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Strategies for Implementing Organizational Change in a Public Sector Context: The Case of Canada

Bryne Purchase*

INTRODUCTION

This paper is a broad review of implementation issues in the conduct of administrative reform in a public sector context. The focus is on both the political and bureaucratic barriers to administrative reform and some of the techniques used to overcome these barriers.[1] It is presumed that the desired institutional architecture is known. Now comes the hard, inelegant "real world" part of how to make it happen.

Illustrations of the implementation issues are drawn largely from the Canadian experience, at both the federal and provincial levels.[2]

THE LOCUS OF CHANGE

What is the locus of administrative reform? Where does administrative change typically come from? The simple answer is senior management. Most organizations in both the public and private sector are organized on a hierarchical basis, even if there is now a growing preference for relatively flat hierarchies (that is, few layers of management). Key policy decisions about the direction of the organization and its structure are made at the top of the hierarchy. That is where the power to change resides. Accordingly, it is commonplace, yet essential, to acknowledge that organizational reform requires strong and committed leadership and direction from the top.

WHO'S IN CONTROL?

In the public sector the responsibility for a department or ministry rests with its cabinet minister. The administrative machinery of the government, the bureaucracy, is ultimately accountable to the Cabinet.[3] Therefore administrative change must emanate from the political level.

It is, of course, a standard concern of political leaders that the bureaucracy will usurp political power and insulate itself from political control. A hugely popular British television series "Yes Minister" animated and popularized the possibilities.[4] The civil service reforms at the turn of the century that attempted to build a bureaucracy based on merit and particularly to protect much of it from political patronage appointments, also insulated it from competition in some degree. In doing so they reduced the degree of control that elected politicians have over the bureaucracy.

There is inevitably a tension created by the notion of an independent public service, free from political control, yet one which is accountable to the government of the day. To some degree this tension has been suppressed in the notion of a separation of administration and policy. Yet for all intents and purposes senior public servants regularly provide advice on matters of policy and issues of "administration" often have a large element of politics embedded in them.

A professional bureaucracy with security of tenure has a number of advantages over the elected officials they purport to serve. They have, for example, greater longevity. Therefore, if they oppose a planned policy reform, they might attempt to delay change until the government changes. This is particularly a

problem if governments, or even ministers, are known to change frequently.

Bureaucrats have a number of advantages that could, in principle, allow them to act independently of the government's wishes. For example, they have specialized expertise, whereas ministers are often only vaguely familiar with the workings of the departments they run. And bureaucrats control the amount and quality of information, as well as the process of briefing the minister, so that they might provide information, shape questions and propose solutions that reflect only their own predispositions. Senior bureaucrats also control the internal promotion system so that the rest of the bureaucracy is likely to be loyal to them rather than to the government. Accordingly, the question of the accountability of a truly politically independent bureaucracy, especially at its senior ranks, is not an idle or trivial matter.

In Canada, various governments at both the federal and provincial level have, on many occasions, regarded their bureaucracies with suspicion, and harbored a concern that they would not carry out the government's agenda with due diligence.[5] Typically this perspective is dominant when there has been a change in government, and after a prolonged period when another party held power.

On the whole, however, and at least in Canada, there is little doubt that the senior bureaucracy is tightly controlled by the government of the day. In part this appears to be because the practice of appointing deputy ministers has remained firmly in control of the Prime Minister or Premier and has not been delegated to an independent body.[6] In short, leadership for administrative reform must ultimately emanate from the Cabinet. In Canada, it controls the bureaucracy.[7]

POLITICAL LEADERSHIP AND PRIME MINISTERS

In fact, in a parliamentary democracy such as Canada's, it is best if an initiative has the personal leadership and commitment of the Prime Minister (or a Premier at the provincial level). The reason is that the Canadian system of parliamentary democracy, as is typical of parliamentary systems, concentrates power (and responsibility) in the Cabinet, but, in particular, in the Prime Minister. The Canadian system may do so even more than most.

The Prime Minister's power derives from the power of appointment to the Cabinet and to the Senate, as well as the heads of all the administrative agencies and departments or other emanations of government. This includes the appointments to the federal courts and the Supreme Court. As leader of the party, the Prime Minister, must also sign the nomination papers of all party candidates. Also in Canada, unlike the United Kingdom and Australia for example, the party leader is elected by the party rank and file, not the parliamentary caucus. That makes a Canadian leader more difficult to remove.

