses and to rebalance the situation may well have been necessary.

If the need for a measure of expenditure restraint is accepted, and the concerns just mentioned are shared, what then is all the controversy about? Does it go beyond the natural uproar about the priorities revealed by the government in its selection of discretionary program cuts (an uproar which has already been recognized to be beyond the scope of this paper)?

The answer, it seems to me, must be affirmative, for reasons developed later. But before passing to these broad issues, there is the question of cutback management to be discussed. A good starting point is the rationale set out in the budget speech itself.

## 2. The Conceptual Foundations of the Program

Two notions are central to the budget speech, and frequently repeated. The first is the concept of the employer's "ability to pay" -- the suggestion that there is no more money. The second is the concept of "productivity". Neither can bear the weight placed upon it.

The government would like to sell the message that all the harsh measures contained in its post-election program are forced upon it by the fact that 'there is no more money'. But to characterize recent events as somehow reflecting some restriction on "ability to pay" rather than personal choice, political discretion, or collective priorities is absurd. There is no question that government revenues are depressed presently, and exhibit longer-term structural problems as well. But both the use of revenues and the size of revenues are products of political judgement reflecting a reading of community preferences.

A government which continues to spend millions of dollars on roads to high-income condos



in ski resorts while cutting expenditures on salmonid enhancement or reforestation is exercising a discretionary choice, not responding to limits on ability to pay. A government which elects to continue work on a domed stadium or Expo 86 or subsidized coal exports and to save a few thousand dollars by cutting income support to the handicapped is making a statement about priorities, not accepting the dictates of some mythical resource constraint.

A community which accepts reduced support for its school system while spending millions on gear and expenses for yachts or recreational vehicles, millions on wine and spirits, and millions on cigarettes is not acting from imposed limits on ability to pay. A community which supports government action to chop support for activity centres for seniors while enjoying the second lowest personal income tax rates in Canada, and one of the lowest in the Western industrialized world, is not responding to economic realities, but reflecting political preferences.

These might all be appropriate outcomes, but they are not inevitable. There may be a taxpayer revolt, but it is a matter of taste, not circumstance, and the sooner the Fraser Institute apologetics based on "ability to pay" is stripped away, the sooner we will have some rational debate about the serious consequences of the priorities this present government adopted in exercising its discretion on behalf of the community.

Proper analysis of all this calls for some detailed exploration of budgetary processes, program priorities, and activity structures, and is left as an exercise for the reader.

On the question of productivity, which shows up as the keystone concept of the budget speech, there is also much more to say than can be accommodated here. For present purposes, we may simply note that no indication is given anywhere in the restraint program as to how productivity may be recognized, measured, or increased in the public service. The only definition I have been able to find in the B.C. government context is that contained in the

guidelines and regulations of the Compensation Stabilization Program, which declares that "labour productivity means a measurable change in output related to changes in the man-hours of labour used in its production."

But that clearly is not much help in the government context. And since the budget speech declares that compensation increases, in the absence of proven offsetting productivity gains are simply not affordable, it is unclear just when or how compensation increases can again be expected.

There is much that can be done in the empirical analysis of productivity and management applications in the context of service sector activities with measurable revenues. A good discussion is contained in Economic Analysis of the Telecommunications Sector, edited by Courville, de Fontenay and Dobell (North-Holland, 1983). But it doesn't help much where there is no revenue dependency.

A reasonably full summary of the issues involved in analysis of productivity in government is contained in the federal government's OPMS guides from the early 'seventies. In keeping with the general retreat from "planning", the current federal government wisdom on the issue has dropped the acronym and the emphasis on "systems", but the conceptual foundations of performance measurement efforts remain unchanged.

These, however, seem to have no counterpart within the provincial government. A 1979 directive from the then-Minister of Finance seems to demand the development of a comprehensive set of performance indicators for provincial government activities, but it is not evident that anything has yet been developed to the point that it could be used for monitoring productivity. (Indeed the directive seems to have vanished from view shortly after it appeared.)

The definition suggested in the compensation stabilization guidelines seems, as suggested above, to be unworkable and, indeed, in the case of the introduction of new technology, new organizational structures, or new work patterns, perverse.

Faced with this problem, the Joint Committee on Productivity established under the October 1982 collective agreement [between the Government of British Columbia and the British Columbia Government Employees Union] elected to pursue modes of employee involvement in administrative or procedural improvements, and consultative planning for organizational downsizing and redeployment, rather than formal productivity monitoring systems. In this they followed a substantial tradition which emphasizes the importance of organizational orientation and superordinate values in achieving organizational effectiveness.

