

PUBLIC EXPENDITURES

**RESPONSIBLE
CHOICES**

**ACTION PLAN TO
REDUCE AND CONTROL
EXPENDITURES**

2010-2014

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Public Expenditures: Responsible Choices
2010-2014 Action Plan to Reduce and Control Expenditures

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MESSAGE FROM THE CHAIR OF THE CONSEIL DU TRÉSOR

The current economic situation makes it even more of a priority for the Gouvernement du Québec to return to a balanced budget. Even though the worst of the crisis has passed, the fact remains that this recession has weakened public finances. Québec's level of debt and the demographic challenges facing us only add to our concern.

Some people think we should apply draconian measures without delay in order for Québec to return to a balanced budget. Others would like to let time do its work. But, regardless of all these opinions, one common thread can be seen: Québécois prize their public services.

We started by rejecting shortsighted solutions. The strategic thinking behind a return to balanced budgets focuses first and foremost on the reduction and control of government expenditures; this has been done in a disciplined, well thought-out and responsible way. As the saying goes, the government is starting by cleaning up its own backyard!

This document sets out the government's approach clearly: close to two-thirds of the effort to return to a balanced budget will have to be made by the government itself. Here there are neither major or minor savings, just savings. The resulting government plan of action will lead to a permanent overview of expenditure controls within departments, agencies and government corporations. This approach is an integral part of the government's budget strategy and aims to give a new impetus to the culture of expenditure control for all public agencies. We have made responsible choices with regard to public expenditures.

Our government's approach to controlling expenditures is based on sound guiding principles: fair remuneration for staff; a better-run government; and continuous improvement in efficiency.

Citizens must accept that the government will have to make choices. Within this perspective, citizens who request new services to respond to new needs will have to keep the following principle in mind: no new initiative or program will be implemented unless it can finance itself or take the place of a measure that already exists. This is an appeal to everyone for a new sense of collective responsibility.

We all want to preserve public services, and we will be able to do so if we act together.

MONIQUE GAGNON-TREMBLAY

Présidente du Conseil du trésor
et ministre responsable
de l'Administration gouvernementale

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INTRODUCTION

Restoring fiscal balance is a priority for the government, given the situation of public finances, Québec indebtedness and the demographic issues confronting it.

In March 2009, the government defined the Plan to Restore Fiscal Balance.

- The objective set by the government is to restore fiscal balance by 2013-2014.
- To accomplish this, the government has chosen a gradual and balanced approach, putting the emphasis on control of expenditures.
- This approach is transparent: as of now, the government has determined 91% of the efforts required to eliminate the budget deficit.
- Nearly 62% of the effort required concerns the government and is attributable to the reduction of expenditure growth by departments and agencies, the fight against tax evasion and the gains in efficiency expected from certain government agencies.
- The remaining 38% will result from revenue growth coming from taxpayers, individuals and corporations.

To meet the challenge of public finances, the government is making a priority commitment to a major effort to reduce and control expenditures until fiscal balance is restored.

- The Plan to Restore Fiscal Balance of March 2009 foresaw a limit of 3.2%, starting in 2010-2011, of the annual growth in program spending, which was on average 4.8% from 2003-2004 to 2009-2010. The government has chosen to do better.
 - The 2010-2014 Action Plan to Reduce and Control Expenditures *Public Expenditures: Responsible Choices*, will allow for the reduction in growth of public expenditures from 3.2% to 2.8%, starting in 2011-2012. This represents a significant effort on the part of government departments and agencies.
 - Furthermore, the establishment of the health contribution announced in the 2010-2011 Budget allows, on the one hand, to increase direct financing of health sector establishments and, on the other hand, to reduce even more the growth of program spending, to as low as 2.2% for the 2011-2012, 2012-2013 and 2013-2014 fiscal years.
 - For the 2010-2011 fiscal year, the implementation of the new health contribution allows to reduce program spending from 3.2% to 2.9%.

The government thus is giving a new impetus to the culture of expenditure control in all public agencies.

- The government is avoiding easy solutions and is choosing to intervene prudently.
- The government is seeking initial rapid and concrete results, while thinking long term.
- The government is taking a comprehensive approach to all aspects of expenditure control – governance, structures as well as the ways of spending.

The 2010-2014 Action Plan to Reduce and Control Expenditures *Public Expenditures: Responsible Choices*, has additional long-term components:

- **equitable and responsible remuneration;**
- **a better-run government;**
- **continuous improvement of government efficiency.**

Restoring fiscal balance by 2013-2014 is an ambitious objective. For this purpose, a new impetus must be given to expenditure control in the Québec government. This will necessitate a constant shared effort throughout the public sector, from its executives as well as its personnel. Citizens calling for services to meet new needs will have to accept that the government must make choices and abandon existing programs. This represents a collective effort.

PART ONE: IMMEDIATE DECISIONS: BUILDING ON RESULTS

The government has made major efforts to reduce the growth rate of expenditures, ever since the implementation of the Plan to Restore Fiscal Balance.

- With the 2008 economic slowdown, the government incurred additional expenditures to support the companies and individuals who were its victims. These actions were necessary and allowed Québec to emerge from the crisis in a better position than the other provinces.
- In 2009-2010, major efforts were also asked of all departments to reduce the pressure on program spending. These efforts produced results; indeed, it was possible to limit program spending growth to 3.8%.
- With the recovery now beginning and the necessity of restoring fiscal balance, vigorous action must be taken to reduce expenditure growth. The government is making major decisions and the 2010-2011 Expenditure Budget goes further than the objective adopted in March 2009 in the Plan to Restore Fiscal Balance.
- Thus, expenditure growth will be limited to 2.9% in 2010-2011 instead of the forecast rate of 3.2%.
- This reduction represents \$180 million. It is made possible by the additional funding contribution to the establishments of the health and social services network resulting from the introduction of the health contribution, the revenues of which will be paid to the new Fund for Financing Health-Care Institutions.
- Measures are being taken immediately to maintain control of expenditures beyond the next fiscal year.