General elections, reinforced by the role of the mass media, also tend to emphasize the primacy of the leader. Elections are often fought on the basis of the personal popularity of the leaders and so become contests between leaders rather than policy platforms. It is not uncommon for Members of Parliament to owe their election more to the personal popularity of the leader than to their own popularity.

It is fair to say that in majority governments, the Prime Minister is constrained only by the constitution and the courts, and, to varying degrees, by public opinion and the fear of retribution at the next election. If a Prime Minister or Premier in Canada wants administrative reform, then very likely it will happen. But commitment from a Prime Minister comes only from a sage assessment of the benefits and costs to the government in terms of its own electoral accountability and ultimately its own survival.

Indeed, one of the primary reasons for the failure of administrative reform to take root or to have wide implementation across an entire government may be because of the lack of strong political leadership. Arguably that was the fate of the Public Service 2000 initiative in Canada. While it had the endorsement of the Prime Minister, it was not central or even firmly attached to the Prime Minister's primary political agenda.

CRISIS: THE IMPETUS TO ACTION

Why do we get administrative reform? It is not simply a question of determined leadership. What motivates leaders to act with conviction? Many have experienced attempts at administrative reform that have petered out and died even when the reform process appears to have been initiated by senior management. Anyone familiar with the workings of large government bureaucracies knows that reform initiatives are frequently launched by senior managers in response to the latest management "fads." Junior executives are put in charge, frequent meetings are held and reports issued and endorsed; but no real change takes place.

Nor was major change necessarily intended. Instead, the initiative allows senior executives to be seen to be up to date with the latest management philosophies. The concentrated attention of senior management is meanwhile focused elsewhere on issues that they believe are of greater strategic importance to their own and their organization's survival and prosperity.

Where then does the impetus for large scale administrative reform come from? The answer is that organizations or individuals typically do not commit to change unless they are compelled to do so. They change when the risk-reward calculus of change is less than the risk-reward estimate of not changing. Organizations will undertake to transform themselves when the central decision makers become convinced that not to do so will risk their own survival and that of their organizations.[8]

THE SOURCE OF CRISES

The source of the crisis is most often external to the organization. As a rule, governments may be exposed to three sources of external pressure. These are as follows:

- domestic political competition;
- intergovernmental competition; and
- financial constraints.

Administrative reform, at least on a large scale, is most likely to come about as a result of external pressure on the government from one of these three sources.

DOMESTIC POLITICAL COMPETITION

There are numerous failings in the political marketplace, and in most respects these are analogous to those often found in the private marketplace. But administrative reform faces a particular problem.

Political parties offer the public a joint service. On the one hand, they offer a policy agenda (frequently communicated in a simple fashion through some ideological positioning). On the other, they offer some capacity to manage (oversee) the day to day activities of the government.

While some parties may have better managers than others, they will be unlikely to concentrate on this in their party platforms. Instead parties will typically attempt to differentiate themselves principally in terms of their policies (ideologies), since this is what is most likely to attract votes.[9] Therefore administrative reform, leading to better management, is at best a secondary consideration for politicians under normal conditions. For example, it is frequently observed that politicians seem little interested in administrative issues *per se*. In Canada, Public Service 2000 was thought to have no political benefit for the government.

But this is not always true. Administrative processes and structures can become major policy issues. There are certain central features of service quality in the public sector of a democracy that can have a high level of political salience. For example, the public values highly public services that are delivered by agents who are free from conflict of interest, free from political bias, transparent in their administrative decisions and, where applicable, provide for equal access and due process in their procedures.[10] These are key considerations in the development of any administrative structure, or the attempt to change administrative

structures.[11]

Intergovernmental Competition

Governments are frequently in the position of being a monopoly provider of service. So often their administrative structures will exhibit all the pathologies of monopoly. They are unlikely to be innovative, since there is no reward to innovation and no penalty for failing to innovate. They will not be responsive to clients (citizen consumers) because consumers have no truly effective mechanism (for example exit to a competitor) by which to make their wishes effective. Citizen consumers cannot even cease to buy because they must continue to pay taxes. Unlike an unregulated private monopoly, however, the monopoly rents in the public sector are likely to be consumed in excessive staff and other privileges.[12]

The global economy, as expressed in increased international trade and/or the mobility of financial capital, technology, information and even skilled labor has begun the process of breaking down government monopolies. Mobility provides options, and options provide bargaining power. The transnational corporation is already a beneficiary. Government services to the business community are most likely to be the first to be reformed under the pressure of competition from competing jurisdictions for business investment.