There is much more to be said on all this, but the point here is simply that without a great deal more work, the main element of the government's restraint program is simply without content. Just because Michael Walker (of the Fraser Institute) feels taxes are too high, or Ed Peck (the Compensation Stabilization Commissioner) believes there is no more money does not mean that in fact the public sector employer lacks the ability to pay Family Assistance Workers or Planning Foresters. And just because a budget speech says that the Minister of Education will be improving productivity through initiatives such as a centralized financial management system does not make it so.

No coherent action to develop a reasoned process of reassignment of activities and redeployment of people is evident in the process of restraint. (Nor is there any real evidence that the consultative mechanisms previously advocated by the union for preplanning redeployment and reassignment would not have achieved -- with much less pain and cost - almost as much downsizing as the present program.)

The issue is not one of tenure for public servants -- few people are arguing for permanent security in existing jobs. Demonstrations are not motivated by the fact of layoffs as such in the public service. But reasonable security in career development is a reasonable goal for both people and organizations. No one can argue for permanent tenure in a specific job in a rigid organizational structure. But in the fluid organizational forms appropriate to a changing environment, it is still possible to offer prospects of reasonable security in a career which moves from role to role within the enterprise of government as a whole.

It is also reasonable to expect that dismissal will not be arbitrary, capricious, or reflect simply a falling from favour with political masters. Tenure in a continuing job should not be "at pleasure", but based on continuing competence in the performance of the tasks involved. The private sector does not operate on the principle that jobs are continuously in jeopardy as long as there are any potentially more capable contenders for them. Loyalty, experience, and past service create not only a presumptive claim to a job so long as it continues, but also a claim to priority in consideration for other positions if the old job disappears.

It is not so much its attack on "no-layoff" provisions as its failure to honour an organizational obligation to search diligently, openly, and cooperatively for transfer and redeployment opportunities that condemns the B.C. government's downsizing policies as badly managed.

The attempt to move from salaried continuing personnel to contract personnel likewise has considerable drawbacks. By shifting all the risks of an uncertain environment on to contract employees, one militates against the development of an experienced and loyal cadre of individuals with a sense of association with the organization. It is true that such a shift serves to reduce the apparent size of the establishment; it reduces the power of any union to organize or represent the workers in question; it enables politicians more directly to control the largesse, to

reward friends and penalize doubters; it creates an overwhelming incentive for those on contracts to act as unquestioningly obedient servants of the party in power.

But all these advantages for the party in power have corresponding costs. Because the risks are all shifted to the individual, there can be no pooling of risks and costs across the organization; budgetary costs may well, in the end, turn out to be higher rather than lower. Because the politicians will be dispensing largesse to friendly law firms rather than paying salaries to continuing public servants, both the billings and the abuse will almost certainly be greater -- and legislative scrutiny more difficult.

On balance, this sudden shift in the "lease or buy" balance -- the "privatization" of court services, for example, forcing each court reporter to become a little firm selling services to the government--seems likely to be more disruptive than efficient. At a time when all the conventional wisdom suggests we will need better consultative processes and more durable intragenerational and intergenerational contracts to respond to changing problems -- not least the pressures on social services arising from an aging society --the personnel practices embodied in this latest round of actions by the B.C. government have to be judged contrary to everything one teaches about the management of restraint. The longer term costs of the process are incalculable.

The tragedy of this ill-considered restraint program is that six weeks after a series of measures shattering any prospect of a continued cooperative, consultative, participatory approach to labour-management issues, the government is hiring a local firm of consultants to teach Ministers, Deputies and ADM's about "organizational downsizing".

It has to be said that the union invited this reaction. By resolving at its June 1983 annual convention to withdraw from the Joint Productivity Committee (in protest against the

government's position on the provision in the collective agreement for an April 1st interim salary adjustment contingent on an Economic Recovery Formula), the BCGEU opened the door to alternative mechanisms to fill the void.

But one can still question whether the government's response to this bargaining ploy was appropriate. The central theme in all the literature on cutback management – or Japanese management or excellent management or productivity management or almost any other kind of management -- and the key prerequisite to organizational effectiveness, is open, participatory, cooperative preplanning of organizational changes, especially those necessary to absorb fiscal restraint. Having assaulted its own managers and employees, destroyed any basis for trust or negotiation in good faith, the government is calling in private sector expertise to set everything right in the process of organizational downsizing in the public service. They apparently hope to achieve downsizing by an exclusively "top-down" process.