1. THE 2009-2010 EXPENDITURE BUDGET

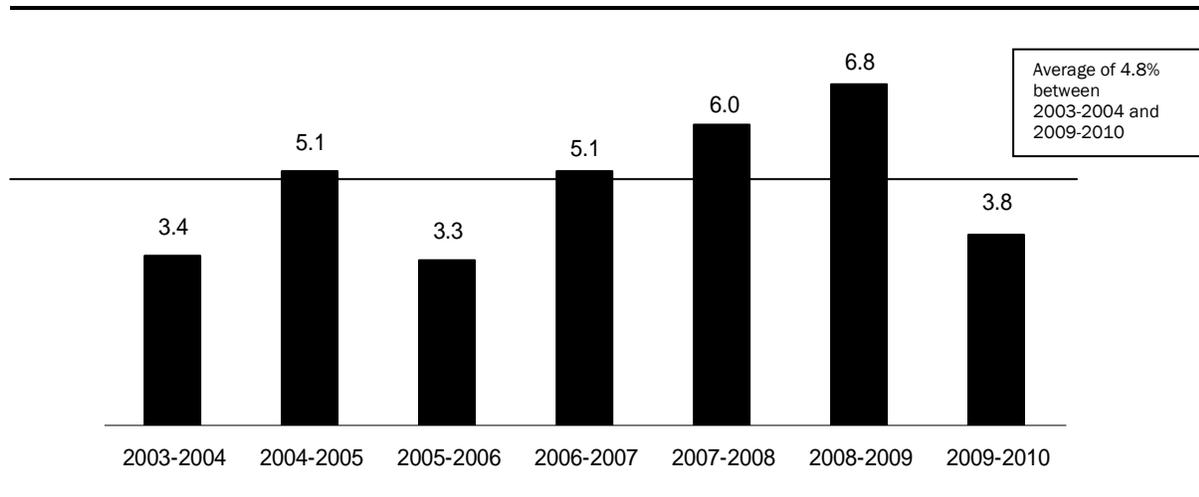
1.1 Building on results

The Plan to Restore Fiscal Balance called for measures to be committed, in 2009-2010, in order to slow program spending growth.

- Program spending increased by 4.8% per year on the average from 2003-2004 to 2009-2010.
- In 2009-2010, program spending growth was limited to 3.8%, compared to 6.8% in 2008-2009 and 6.0% in 2007-2008.

GRAPH 1

**Annual Program Spending Growth
2003-2004 to 2009-2010**
(in percentage terms)

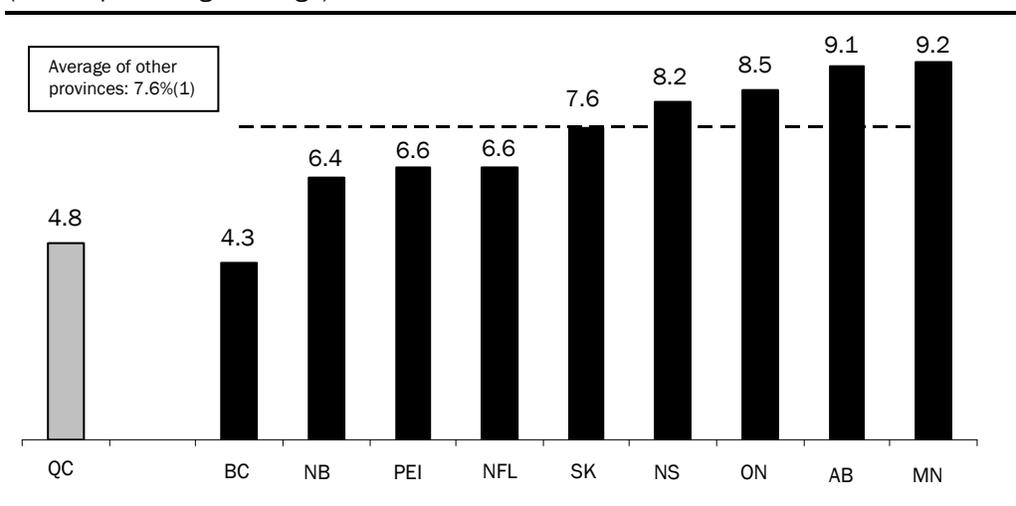


Québec is one of the Canadian provinces where expenditure growth is best controlled.

- The annual average expenditure growth of 4.8% observed in Québec compares to an annual average growth of 7.6% in the other provinces.
- This result places Québec in second place in Canada. Only British Columbia performed better, with an annual average expenditure growth of 4.3%.

GRAPH 2

Program Spending Growth from 2003-2004 to 2009-2010^P (annual percentage average)



P Preliminary data for 2009-2010

(1) Weighted average.

Source: For data from 2003-2004 to 2008-2009, program spending comes from provincial public accounts and for 2009-2010, they are drawn from the most recent official budgetary documents as of March 21, 2010.

It must be mentioned that Québec is the jurisdiction that forecasts its expenditure trend most reliably.

- In April 2009, and for a fourth consecutive year, the C.D. Howe Institute evaluated that Québec was the jurisdiction where the gap between initial forecasts and actual expenditures was the smallest, across Canada¹.
- Québec ranks in first place for the period from 1998-1999 to 2007-2008, ahead of the federal government and the governments of the other provinces.

¹ *Near Hits and Big Misses: Canada's Fiscal Accountability Rankings*, C.D. Howe Institute, no. 117, April 2009.

Despite these results, Québec indebtedness remains an issue of concern. Québec's gross debt and net debt have reached considerable proportions.