Many American states have ombudsmen assigned to clearing the way through state and local regulations for foreign investors. In Canada, by far the greatest pressure on government comes from the United States, and the competition is manifest in everything from corporate income tax rates, to telecommunications regulation to the issuing of passports.[13]

The most significant source of competitive pressure, short of exit, may be information on the practices of foreign jurisdictions. This can be, and frequently is, used to spark domestic political debate. For example, international comparisons of spending on health care and corresponding mortality rates are frequently cited in Canadian debates on reform of the health care delivery system. Japan, for example, spends a much smaller share of its Gross Domestic Product on health care than does Canada and yet has generally lower mortality rates (for the entire population as well as for infants).

Also intergovernmental competition need not be international. One of the advantages of the federal structure of Canadian government is that it provides a degree of domestic competition between governments that assists in the maintenance of a more efficient governmental structure. Again it manifests itself primarily in interprovincial competition for mobile businesses. As well, information on the administrative practices of the provincial governments gets widely disseminated among the relevant policy communities, and in the media. The result is that governments often follow one another in terms of administrative reform.

Financial Constraints

In principle, governments, as is the case of all debtors, are responsive to the concerns of their financiers. The more indebted governments become, and the more dependent they are on future borrowing, the more responsive they become to creditors' concerns. The concerns of financiers, on the other hand, rise along with the ratio of government debt service to total revenues.

In Canada, the debt financing of provincial governments is quicker to trigger these concerns than the federal government because, of course, the provinces are individually smaller and with less diverse tax bases; and they do not have the power to print money. Therefore international capital markets, and the institutional voice of the bond rating agencies, act to constrain to a significantly greater degree the actions of provincial governments. A down-grading of provincial bonds by an international rating agency is a significant political event. And, in fact, the deficits and debts of the provincial governments are proportionately smaller than those of the federal government.

Financial constraints on governments, at least in Canada, are a relatively new phenomenon.[14] While

financial problems have been accumulating over the past twenty years, it is really only in the past two or three years that very dramatic actions have been taken on the expenditure side of government budgets. In fact, the federal government under Prime Minister Mulroney repeatedly failed to tackle its deficit, despite its public commitment to doing so. However, the Prime Minister's primary political objective was to write a new Canadian constitution that would be acceptable to a larger community in Quebec. Anything that might endanger that initiative was not a priority. Large cuts in federal programs or in the federal bureaucracy were clearly risky political business. As a result the financial problems worsened, and in the end the Prime Minister also failed to achieve his own primary objective.[15]

It took a new Liberal government under Prime Minister Jean Chretien to pick up the momentum on administrative reform. But again administrative reform (and program reform) has not been pursued for its own sake, but is part of the deficit reduction priority of the new government. The administrative reform agenda is couched more broadly under the heading "Program Review" which considers the two fundamental questions of what governments should be doing as well as how they should do it.[16]

LESSONS IN POLITICAL LEADERSHIP AND ADMINISTRATIVE CHANGE

Most organizational change is evolutionary and gradual. Again this is in keeping with the needs of bureaucratic design and the risks of change. But occasionally change will become more breathtaking and revolutionary in its depth and scope. It is this type of situation that has dominated the field of public administration in recent years.

Large scale administrative reform has been driven by the larger macroeconomic problems and agendas of a series of governments in the old line industrial democracies, including the United Kingdom, New Zealand, Australia, Canada and even the United States. While political leaders such as president Reagan and Prime Minister Thatcher might be said to have shared a general ideological mistrust of government, ideology has not been the determining factor on administrative reform.[17] This is illustrated by the reform efforts of left wing governments in Australia and New Zealand. And a number of left wing provincial governments in Canada, principally in Saskatchewan and British Columbia, have pursued administrative reform.