As an exercise in cutback management, therefore, the B.C. government's moves in the direction of downsizing have to be judged as falling into the classic trap. In their haste to get results, those responsible for this program undercut any basis for cooperative employee involvement. Unwilling to continue with the painstaking task of investing in a joint process with agreed groundrules, mutual acceptance, and some assurances of forthright disclosure, they have destroyed the preconditions for any effective organizational change or productivity improvement.

Before developing the consequences farther, it is useful to consider the deeper forces underlying the government's 'restraint package' This is the subject of the next section.

#### 4. A Broader Target

The discussion so far has suggested that there is little public dispute with the need for an element of expenditure restraint, and possibly even some acceleration in the “downsizing” of the public service. It has suggested that the government's initial cut at that task failed to achieve expenditure restraint, failed to achieve any rational planning of the reassignment of activities and functions or the redeployment of people, failed to enlist the support or participation of employees or managers (or even to deal openly and honestly with them), and, most fundamentally of all, undercut entirely the substantial basis for consultation and participation which had already been built up over 9 months of joint discussions with the B.C. Government Employees' union under the rubric of the Joint Productivity Committee established in the last collective agreement. As an experience in management of restraint, it can only be characterized as depressing.

But it can be argued that the government was really playing for bigger game, and the downsizing of the public service was a sideshow whose main purpose was to demonstrate how tough the government was prepared to be in the new order of things. Its purpose was to put fear into the hearts of unions, interest groups, and administrators, and strength into the will of private sector employers, and thus pave the way for more significant social change, removing a vast array of impediments to unfettered executive action; removing barriers to resource use, land use, exploitation of common property; stripping the power of unions which might limit the apparent attractiveness of B.C. as a site for foreign investment. It is this broader social program we must explore a little.

A close look at the degree of centralization and heavy-handed authoritarianism reflected in the draft legislation is necessary. The concentration of discretionary power in a few hands in Victoria is not only worrisome, but calls for serious analysis of the management processes envisaged by the government or the small cadre of senior officials with whom it chooses to share its now enhanced executive powers.

Such centralization is evident in proposed measures giving Cabinet the power to assign billing numbers under the Medical Services Plan, and hence to determine where each individual doctor new to the Plan might practice; to control school budgets and class sizes individually for every school in the province, individual school programs in every individual college or institute, and individual salaries of senior personnel in every city or municipality; to dispose of human rights cases under the protection of an explicit provision exempting the responsible ministry from any obligation to provide information on this matter even to the Ombudsman or, presumably, the Legislature; and to assume planning functions previously exercised by regional districts. Further centralization, though less evident, seems likely to be a consequence of other aspects of the restraint and deregulation package.

A close look is necessary also at the deregulation package, which seems to aim at altering fundamentally the role of government even at the risk of reduced protection for human rights, environmental standards, and occupational health and safety. This is classic Medicine, and the arguments on all sides are well known. There is not room to develop them here. But perhaps a unifying theme underlying the overall attempt to tilt the balance of market power can be found in the reflection that entrenching individual property rights is consistent with measures to limit the enforcement of consumer rights, employee rights, or human rights. To give priority to commercial interests must entail some stripping away of countervailing mechanisms for expression of other individual or collective interests.

Here embodied is a philosophy that suggests a retreat from administrative tribunals and councils, with recourse to the courts left as the alternative for those who know their way around and can afford the tariff. And a philosophy that retreats from the principle -- by now widely established -- that effective markets require both an assurance of better information for consumers, and institutions to redress the imbalance in market power. Here too, more



surprisingly, is retreat from respect for diversity and devolution in the exercise of community power; in its place one finds an authoritarian centralist fervour which supposes that ministers in Victoria can better determine who shall work and who shall not in every schoolroom in the province (and now, it appears, grading schemes and the distribution of grades over the course of the school year); the regulation of land use in every village; the terms of severance of professors leaving positions in self-governing universities; the disposition of individual cases of racism or discrimination.

There is consistency in this simultaneous paring back of the role of government and centralization of what remains. Having appealed to the "private sector" and "market mechanisms" to take over many of the functions recently assumed by governments in guidance and regulation in community decisions, the new Cabinet has also moved to cut away perceived barriers between political decision and administrative action. What remains of the public service is to be more responsive to the political will embodied in a Cabinet with a new mandate.