Québec indebtedness
<p>The gross debt represents over \$150 billion as at March 31, 2009, or 50% of the GDP.</p> <p>The debt resulting from successive deficits – known as “bad indebtedness” – is \$98.5 billion, or 32.6% of GDP, compared to an average of 8.0% in Canada, excluding Québec.</p> <p>Québec's total public indebtedness, according to OECD methodology, including Québec's share of the federal debt, represents 94.5% of Québec's GDP, compared to 69.7% in the rest of Canada (federal and provinces).</p> <p>This puts Québec in 5th place compared to the most indebted industrialized countries, after Japan, Italy, Greece and Iceland (data as percentage of the GDP).</p>

1.2 Capitalizing on efforts

For 2009-2010, 3.8% in expenditure growth was obtained despite unforeseen expenditures, particularly related to the economic context:

- Additional resources were allocated to strengthen support for business, including \$150 million to improve the Renfort program;
- Unforeseen expenditures of \$42 million were made, due to the increase in the number of households on social assistance.

These results also include the \$126 million in costs related to the H1N1 influenza pandemic.

❑ \$900 million in rationalization and cutbacks

To contain expenditure growth, government departments and agencies made rationalization and cutback efforts of nearly \$900 million.

Two expenditure freezes were decreed by the Conseil du trésor in the 2009-2010 fiscal year:

- A freeze in June 2009 with a performance objective of \$600 million;
- A new freeze in October 2009, accompanied by an additional target of \$280 million.

These expenditure freezes were implemented without compromising direct services to the population. They were assigned among the departments as follows:

- A \$400-million rationalization effort was requested from the Ministère de la Santé et des Services sociaux, based on the prescription drug program, the downward revision of the cost of debt service and other expenditures in the network. This limited the cost overruns for the fiscal year related to the H1N1 influenza pandemic;
- A \$155-million target was transmitted to the Ministère de l'Éducation, du Loisir et du Sport, particularly on the basis of the impact of the downward interest rate revision on debt service and on financial assistance to education, as well as the lower than anticipated growth of clientele in certain sectors;
- Efforts of more than \$300 million were requested from the other departments, particularly following the postponement of activities and the rationalization of program spending, operations and remuneration.

2. THE 2010-2011 EXPENDITURE BUDGET

2.1 2.9% in program spending growth

For 2010-2011, the government is announcing 2.9% in program spending growth.

- The government thus will go farther in reduction of expenditure growth than the 3.2% objective adopted in March 2009 in the Plan to Restore Fiscal Balance.
- This reduction in expenditure growth is possible due to an additional \$180 million coming from the Fund for Financing Health-Care Institutions, sustained by the health contribution.

2.2 Breakdown of the 2010-2011 Expenditure Budget

The growth of program spending will reach nearly \$1.8 billion.

This growth is divided as follows:

- 55% to the health sector representing \$988 million;
- 18% to the education sector, i.e. \$316 million;
- 13% to transportation, i.e. \$240 million, essentially to finance the debt service cost resulting from investments in road work and public transportation;
- 6% to families and seniors, i.e. \$112 million, essentially to finalise the addition of 20,000 new reduced-contribution childcare places;
- 8% to the other departments, i.e. \$136 million.

Excluding an amount of \$282 million provisioned for in the Contingency Fund of the Conseil du trésor, including \$125 million for measures announced in the 2010-2011 Budget, the budget expenditures of the other departments decrease by 1% overall.

TABLE 1

Program Spending Growth in 2010-2011

(millions of dollars)

	Revised Expenditure Budget 2009-2010	Expenditure Budget 2010-2011	Growth	
			\$ millions	%
Santé et Services sociaux	26,979.5	27,967.2	987.7	3.7
Éducation, Loisir et Sport	14,489.2	14,805.0	315.9	2.2
Famille et Aînés	2,066.6	2,178.6	112.1	5.4
Transports	2,547.5	2,787.5	240.0	9.4
Other Portfolios	14,686.1	14,822.7	136.4	0.9
TOTAL	60,768.9	62,561.0	1,792.1	2.9

Note: As data are rounded, the sum of the amounts may not correspond with the total.

2.3 An effort to realize \$1.2 billion in program spending

The government is thus reducing program spending growth for 2010-2011 from 4.8% (average expenditure growth from 2003-2004 to 2009-2010) to 2.9%, which represents a \$1.2 billion effort.

— The measures necessary to meet this objective were difficult to take and their success will require the commitment of all members of the government.

To achieve the chosen objective, the 2010-2011 Expenditure Budget was drafted according to the following approach.

□ Labour costs

Labour costs represent 54% of the government's program spending. It is normal for the government to identify measures concerning these expenditure items, considering the relative weight of labour costs in aggregate program spending.

Contrary to many other Canadian jurisdictions, the government is not proposing a salary freeze for its employees. Nearly 10% of program spending growth has been reserved for the increase in remuneration of government personnel, in accordance with the offers made last November.

By doing this, while treating its personnel equitably and responsibly, the government, under the Plan to Restore Fiscal Balance, is managing to reduce the growth of labour costs by \$500 million.

□ Health and Education funding

Nearly 70% of the government's program spending is allocated to health and education, including 45% only for health. The measures concerning these two ministerial portfolios represent an effort of over \$330 million in relation to the growth from 2003-2004 to 2009-2010, excluding the effect of salary proposals.

• Health

Ever since it has come to power, the government has invested considerable amounts in health, \$9.1 billion, for an average annual expenditure growth rate of 6.1% from 2003-2004 to 2009-2010.

The maintenance of such strong growth would exert heavy pressure on program spending and the government's capacity to deal with other needs. However, the health sector remains a priority for the government.

Other mechanisms to fund health needs must be put in place.

- For 2010-2011, health expenditure growth funded from the expenditure budget is limited to \$988 million, which represents a 3.7% increase over 2009-2010.
- This growth represents 55% of the total increase in program spending in 2010-2011.