Given that administrative or organizational design is not typically a front line political issue, then those who would pursue such changes have to link it to issues which are pre-occupying political leaders. In Canada in recent years this larger issue has been primarily a fiscal problem, dominated by the need to reduce government deficits. Accordingly real administrative reform has been accomplished under this banner. But it could easily have been some other dominant agenda related to the constitution (for example, reducing federal-provincial duplication) or the need to restore international competitiveness through deregulation and privatization.[18] The overall strategy is for reformers to attempt to define their issue in terms of the dominant agenda and offer the desired reforms as solutions.

As noted above there are, however, occasions when administrative structures and procedures become high profile political issues in their own right. This can happen when the administrative structure or procedure is perceived by the general public as being in violation of certain basic democratic principles. The most prominent are those outlined above having to do with the equal access of citizens to the service, the provision of due process and/or the absence of political bias or conflict of interest (or corruption).[19] Again this should suggest a strategy for those seeking administrative reform.

Change also requires the building of supportive coalitions. Each group in the coalition may bring a different strength. For example, respected business leaders may provide credibility on issues of economic efficiency. Citizens groups may provide evidence of a widespread public support (as do opinion polls and focus group information). The media also plays a key role in promoting the importance of administrative reform in achieving important economic or social goals. They can help to inform the general public and equally important to educate the elites on the nature of the problems and their possible solutions. Academic studies may provide an independent analytic credibility.

Of course, the building of coalitions for change implies some self-conscious action on the part of those favoring reform. And that, in turn, implies leadership or some political entrepreneurship. There are inevitable deterrents to such activity, primarily the free rider problem. Many who stand to benefit will not necessarily participate. Nonetheless, these problems are regularly overcome in the genesis of, and effective operation of, a myriad of interest groups or advocacy groups in the political marketplace. The target of such activity, at least in Canada, should be the Prime Minister. When the leader has personal political capital at stake, it creates sufficient leverage to overcome normal institutional resistance.

In Canada there is an increasing tendency for political parties to outline specific election commitments in formal documents. This is in response to declining public trust in the statements of political contestants. Accordingly, once in power, these documents become the operating manual of the government. Carrying out the promises is a top priority. If this electoral device continues to gain credence, then reformers will inevitably attempt to get their reform plans adopted as part of an electoral platform, since if the party is elected it means almost certain implementation.[20]

TACTICS FOR IMPLEMENTING ADMINISTRATIVE REFORM

Bureaucratic Resistance

Before proceeding, it should be noted that bureaucracies are in general resistant to change. A primary reason is that they work better that way. Their great strength and efficiency, like that of the assembly line, is that they reduce work to specialized and standardized functions and a regular pattern of routine tasks. In short, they achieve operating economies by endless repetition of the same relatively simple functions.

Change in the routine is not costless to bureaucracies. It takes time and very often repeated error for organizations to learn new operating procedures. And if any part independently attempts to change its approach, the result is typically organizational confusion and breakdown. And, as is the case in all situations involving change, there is also inevitably resistance and even sabotage from those who view themselves as losers as a result of change. In short, the often quoted maxim of bureaucratic managers that, "if it ain't broke, don't fix it" is grounded in a rational attitude toward the risks of change.

Administrative Center

Wide scale administrative reform is inevitably driven from some central agency. If the effort has sufficient personal interest of the Prime Minister, it may entail the creation of a new central organization—for example, Prime Minister Thatcher's Efficiency Unit, attached to her office, and headed by a noted former business executive brought in specifically for this purpose.

In Canada, Program Review at the federal level was not directly attached to the Prime Minister but was centered in the Privy Council Office to coordinate a government wide effort. But the Department of Finance and Treasury Board also played important driving and coordinating roles respectively. In provinces responding to fiscal problems, the Ministries of Finance are typically the central driving organizations.

But there is nothing about this that is predestined. Organizational structure is designed to fit the strategy. Form follows function. Each government can be and is differently organized. Power resides in different places and each circumstance has to be analyzed in light of its own unique distributions of resources and interests. Typically money is power, and it is best to have the minister responsible for developing financial policy firmly supportive. But when money is not a priority concern, power slips off to other places. And even financial concerns can be over-ridden if other issues are of sufficient salience—as Prime Minister Mulroney's government demonstrated.