In abstract terms, the controversy is to challenge the government's fundamental premise that the only legitimate social interaction occurs through market transactions, and the only legitimate power is the power of property. In more personal terms, the controversy arises from the disquiet created by the uncivilized exercise of autocratic power.

## 5. Consequences

If it is not significantly amended, the longer-term consequences of the B.C. program, in terms of damage done to processes for consultation, negotiation, and conflict resolution in the community, seem likely to be large and lasting. Bashing the public sector strikes disproportionately at the jobs, incomes and career prospects of women. So also does dismantling the machinery for enforcement of human rights legislation, social services, and facilities for the

elderly. So, finally, does the elimination of protections for consumers and credit-seekers, or provisions for fuller and more accurate information in markets. Problems of youth unemployment in particular are aggravated by reductions in public expenditure.

Taken together in light of the problems I mentioned in measuring productivity in government activities, Bills 2 and 11 effectively mean no significant role for collective bargaining in the public service whatsoever, and with Bill 3 as well, prospects for much less job security in the public sector than has now become customary in the private sector. More generally, mechanisms for income distribution will be called into question as the government's willingness to interfere in collective bargaining processes threatens the central instrument for wage determination.

The attempt to move back toward a system of unfettered markets buttressed only by the judicial system and the rule of law expressed in the Charter and the Constitution is likely to prove difficult and costly. Problems of standing and limits to class action will restrict the ability of the court system to handle many of the problems presently handled by mediating agencies or administrative tribunals.

Landlords may have recognized the limits to the B.C. program before others: they recognized that it may prove very costly to appeal to courts clogged with landlord-tenant litigation. But the same realization will probably come to employers facing an increase in suits for wrongful dismissal or discrimination in an environment lacking other mediating mechanisms. The government itself, not just as employer but as participant in other markets, may find appeal to formal judicial processes a blunt instrument for many disputes that could be handled otherwise. They are likely to find that both the centralization measures and deregulation measures increase dramatically, rather than reduce, the workload (and the volume of trivia) flowing to ministers and deputies for resolution.

Appeal to conflict and confrontation, refereed in the limit only by the judicial system, may prove to be much more slow and costly than the mechanisms of cooperation and mediation which exist in a less polarized community.

The consequences for the tradition of a neutral public service are significant. In the last issue of Policy Options, Gordon Robertson observes that:

"Permanence is more likely to provide the courage to speak frankly and strongly than is dependence on ministerial favour. Even without selection based on patronage, but with clear dependence on ministerial or governmental pleasure for retention of office, a changing set of advisers is less likely to have the experience, the interest or the security that will produce clear warnings when they may be needed in the public interest."

Living in Victoria, one need not speculate. One knows that there are a lot of public servants who will be studiously keeping their heads down and venturing no views which might risk offending Ministers or deputies who have previously been thought to take offence somewhat capriciously, but who now have assumed the power to translate that reaction directly into dismissal. It is widely thought that the last three Directors of the Human Rights Branch were fired because they failed to do as they were told and insisted on enforcing the legislation as it was written. Contemplating these circumstances, there will be more than a few in the public service who now will be unable to take the risk of questioning administrative measures which might reduce takeup rates [in social programs] or deny, by procedural bottlenecks, services to which legislation and legislative intent entitle their clients.

Possible consequences for the longer run potential capacity of the economy are also significant. In his influential book, The Next American Frontier, Robert B. Reich observes

that we lack mechanisms for the allocation of capital toward activities with long-run returns, and that the fear of job loss forces allegiance to work rules, job classification standards, and rigid COLA clauses wherever possible, with consequent barriers to adjustment and redeployment. He observes that "Financial capital formation is becoming a less important determinant of a nation's well-being than human capital formation...skills, knowledge, and capacity to work together within America's labour force will determine our collective standard of living."

It is ironic that in its declared intent to achieve restraint, the B.C. government is acting in a manner likely to jeopardize not only the real resource base on which we depend in the longer run, but more importantly, the social tolerance and community institutions which will enable us to work together to utilize those resources most effectively.

## 6. Where To From Here?

One cannot negotiate a legislative package outside the legislature. The government appears to take the position that draft legislation is always subject to amendment -- that there never was any intention that the legislative package be considered monolithic, unalterable, beyond debate.