- This funding will be completed by the additional contribution of \$180 million to the establishments of the health and social services network resulting from the introduction of the health contribution, the revenue of which will be paid to the new Fund for Financing Health-Care Institutions, announced in the 2010-2011 Budget.
- Taking into account the extraordinary expenditures made in 2009-2010 in regards to the H1N1 influenza pandemic, this additional funding will make it possible to increase total health expenditure growth to 5%.

- **Education**

From 2003-2004 to 2009-2010, education has also benefited from substantial reinvestments, i.e. \$3.3 billion. These reinvestments correspond to 3.8% in average annual growth.

For the elementary and high school levels, these reinvestments have been allocated to major action plans and strategies, with the following aims in particular:

- Improve services to handicapped students or those with adaptation or learning difficulties;
- Support assistance for homework;
- Improve fluency in French;
- Prevent and treat violence at school;
- Favour vocational and technical training, in close partnership with businesses;
- Favour student success and persistence in school.

Considering only universities, additional budgets of \$930 million were allocated from 2003-2004 to 2009-2010, for an annual growth average of close to 6%.

This strong growth resulted from the reinvestments made by the government to higher education institutions to improve teaching and research capabilities.

In 2010-2011, an additional budget of \$316 million is being allocated to education, representing an expenditure growth of 2.2% over the previous year.

This increase will allow for coverage of system costs and ongoing implementation of the reforms already announced.

□ Measures concerning all sectors

An additional overall effort of about \$380 million has been set for all sectors, including, for example:

- \$60 million to the Ministère du Développement économique, de l'Innovation et de l'Exportation resulting from the staggering of different action plans and strategies over a longer period and the revision of the costs of certain programs;
- \$54 million to the Ministère de l'Emploi et de la Solidarité sociale following the application of compliance and reduction measures in the administration budgets;
- \$266 million resulting from the combined effect of several measures, including the postponement of activities, the revision of subsidy payments or project implementation, increased control of remuneration, lower debt service costs and rationalization of administrative expenditures.

2.4 Contributions requested from government corporations

Government corporations with a commercial and financial vocation – Hydro-Québec, Loto-Québec and the Société des alcools du Québec – must carry out efforts to reduce their expenditures and increase their productivity. The efforts asked will amount to \$350 million in the 2013-2014 fiscal year.

Additional savings of \$180 million in 2013-2014 are also being asked of the other government agencies.

This contribution is part of the means adopted by the government to reduce the deficit.

2.5 Major decisions

The government is assuming its responsibilities and making major decisions to ensure compliance with the spending target in 2010-2011.

2.5.1 Provision concerning new initiatives

- A new provision was adopted by the Conseil du trésor and Cabinet so that the departments and agencies wishing to implement new initiatives accompany their request with the means of funding corresponding to these initiatives (new revenue sources or end of current activities).
- The government will not renew expiring programs automatically. Their renewal will have to be justified and will be subject to the same conditions as new initiatives.

2.5.2 Growth of Québec Infrastructure Plan investments

- Investment growth under the 2009-2014 Québec Infrastructure Plan (QIP) is limited to 1.5%, compared to 10.8% in the previous plan. The government is maintaining the objectives it set under the Act to promote the Maintenance and renewal of public infrastructures.
 - The 2009-2014 Québec Infrastructure Plan will result in \$42.6 billion in investments. Excluding \$6.1 billion in investments to allow finalization of projects begun before the first QIP of 2007-2012, 78% of the forecasted investments for the five years of the 2009-2014 QIP will be allocated to asset maintenance and elimination of the maintenance deficit.
 - In the current context of belt-tightening, the government intends to reduce the medium-term pressure on debt service of the departments concerned, particularly the Ministère de la Santé et des Services sociaux, the Ministère de l'Éducation, du Loisir et du Sport, the Ministère des Transports and the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire. The investments for new initiatives thus will be limited to those projects considered to be a priority and essential.

2.5.3 Reduction of operating expenditures of an administrative nature

- Since 2003-2004, despite good performance in overall expenditure control, annual average operating expenditure growth of the departments and budget-funded agencies has been 3.7% per year, which is higher than the inflation rate.
- The government is setting a gradual operating expenditure reduction target for expenditures of an administrative nature of departments and budget-funded agencies, which will be 10% in 2013-2014.
 - Starting in 2010-2011, reduction targets of 25% are set for advertising, training and travel costs;
 - An annual accounting of these measures will be submitted to the Conseil du trésor and made public with the budget documents.

2.5.4 Hiring freeze

- In December 2009, the Conseil du trésor decreed a freeze on the hiring of new employees and on the renewal of contacts of casual employees up to March 31, 2010. Thanks to this measure, \$20 million was cleared in 2009-2010.
- The hiring freeze could be decreed again during the year if required.

PART TWO: LONGER-TERM ACTIONS

The government intends to reduce expenditure growth further after 2010-2011. The 2010-2014 Action Plan to Reduce and Control Expenditures *Public Expenditures: Responsible Choices* will limit expenditure growth to 2.8% in 2011-2012, 2012-2013 and 2013-2014.

An additional reduction in program expenditure growth of 2.2% will result from the implementation of the health contribution.

The government thus is undertaking specific actions. It is essential to incorporate these efforts into a medium- and long-term vision, with the objective of giving a new impetus to our culture of expenditure control, based on:

- **Equitable and responsible remuneration;**
- **A better-run government;**
- **Continuous improvement of government efficiency.**

3. EQUITABLE AND RESPONSIBLE REMUNERATION

Remuneration in the public and parapublic sectors is an essential factor in better expenditure control.

- Remuneration alone represents 54% of the program spending of the Gouvernement du Québec.
- Restoring fiscal balance thus requires control of remuneration, but the level of this remuneration must be equitable and account for the challenges posed by the attraction and retention of personnel.
- The government reiterates its salary offers deposited in November 2009.
- The government is announcing new measures of remuneration.

3.1 The salary proposal deposited with the unions

The government reiterates its salary proposal deposited with the unions.