Tactical Manoeuvres

There are, however, certain standard tactical manoeuvres in the implementation of administrative (or program) reform. They are frequently employed to reduce, diffuse or destroy the opposition to

organizational reform. The following attempts to outline briefly some of the most prominent.[21]

Gradualism

This is perhaps the most common tactic. It is widely used to implement tariff reductions. Tariff reductions are typically phased in over time. And non-tariff barriers are converted to the equivalent tariff in order to allow a similar orderly withdrawal. Gradualism is also to assist in lay-offs—for example workers will not be laid off immediately but will get lengthy notice, and may go through various stages in a process of potentially finding another job in the organization, or elsewhere, before they are finally severed from their position. The purpose, of course, is to allow the adversely affected groups time to adjust to the new situation, make alternative arrangements or find new employment.

In Canada the tactic is being used, for example, in federal employment reduction which involves a staged process before a lay-off may occur. Similarly pension reform to raise the retirement age is likely to be introduced gradually so as to allow a smooth adjustment to the retirement planning of Canadians. If programs are not indexed to inflation then there is a form of implicit gradual withdrawal when there are positive rates of inflation—the rate of withdrawal varying with the rate of inflation. Minimum wage programs are often expressed in nominal not real terms, thereby allowing implicit withdrawal.

Divide and Conquer

Divide and conquer is another common strategy used to undermine the forces opposing change. An exemption is offered to those groups in the most advantageous position to block the change. Negotiations will typically proceed separately with this group so that this type of tactic can be more easily employed. On the other hand, those in a weaker position will attempt to prevent this from happening and will work always to maintain a united coalition. In general, the more varied the administrative arrangement for the delivery of public services, the more options management has in terms of utilizing this tactic.

The widespread unionization of the public sector in Canada diminishes the opportunities to apply this approach, but even unions will often agree to "grand-father" clauses in their collective agreements whereby existing or long service employees are protected and the costs of change are shifted to new or short service employees.[22] And term or contract employees are treated differently than "permanent" public servants.[23]

In Canada, the divide and conquer tactic is most frequently used to reform public programs. The basis for differentiating between groups will vary. For individuals it may be gender, it may be family status, or geographic location or, most frequently, income. For example the federal Old Age Security plan was recently changed to reduce or eliminate pay-outs to high income individuals and families (by calculating income on a family basis). For businesses, the basis for program discrimination is most frequently related to their size (for example, a lower corporate tax rate for small business). But sometimes discrimination is based on their geographic location (regional development subsidies) or type of business (for example, manufacturing versus service industries).

Buy-out

Buyout is, as the name suggests, simply to offer a lump sum of cash or some other monetary payment to those who, in some fashion, would lose from the change and therefore may be opposed. Clearly this is an expensive approach and can only be contemplated when financing is not a major constraint. In Canada the federal government has employed this approach recently in respect of transportation subsidies to Prairie wheat farmers. It also used this approach to speed up the natural attrition of the public service through voluntary exit and retirement. The federal government was able to substantially diminish the opposition to its down-sizing and other administrative initiatives by offering buy-outs, early retirement (without penalty to pension entitlements) and other transition benefits to its employees.[24]

This is in sharp contrast to the government of Ontario that could not afford to buy-out its employees, given its deficit reduction and tax reduction commitments. It legislated an omnibus bill that curtailed the rights of public servants in collective bargaining and the government endured a province-wide strike to enforce its position.[25]

The approach taken in Ontario was not exactly the "take no prisoners" confrontational approach adopted by Prime Minister Thatcher or President Reagan toward public sector unions.[26] These two leaders were prepared to destroy the unions if necessary. One important advantage of such battles for the winner is that they tend to have a chilling effect on all others who might be tempted to test their economic and political strength. And these lessons often last a long time.

Buy-in

The essence of this approach is to get employees to form a corporation and take over their own jobs as a private contractor to the government. This provides the government with some future flexibility, either to cease buying the service, buy from other providers or negotiate a lower cost than could be provided by using public servants. As noted above, the federal government has implemented a program to facilitate this type of activity. In the short term the employees are offered the first contract on a non-competitive basis.[27] They are also offered a repayable loan for start-up expenses and can purchase government equipment to go into their new enterprise.