But in response to an unexpected outcry and backlash against the legislation, the government has been driven to vocal and determined defense of its program. It has withdrawn one key element -- Bill 3, the Public Sector Restraint Act -- and amended a critical feature--the unfortunate terminology "dismissal without cause". This presumably signals a willingness to amend -- on the basis of demonstrated cause -- other legislation as well.

But the B.C. Federation of Labour - a key player in the Operation Solidarity

Coalition - has taken the position that no discussions are possible unless the government withdraws the entire package and begins again.

It seems clear to me that no government could afford to back off to that extent, appearing to cave in to opposition protest and extra-parliamentary resistance.

The labour movement cannot simply hunker down and battle the provincial government for four or five years. None of us can live with a continuing confrontation for the remainder of the current mandate. And it does not seem responsible to advocate widespread civil disobedience to force complete capitulation by the provincial government.

So we seem to have an almost classic stalemate. The manner of presentation of the government's program seemed to leave little room for manoeuvre. For the labour movement in particular, but social agencies, minority groups, and other interest groups as well, to acquiesce to the government's program would be to accept complicity in their own demise. Massive retaliation, however, is not an attractive option. The problem therefore is to find some reasonable middle ground between these fixed positions which would enable the various groups involved to "reinitialize", as they say in Silicon Gulch.

Thus to repeat, one cannot, in my view, suggest that the B.C. government simply withdraw its package and negotiate a new package in public, outside the legislature. But one might perhaps go a long way with two smaller steps:

- 1) The government might agree to take its employees into its confidence in its discussions with Western Management Consultants. It might withdraw from unilateral negotiations and exclusive training, and use existing vehicles to implement downsizing in consultation with

the groups affected, including the collective bargaining agent. In particular, it might use the existing Joint Productivity Committee -- probably with a new Chairman -- as a key forum for these discussions.

2) The government might participate with labour and business representatives, both public and private sector, in an advisory committee to a joint program of labour studies, possibly to be launched as one component of the proposed National Centre for Productivity and Employment Growth. Into this discussion, it would be possible to bring representatives of service sector activities, voluntary groups and contract agencies. Preliminary discussions on proposals for such a labour studies program were initiated some time ago as part of the activities of the Centre for Public Sector studies at the University of Victoria, in connection with the work of the Joint Productivity Committee.

These suggestions relate primarily to one component of the package, public service "downsizing". They involve merely the issue of good management practice, not broad social policy. By themselves, they will not be enough.

I speculate that if, in addition, the government were willing to separate the existing package of legislation into the components I have described above, and refer the key elements -- the wage restraint package, the centralization package and the deregulation package -- to an ad hoc legislative committee for study, then fruitful discussions might be initiated. I have no doubt that the School of Public administration -- and indeed the Institute of Public Administration of Canada, as a national organization -- would be prepared to assist in the necessary staff support for such a review by a legislative committee. Perhaps the labour movement and Operation Solidarity would then also be willing to participate in joint review of the issues rather than in organized opposition.

This attempt to separate the B.C. government's restraint program into constituent elements which can be discussed independently in some mutually acceptable forum obviously is motivated by a simple underlying purpose. That is the attempt to achieve an outcome such as Kristin Shannon attributes to the Japanese system -- namely a climate in which all participants have the ability to differ and dispute at one level while preserving mutual respect and mutual recognition of a common interest in the preservation of the community we all share.

## 7. Conclusion

This talk was scheduled at a time when I planned to report on modest but promising developments in the management of fiscal restraint in B.C.. Those developments centered on a cooperative approach to increased efficiency and improved effectiveness in government activities.

That modest but promising initiative has now been swamped by a much more sweeping but much less promising political thrust. This recent push centers on the dismantling, wherever possible, of institutions or structures which might limit the executive power of a dominating provincial Cabinet or the market power of commercial sector employers. The force of the attack is directed primarily, but not exclusively, to collective bargaining mechanisms, administrative tribunals, and the neutrality of the public service.

How can we interpret or explain why all this came about? It seems to me there are several elements.

First, Ministers had a legitimate and wholly understandable desire to take some more-than-incremental action. If, in the face of deeply serious and pressing problems the system were ever going to be moved towards a significant response, the time would never be more

auspicious.

Second, Ministers shared, it appears, with the general public a vague but substantial resentment of the public service (even if not of individual public servants). More particularly, they were determined to cut through some of the constraints they perceived to be created by militant unionism in the public sector.