- It is a just and equitable proposal, going as far as possible in the current economic and budgetary context.
- A study of the salary offers presented in several other jurisdictions in Canada (see sidebar on page 28) shows that this is an advantageous proposal in the current context of public finances.
- The proposal deposited in November 2009 includes:
 - A 7% increase in labour costs for the next five years, associated with an adjustment mechanism defined on the basis of economic growth;
 - A salary increase by 2014-2015:
 - This proposal provides for reduced increases for the first three years, based on the Plan to Restore Fiscal Balance, including 0.5% for 2010-2011;
 - Bigger increases for the subsequent years: an increase will be possible if GDP growth is higher than forecast.
 - Moreover, priority attention will be given to the most significant attraction and retention problems;
 - Finally, the union partners are invited to review the organization of work with the employer representatives. The savings realized will be reallocated to solve specific sectoral problems.

□ Organization of work

The proposal made to the union partners seeks to give priority to solutions to the problems of attraction and retention of certain classes of personnel, e.g., nurses, in all sectors of the public administration.

For this purpose, the government has proposed to its union counterparts:

- To allocate a portion of the budgetary envelope associated with the employer offers to solve these problems;
- To review certain collective agreement provisions that ought to be reviewed and use the financial resources cleared by this process to solve attraction and retention problems.

The organization of work in the public services represents a major issue for the government.

- A deficient organization of work translates into misuse of available resources.
- It can have effects on the government's capacity to attract and retain quality personnel.
- Above all, it can reduce the capacity to deliver the services expected by the public.

Reviewing the organization of work takes time and can only be done at the local level. It also requires means, and especially the cooperation of the personnel and their representatives.

This is why, within the context of the negotiations currently in progress, the government has proposed to its union partner to agree on the importance of this issue, to allocate the time and means required, with the commitment to reallocate the released resources, as the case may be, to solve the sectoral problems regarding attraction and retention of personnel and the organization of work, with an objective of improving public services.

The process of negotiation in the public and parapublic sectors is designed in such a way that, upon the conclusion of the negotiations, the parties often leave matters on the table that deserve to be discussed and settled. The process of negotiation must be reviewed to allow an ongoing dialogue between the parties during the labour contract. The government's union partners know that the government representatives are ready to discuss means of achieving this objective.

Finally, the discussions for renewal of the collective agreements expiring on March 31, 2010 have been in progress since last fall. The government is seeking a negotiated agreement as soon as possible.

Control of public sector salaries at the federal level and in several provinces

Federal government

Adopted in March 2010, the Expenditure Restraint Act limits salary increases to 1.5% in 2009-2010 and in 2010-2011.

In the budget of March 4, 2010, the federal government announced a freeze on salaries for the Prime Minister, the Ministers, the MPs and the Senators in 2010-2011, 2011-2012 and 2012-2013.

For 2010-2011, the departmental budgets will not be increased to cover the 1.5% salary increase. The departments will be bound to reallocate amounts coming from other items of their operating budgets to fund these increases.

For 2011-2012 and 2012-2013, the salary and operating budgets of the departments will be maintained at their 2010-2011 level.

New Brunswick

For the employees whose collective agreement was renewed, a 2.5% increase in 2009 and 2010 and salary freeze in 2011 and 2012.

For unionized employees, the two-year salary freeze applies to the expiry of the collective agreements. For non-unionized employees, it takes effect as of April 1, 2009.

Alberta

The salaries of deputy ministers, senior public servants, managers and non-union employees will be frozen from March 31, 2010 to March 31, 2012. This freeze includes general increases, progressions and annual increases. The performance bonus program is suspended.

In addition, the Premier asked employees of the health and education networks to consider a similar salary freeze.

Manitoba

The government is proposing a salary freeze for the next two years.

Ontario

The last collective agreements ending on December 31, 2012 contain increases of 1.75% in 2009 and 2% in 2010, 2011 and 2012.

In the March 25 budget, the government announced a two-year freeze on compensation of non-unionized employees for two years.

The collective agreements of the unionized employees will be honoured. However, the government has announced that it will propose a two-year freeze on their renewal.

British Columbia

In the budget of March 2, 2010, the government announced that the next agreements, most of which end between March 31 and December 31, 2010, must be renewed at zero cost. Any change translating into an additional cost must be offset by an amendment generating an equivalent saving.

3.2 Additional remuneration measures

In the wake of the salary proposal deposited with the unions:

- The government announces a salary freeze for the Premier, the Ministers and the MNAs for the next two years;
- The government broadens the salary proposal deposited with the unions to all public and parapublic sector employees;
- The government defines new rules concerning performance bonuses.

3.2.1 Salaries

The government announces that the salary proposal offered to the unions will also apply to ministers' personal staff, the executives and managers of the public service, the health and social services network, the education network, the universities, government agencies and government corporations.

3.2.2 New rules for performance bonuses

The government has suspended the performance bonus mechanism for the senior executives of the public service and ministers' personal staff for 2009-2010. Agency executives continued to receive such premiums over the past few months, in accordance with established policies.

The government has made the decision to suspend payment of performance bonuses for the years 2010-2011 and 2011-2012.

- This decision applies to the senior executives of the public service (deputy ministers, associate deputy ministers, assistant deputy ministers and equivalent) and ministers' personal staff, administrators of the health and social services network (executive directors, assistant executive directors of institutions, CEOs of agencies), and the education network (school board executive directors and assistant executive directors, CEGEP executive directors and academic deans).
- This decision also applies to the senior executives of universities (principals, vice-principals, deans and secretaries general), government agencies (CEOs and vice-presidents) and government corporations.

- For government corporations with a commercial and financial vocation (Hydro-Québec, Société des loteries du Québec, Société des alcools du Québec, Investissement Québec, Société d'assurance automobile du Québec, Société générale de financement du Québec and Caisse de dépôt et placement du Québec), special provisions are provided so that their effort is comparable to that of the rest of the public sector.
- For senior executives of other public and parpublic sectors, performance bonuses will continue to be granted according to existing rules.
- During the next two years, the government will clarify the rules and conditions regarding performance evaluation and to the related bonuses which are given out.