Under this same approach, the government may exit from certain regulatory activities by turning them over to those being regulated. Self-regulation is quite common in the professions; but there is a growing interest in the notion of "delegated administrative authority" and/or voluntary codes in other segments of industry. The chemical industry in Canada has pioneered a program called Responsible Care which establishes, monitors and enforces environmental control standards for chemical producers. The advantages of such an approach for government include a reduction in monitoring and enforcement costs.

Burden Sharing

Burden sharing is a widely used strategy in the public sector where there is an especially strong emphasis on equal treatment. In general, groups will moderate their opposition to a loss if they believe, first, that the loss was inevitable and, secondly, that it was shared equitably (or fairly). This approach runs contrary to the notion of making cuts on the basis of some predetermined set of priorities (the order of priority established by ranking the alternatives on the basis of their margin of benefits over costs).

Despite the fact that it may not appear to be the most efficient way to make cuts, the burden sharing approach is widely observed and persists as the preferred method for implementing expenditure cuts. An important reason for this is that this approach facilitates the required action by reducing the opposition. No constituency feels itself unduly singled out for reform. If indeed this facilitates change that otherwise would not take place, or would do so only after a battle in which costs are imposed on both sides, then the across the board cut may in fact be the most efficient alternative.

The approach is sometimes used in the form of job sharing or to implement reductions in the wage bill. For example, the number of paid hours of employment over the entire workforce is reduced so that everyone works less and gets less take-home pay, but no one loses their job. Until recently, Ontario used this technique to implement a reduction in its public sector wage bill across the entire public sector.

Arm's Length Decision

The arm's length decision is an attempt to reduce the degree of lobbying against the government and give a decision greater credibility. The expectation is that this will make it easier to implement. An independent body potentially made up of experts, prominent people or other respected citizens is established to consider an administrative problem and make recommendations to the government. The government

sometimes sets general criteria to be applied. For example, the United States used this technique to select military bases that should be closed. In Canada, provincial governments sometimes use this technique to rationalize regional health care facilities (that is, close some hospitals).

This approach has the best chance of success if at the beginning of the process the government gives up its decision powers by binding itself, through legislation, to accept the recommendations of the independent group. This diminishes the reason to lobby the government by taking the decision as to which facilities will be closed completely out of the government's hands. In some respects this approach is similar to the situation where the government's international commitments dictate some unpopular action. In this case the government can absolve itself of blame for its actions by resort to the notion that the "devil made us do it."

CONCLUSIONS

How does large scale change come about? It is inevitably driven by crisis. That crisis may arise from domestic political competition, intergovernmental competition for mobile resources or from severe financial problems. Typically political survival or electoral success is at stake. This is the metre that defines the political salience of change and gives it a high priority on the agenda of a political party.

In Canada, initiatives with the strong personal commitment of a Prime Minister are highly likely to take place. Once in power, Prime Ministers in majority governments are largely unencumbered in bringing about the changes they are committed to produce. With the advent of a form of overt political contracting this is even more likely now than in the past thirty years. Accordingly they should be the target audience of reformers.

In this context, however, administrative reform is not typically a high political priority item (for reasons reviewed in the text). Therefore, those who desire administrative reform must link it (at least rhetorically) to issues which do have a high salience—for example, international competitiveness or financial survival. In general, this is a wide open opportunity to be imaginative. And the proximate causes of "political crises" can vary enormously from jurisdiction to jurisdiction.

Some administrative issues, however, do have high political salience in a democracy. For example, those issues relating to transparency, equal access, due process, and the absence of conflict of interest (or corruption) are of considerable concern to the public. Again the strategy of reformers should be to demonstrate the need for reform in these terms.

Reaching political objectives requires group action. And group action typically requires coalition building. Each participant in the coalition should be carefully selected to add credibility. Given the importance of the media to political competition, all groups must now have a media strategy to market their ideas. Of course, this implies some entrepreneurship by committed individuals to overcome the normal barriers to collective action.

Once administrative change is on the political agenda, then the administrative location of those in charge of coordinating the process is not predetermined. Once again, however, the more closely the organization is identified with the Prime Minister, the more likely is the change to be expedited. There are then a set of tactics commonly employed to overcome the usual resistance to real or meaningful organizational reform. These have been outlined above.

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