Third, it is hard to avoid the feeling that there is some element of vengeance, vendetta, and vindictiveness underlying the overall program.

But more basic than these considerations, it seems to me, is a particular mind-set, a distorted perception of the distinction between private sector and public sector roles, perhaps reflecting a desire to turn back the clock to a simpler world. This mind-set appears to classify activities as "productive" (useful) or "unproductive" (wasteful) accordingly as they are or are not the object of a market transaction. Ironically, in a nation whose prospects were and are founded upon natural and human resources, this mind-set decrees that those who turn back odometers to turn around existing cars in order to turn bigger profits are creating wealth, while those who work at salmonid enhancement or reforestation or wildlife management or water conservation are merely (at best) redistributing it. Those who construct a mine to extract ore are productively creating wealth, while those who plan the roads and rail lines to carry that ore toward a final user are unproductively dissipating it. Those who negotiate (for a fee) the merger of paper titles to existing assets are productive members of the private sector, while those who negotiate (on salary) international groundrules for joint development of a shared waterway are unproductive bureaucrats. Physicians competing for fees are components of the dynamic engines of societal advance, while doctors on salary with the Grenfell Mission in Labrador are part of the dead weight of the parasitic public sector, of whom it can be taken for granted that they are not doing their



job. In an age when the importance of preserving a renewable resource base is matched only by the importance of maintaining the dynamism of technological advance, the spread of basic education, and the growth of human understanding, those engaged in furthering any of these activities are automatically classified as wasteful claimants on a wealth-producing sector of which they form no part. Somehow the increase of productivity and the improvement of international competitive position is advanced more by insurance salesmen and stockbrokers taking in each other's washing than by any of the traditional activities of research or teaching or national accounting.

The problem is that the private sector/public sector distinction does not rest on the creation or consumption of wealth. The absurdity of the proposition can be seen in considering the bookkeeping switch of court reporters from salary to contract – by “privatizing” this activity without changing its function one hardly changes it from a wealth-using to a wealth-creating activity. One does of course change the incentives, and that does matter. But just as it can be said that the public sector creates no money, but only uses our money, so the same thing can be said about General Motors. The distinction lies in the signals of willingness to pay: goods consumed collectively can often be financed only through coercion (that is, taxation) while goods consumed privately of course are financed through voluntary individual market exchanges. Which is the more productive use of resources does not, however, turn on this distinction.

Finally, the more immediate explanation rests in Ministers' accumulating impatience with institutions for consultation, reconciliation, and conflict resolution. In an earlier world, the guy who ran the used car lot ran it as he wished -- and the guy who acquired title to property or assets used them as he wished. Interference needed not to be tolerated. When independent tribunals and a neutral public service appear to stand in the way of action, what is a dynamic active business-person used to running his or her own shop supposed to do? One possibility obviously

is to eliminate the tribunals and substitute a pro-active public service -- and shorten the lines of authority all 'round.

The fundamental flaw in the whole reasoning process is the approach to the management of government based on the experience of small business. It is a failure to appreciate that public administration involves a collective decision process whose essential feature is the resolution of conflicting interests. This process rests on acceptance of a wide variety of institutions for mediation, negotiation and reconciliation.

It is important to recognize the legitimacy of these social processes, however much they may appear to constrain the government. The endless balancing of conflicting interests, contending pressures, competing perspectives, and contradictory theories, is not (as might appear at first glance) an impediment to efficient government. It is not a block to effective management of the public household. It is the essence of parliamentary government. In the imperfect world in which we live, with the inequitable endowments of property from which we start, with the limited wisdom we possess, the revelation of preferences through market processes alone, and the reconciliation of conflicting interests through economic exchanges only, do not provide enough guidance and leadership for a real community. Nor can a single "BOSS" operating through the authority of a dominant executive and a hierarchical public service.

Business administration, by contrast, involves a much more unified decision process ultimately serving the interest of one individual or the agreed common interest of a group of voluntarily associated individuals. By its failure to appreciate this crucial distinction, and in its attempt to shorten the link from ministerial decision to bureaucratic action to final outcome, the Social Credit government's restraint program strikes at the foundations of government credibility and acceptability generally. More specifically, its restraint program as drafted has the effect of undercutting four fundamental institutions in one swipe:

1. The collective bargaining process, both public and private;
2. The tradition of a neutral career public service based on the merit principle;
3. The provision of tribunals to redress serious imbalances in market power and market knowledge;
4. An independent legislature with power to hold the government publicly to account.