Accountability

The departments and agencies concerned will have to account for these different measures, in their annual management report tabled in the National Assembly.

Implementation

The government will implement these different measures by means of regulations, decrees or directives.

The legislative amendments required will be made within the context of the omnibus bill tabled by the Minister of Finance after the budget.

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4. A BETTER-RUN GOVERNMENT

The desire to give a new impetus to the culture of expenditure control implies that all necessary efforts are made permanently so that our government can be better run.

This supposes:

- Continuous restructuring of the agencies in order to make agencies available to the public for which the mission and operation are defined effectively, favouring economies of scale and pooling of resources;
- Staff level control.

4.1 Restructuring of the agencies

4.1.1 A profile

A total of 188 public agencies depending on the Québec government were inventoried at the time the 2003-2004 Modernization Plan was deposited.

To date, this number had been reduced to 170, thanks to 29 abolitions or mergers resulting from the recommendations of the Boudreau, Geoffrion and Rolland Reports, or ministerial initiatives. The government also proceeded to create 11 new agencies.

4.1.2 The initiatives announced by the government

The government announces the elimination, combination or transfer of 28 agencies and funds. A certain number of these operations are a result of administrative reorganizations following the last accounting reform in particular.

❑ Abolished or merged agencies

- The abolition of the Corporation d'hébergement du Québec, and the integration of its real estate activities into Société immobilière du Québec and its financial component into the Ministère des Finances.
- The abolition of the Agence de l'efficacité énergétique, and the integration of its activities into the Ministère des Ressources naturelles et de la Faune, its revenues being transferred to the Green Fund.
- The abolition of the Commission de l'équité salariale, and the transfer of its activities to the Commission des droits de la personne et des droits de la jeunesse.
- The abolition of the Conseil des services essentiels, and the integration of its activities into the Commission des relations de travail.
- The abolition of the Conseil des aînés, and the integration of its administrative activities into the Secrétariat aux aînés.
- The abolition of the Conseil de la famille et de l'enfance, and the integration of its administrative activities into the Ministère de la Famille et des Aînés.
- The abolition of the Conseil permanent de la jeunesse, and the transfer of its activities to the Secrétariat à la jeunesse.

- The abolition of the Conseil des relations interculturelles and the transfer of its activities to the Ministère de l'Immigration et des Communautés culturelles.
- The abolition of the Conseil consultatif du travail et de la main-d'œuvre and the transfer of its activities to the Ministère du Travail.
- The abolition of the Conseil consultatif de la science et de la technologie and the transfer of its activities to the Ministère du Développement économique, de l'Innovation et de l'Exportation.
- The abolition of the activities of the Government Air Service Fund and the transfer of its activities to the Centre de services partagés du Québec, reporting to the Ministère des Services gouvernementaux.
- The abolition of Société nationale de l'amiante.
- The abolition of Société québécoise d'assainissement des eaux, the functions of which will be integrated into the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire.
- The abolition of Immobilière SHQ and the integration of its activities into Société d'habitation du Québec.
- The abolition of the three Information Technology Funds of the Conseil du trésor, the Ministère de l'Emploi et de la Solidarité sociale and the Ministère du Revenu and the integration of their activities into the responsible department.
- The abolition of the activities of Société des parcs de sciences naturelles du Québec and the transfer of its activities to Société des institutions de plein air du Québec.
- The abolition of the Horse-Racing Industry Fund.
- The integration of the activities of the Fonds d'assurance-prêts agricoles et forestière into La Financière agricole du Québec.
- The integration of the activities of the Fund for the Sale of Goods and Services, the Transport Infrastructure Partnership Fund (not yet active), the Fund for the Contribution of Motorists to Public Transit and the Road Network Preservation and Improvement Fund into a new Road and Public Transit Infrastructure Fund.
- The merger under the same agency of the Fonds de la recherche en santé du Québec, the Fonds québécois de la recherche sur la nature et les technologies and the Fonds québécois de la recherche sur la société et la culture.
- The merger of the Fund in respect of the Ice Storm and the Disaster Assistance Fund for Certain Areas.

- The merger under the same agency of the Geographic Information Fund and the Land Information Fund.
- The transfer of Société du parc industriel et portuaire de Bécancour to the municipal sector.

The benefits resulting from these operations come first of all from a reduction in the number of agencies and following that from the merger of administrative operations – human and financial resources –, the abolition of boards of directors, the reduction of monitoring operations – annual reports, internal audits. The resulting savings should not be neglected.

The announced restructurings will have a direct impact on incumbent personnel. The government wishes to reassure the employees eventually affected: they will be treated with consideration in accordance with the collective agreements in force.

❑ An omnibus bill

To implement this restructuring effort, the government will table an omnibus bill by the end of 2010-2011, allowing the integration, combination or abolition of the above-mentioned agencies and funds, as the case may be.

4.2 Staff level reduction plan

4.2.1 The 2009-2010 results

In 2004, under the Plan for Modernizing the State, the government implemented the policy of replacing one of every two retiring employees. The staff level subject to the Public Service Act thus was reduced by 6%, representing a decrease of 4,557 full-time equivalents (FTEs) from 2004-2005 to 2008-2009.

In 2009-2010, the government had to hire nearly 1,400 additional staff, particularly under measures to revive and intensify revenue recovery set out in the Plan to Restore Fiscal Balance.

However, partial replacement of retirees limited staff level growth to 424 FTEs.

4.2.2 Policy established in 2004: main findings

Recent results show that it is becoming increasingly difficult to apply the staff level reduction plan and that the approach applied over the past six years has reached its limits.

- The plan only applies to public service personnel, nearly 72,000 FTEs in 2009-2010. The personnel of the health and social services and education networks, which included 350,000 FTEs in 2007-2008, are excluded from the plan, as are certain government corporations and certain agencies.
- The personnel of these networks grew by 4.7% between 2003-2004 and 2007-2008. This result is largely explained by the addition of personnel related to direct service delivery – nurses, teachers, specialized professionals – but also by the addition of administrative personnel.
- Moreover, in some cases, the savings resulting from staff level reduction can be reduced and even more than offset by more costly outsourcing of professional contracts.
- The maintenance of this approach could also compromise the government service offering in the regions.

4.2.3 A new approach to staff level control

The government is redefining its approach to staff level control for the years ahead.

- The aggregate public service payroll of the departments and budget-funded agencies will be frozen at its current level until 2013-2014. In general, payroll growth, particularly resulting from salary increases and progressions in pay grade, will have to be offset by gains in efficiency and partial replacement of an average of one of every two retirees.
- Replacement of an average of one of every two retirees will continue to apply to departments and agencies.
- In addition, replacement of an average of one of every two retirees will be extended to the administrative personnel, including managers, of the health and social services and education networks.

The application of this new approach will be modulated to account for organizations' particular situations.

Moreover, the objective of reducing administrative operating expenditures of departments and budget-funded agencies by 10% by 2013-2014 will involve tighter management of outsourced professional contracts.

5. CONTINUOUS IMPROVEMENT OF GOVERNMENT EFFICIENCY

The 2010-2014 Action Plan to Reduce and Control Public Expenditures *Public Expenditures: Responsible Choices* will be based on continuous improvement of Québec government efficiency.

- Major initiatives have been put in place for this purpose and actions are under way in the departments.
- A complete review of government programs and their delivery modes will be conducted by 2013-2014.
- The government is announcing other longer-term efforts, also aimed at improving government efficiency.

5.1 Recent governance initiatives

Structuring measures to improve governance and management of government expenditures were also put in place recently.

5.1.1 Infrastructure Québec and the Framework Policy for the Governance of Major Public Infrastructure Projects

The government set up Infrastructure Québec, replacing the Agence des partenariats publics-privés du Québec. A new framework policy was approved in March 2010, to improve governance of major public infrastructure projects.

Infrastructure Québec and the Framework Policy for the Governance of Major Public Infrastructure Projects

Created in 2010, Infrastructure Québec has the mission to contribute, through its advice and expertise, to the renewal of public infrastructures and the improvement of the quality of public services, within the context of planning and implementation of the infrastructure projects of public agencies. It is a single point of service where all major projects are examined and where the modes of implementation are evaluated on their merits, case by case.

Infrastructure Québec is a centre of expertise, offering the highest quality and management standards, for all major public infrastructure projects, whether in conventional mode or in public-private partnership.

In the course of its mandates, it ensures the application of the Framework Policy for the Governance of Public Infrastructure Projects. Adopted in 2008 and revised in 2010, this policy is a governance framework, which combines rigour and government coherence in the implementation of major public infrastructure projects and which ensures greater control of the costs, risks and implementation schedules.

5.1.2 New Directive on Management of Information Resources

In March 2010, a new directive was approved by the Conseil du trésor, with the aim of improving governance of information resources projects, under which more than \$1.1 billion in investments are made each year by government departments and agencies.

Information resources and their importance in optimization of government operations and the delivery of public services give the government an incentive to provide clear orientations that will favour more coherent action by the various department and agencies.

New Directive on Information Resources

Adopted by the Conseil du trésor in March 2010, the new Directive, under the responsibility of the Minister of Government Services (chief information officer) and the Conseil du trésor, institutes a new management framework for information resources projects.

This Directive specifies, in particular, the conditions for the planning, authorization and monitoring of information resources projects. By improving information on the projects, it seeks to facilitate the pooling of this information. Finally, it provides for annual accountability.

5.2 Measures currently being implemented by the departments

Several departments have already taken concrete actions to improve their performance and continue implementation. These actions are based on a systematic assessment of program delivery and administrative efficiency. The following examples can be mentioned for this purpose.

5.2.1 Health and social services network

The Minister of Health and Social Services will continue the work under way since 2003 on optimization of the resources used in the network.

- To improve accountability, the Ministère de la Santé et des Services sociaux will accentuate the use of activity-based management, one more step toward abandonment of historical budgetary bases as an institutional funding benchmark.

- The Minister will also proceed this year with an exercise to downsize administrative structures so that the resources can be invested more directly in care or in services to users. He will also make every effort to accelerate the reorganization of work. The current negotiating period with our union partners is a fine opportunity to make progress on this issue.

A bill to amend the Act respecting health services and social services will be tabled to review the governance of establishments (improvement of institutional accountability, particularly through the revision of the composition of the boards of directors and the introduction of commitments).

The Department also intends to undertake an effort to rationalize local and regional governance structures (agencies).

The project to implement the Lean Healthcare performance approach is currently being implemented in the network's establishments. This approach involves:

- Complete review of the establishments' key work processes;
- Identification of the processes potentially generating performance gains;
- Increased performance of the clinical, clinico-administrative and administrative components.

For home care for seniors, the Department is continuing the experimental conversion of long-term CHSLD beds to intermediate resources in the Montréal region.

The Department is initiating the review of the organization of information technology, which involves:

- Rationalization of infrastructures (processing centres, servers, workstations);
- Implementation of promising technologies (IP telephony and digitization).

Consolidation of services will be favoured, particularly at the regional level, for laundry, procurement and storage services and other resources.

5.2.2 Education network

The Act to amend the Education Act, which seeks to modernize school governance and democracy, was adopted by the National Assembly on October 29, 2008. Its purpose is to improve the general effectiveness and accountability of school boards.

Regarding higher education, Bills 38 and 44, to be adopted regarding governance of university and college institutions, provide for measures aimed at greater transparency and better performance in administration of institutions.