A further element of explanation for the apparent miscalculation of public response to this program may be found in the closely-held polling process. Cabinet members have been wrestling with the intractable problem of an unsustainable expenditure outlook for several years. They have persuaded themselves of the necessity for restraint, and reconciled themselves to the costs bound up in the heart-wrenching decisions involved. General polls appeared to support the need for restraint. But polls bearing on hypothetical questions cannot readily capture the response to particular actions and particular consequences. And the public had not, in fact, reconciled itself to either the consequences of restraint or the harsh manner the Cabinet apparently felt necessary to give a proper lead to private sector employers. Because the activity was so closely held, neither the polls nor any other information net signaled the possible lack of public acceptance. And the issue was not put before the public in the campaign -- indeed much of it was ducked.

A hint as to a possible motive behind this slashing attack on existing institutions has appeared recently. Mr. Bennett's vision for the province, we learn, includes dispatching waves of ministers around the world to carry the message that B.C. has been turned into a "lean machine" ripe for foreign investment. Things fall into place a little with this vision clearly

articulated. The softening up of the unions to create a docile labour force, the dismantling of much of the apparatus of true collective bargaining, the destruction of the machinery for enforcing human rights legislation, the removal of administrative tribunals to protect consumers, tenants, and other interest groups, the emasculation of the legislature through government by regulation, the demonstrated precedent that any public servant or appointed official serves "at pleasure" and that pleasure only persists as long as Cabinet desires are not questioned -- all these fall into place as part of a campaign to ensure that B.C. becomes a place where foreign investors will not risk any opposition from recalcitrant labour, demanding consumers, or taxes to support social programs.

What to make of all this? What it comes down to in the end is the feeling that social and organizational mechanisms for cooperation, consultation, mediation and conflict resolution are more desirable than reliance exclusively on entrenched property rights and unfettered markets, constrained only by judicial enforcement of contracts and charter rights. At heart, this feeling stems from a willingness to attach legitimacy to a variety of mechanisms for collective decision beyond economic exchange and individual responsibility. Judgement of the B.C. experience in the management of restraint therefore rests, in the end, on the values of the beholders. For all the reasons mentioned above, I believe that the recent initiatives have done lasting harm, and go far beyond the mandate given this government in the recent election. (In the matter of possible Labour Code Amendments and hospital user fees, indeed, the government's actions or apparent intentions seem blatantly inconsistent with positions taken in the election campaign.) But it has to be recognized that for those who believe that truly public goods and truly collective decisions should be a much smaller part of community life, and reliance on individual resources and individual responsibility much greater, the benefits to flow from the promise of further reductions in public sector role, and the government's expenditure priorities, will justify these costs. What must remain worrisome, however, even to those who applaud the government's efforts at downsizing, is the lack of any restraint, legislative or otherwise, on a Cabinet willing

to go to present lengths to centralize power in a few hands, beyond public scrutiny.

Can one be optimistic about the effectiveness of government and the quality of the public service in B.C., therefore? In the willingness of the cabinet to take action and the emphasis in principle on productivity and efficiency, perhaps yes. In the spirit of meanness suggested by the government's style and spending cuts, no. In the appetite for untrammelled authoritarian powers, and the willingness to dismiss any opposition, definitely not.

Is there a direction to pursue from here? The thrust of the government's program seems out of step with the emerging willingness of labour unions to establish participatory mechanisms for preplanning organizational change and even to anticipate adjustments in real wage levels. Nobody likes to discuss cooperation after being kicked in the groin. But somehow consultation has to be reestablished, not just on labour management issues, but on expenditure priorities and on representation of interest groups within the community. The government has demonstrated that it is prepared to play hard ball. It was not necessary, in my view, and it was not helpful. But opinions differ on both these two points. What is not in dispute, it seems to me, is the necessity for the protagonists now to back off sufficiently that a credible process of consultation and negotiation, in good faith and not simply for public relations purposes, can be re-established. This will not be easy, and it will require considerable concessions on the part of all those involved. But the alternative -- a disruptive and costly clash of interests, from which the government itself might not emerge a clear winner-- would make losers of us all, for a long time to come.

Perhaps the lesson from the recent B.C. experience in the management of restraint is that as in all human affairs, style and spirit matter as much as results and consequences, and in the last round, the B.C. spirit has been a lot less gracious than most people in B.C., as individuals, would wish.