A project to reduce bureaucracy will be opened during the next fiscal year:

- To focus school actions more on services to pupils, the Ministère de l'Éducation, du Loisir et du Sport will lighten the bureaucracy confronting the schools;
- For this purpose, a working group will very shortly formulate recommendations concerning requirements that could be reduced.

5.2.3 Other departments

Several actions are in the implementation phase.

❑ **Public Curator**

A review is under way, in collaboration with partners, particularly of the health and social services network and the Ministère de la Justice, to perfect the current mechanism for protection of incapacitated persons, within a context of limited resources and growing needs, in view of the demographic changes Québec is experiencing.

❑ **Ministère de l'Agriculture, des Pêcheries et de l'Alimentation**

The Department is reviewing six business processes related to service delivery for program management: Prime-Vert, assistance for improving animal health, assistance to innovation, telephone services, issuing permits and phytoprotection laboratory activities.

❑ **Sûreté du Québec**

An organizational transformation and a review of the administrative processes are under way at the Sûreté du Québec, particularly with the aim of improving its services and optimizing its structure. A reflection is also in progress to study whether certain services could be rendered from regional platforms instead of from General Headquarters. This main purpose of this exercise is to flatten the structure and review supervision.

❑ **Ministère des Ressources naturelles et de la Faune**

The government will continue implementation of a completely digital cadastre and the online land registry registration requisition service, for the purpose of eliminating paper documents in internal processes and in exchanges with external clientele.

❑ **Ministère de l'Immigration et des Communautés culturelles**

Since the beginning of 2010, online admission to French courses is accessible. It allows annual processing of 20% more applications for admission, while allocating the same resources, and reduction of admission delays by providing a response within 24 hours. The users can consult the progress of their file online at any time and update their contact information.

5.3 A complete review of government programs and their delivery modes

A complete review of government programs will be conducted by 2013-2014. Two initiatives will be undertaken.

❑ **Review of mandates**

Ongoing review of mandates will be carried out regarding the programs and their delivery modes. In particular:

- In the health and social services sector, the mandate will concern funding and coverage of services, and network governance and performance;
- In the education sector, the mandate will particularly concern evaluation of system costs, funding of services and revenue sources, and network governance and performance, including the role and responsibilities of school boards;
- In the business assistance sector, the mandate will particularly concern assessment of government intervention in relation to what is offered by other jurisdictions, both in quantitative and qualitative terms, and identifying ways to simplify and reduce the number of programs;
- A mandate will be dedicated to government operations. The assessment of shared services operations, and simplification and combination of programs will be addressed in particular.

□ Program performance assessment tool

Based on the models of the American Program Assessment Rating Tool (PART), or the British government's Capability Review Programme, a program and organizational performance assessment tool will be developed in collaboration with the École nationale d'administration publique.

5.4 The Public Administration Act

The Public Administration Act will be reviewed within the context of the tabling of the 10th follow-up report on its application, and the recommendations of the Commission sur l'administration publique concerning improvement of the budgetary information transmitted to the National Assembly.

Program and organizational performance assessment tools developed in other jurisdictions

Federal government

In 2007, the federal government instituted a program management approach. All programs will be reviewed on a four-year cycle.

The objectives are to increase program efficiency and effectiveness, particularly by simplification of methods, targeting of fundamental missions and reorientation of activities to citizens' needs and priorities.

In 2007, the first series of examinations dealt with programs representing \$13.6 billion, or 15% of program spending. Potential savings of \$586 million per year were identified.

In 2008, the review covered \$25 billion, or 27% of total program spending.

Program Assessment Rating Tool (PART)

Developed in 2002 by the U.S. Executive Branch's Office of Management and Budget (OMB), the Program Assessment Rating Tool (PART) assesses the management and performance of federal programs. The OMB created seven types of PARTs each for a specific category of program.

For 2008, 1,017 programs were assessed, representing 98% of the U.S. federal budget, 51% of which were rated as "effective" or "moderately effective".

For 2008, 63% of the programs achieved their performance objectives and 57% improved their results compared to the 2007 fiscal year.

Capability Review

The British government launched the Capability Review Programme in 2005. It is the first program to assess a department's organizational strengths and weaknesses systematically and produce comparative results. The Capability Reviews seek to:

- Improve the capability of the Civil Service to meet today's delivery objectives and be ready for the challenges of tomorrow;
- Assure the public and ministers that the Civil Service leadership is equipped to develop and deliver departmental strategies;
- Help departments act on long-term key development areas and therefore provide assurance on future delivery.

The Capability Review is a qualitative assessment tool for British departments regarding an organization's capability to meet its objectives in relation to its rationale. Three themes are covered: leadership, strategy and service delivery.

The first phase of the Capability Reviews covered all of the main British government departments, seventeen departments in all.

CONCLUSION

In the short term, the government is committed to a major effort to give all public agencies a new impetus for our culture of expenditure control.

In the longer term, the actions undertaken to control expenditure growth will be pursued. Geared to the review of public service delivery processes and program performance, they particularly concern:

- Complete review of government programs;
- Organization of work;
- Restructuring of agencies;
- Staff level reduction;
- Reduction of operating expenditures.

They are consistent with a will to improve government efficiency continuously within the perspective of the Plan to Restore Fiscal Balance.

The government is taking the right initiatives so that once fiscal balance is restored, expenditure growth will be aligned with the growth of collective wealth, which will make it possible to respect the taxpayers' ability to pay.

This is a long-term effort, which cannot be achieved by the application of simple and precipitous measures. On the contrary, it requires rigorous and thoughtful action with well-measured impacts. Several measures and actions must be carried out simultaneously, necessitating a sustained and constant effort in all expenditure sectors. Such a plan cannot be accomplished without the contribution and participation of the public administration as a whole.

This is the price we must pay to preserve the services that we have adopted collectively and insist on maintaining.

