

## **ONTARIO 360 – PUBLIC SECTOR REFORM – TRANSITION BRIEFING**

Public service reforms to realize efficiencies and better outcomes for Ontarians

### **Issue**

I have had the opportunity to observe and work with governments across the globe. I am confident that Ontario has one of the most efficient and professional public sectors in the world.

However, to equip its public servants to meet contemporary and pending challenges, I believe that the Government of Ontario must adopt outcomes-based budgeting, compel ministries to collaborate and work better together, and enhance its capabilities to manage the third parties that deliver the majority of public services on its behalf. These priorities can form the basis for a positive public sector reform agenda for the province’s next government.

### **Overview**

Ontario faces slow population growth, an aging population, global economic uncertainty, and rising public and personal debt loads. For these reasons, Ontario’s economic growth is expected to be slower than in the past.<sup>1</sup>

On the flip side, the province faces rising demand for public services as the result of demographic changes and labour force disruption due to automation and the migration of low and median skilled work to low cost jurisdictions. Despite reduced capacity to pay, demands on the public purse will grow.

As noted by Lakehead University economist Livio Di Matteo in a recent *Ontario 360* transition briefing on Ontario’s fiscal policy: “even if the budget had been balanced for 2018-19, Ontario would still face issues of fiscal sustainability.”<sup>2</sup> Similarly, because of these growing demands, key services

<sup>1</sup> Ontario Ministry of Finance, Ontario’s Long-Term Report on the Economy, 2017.

<sup>2</sup> Livio Di Matteo, Transition Briefing: Restoring Ontario’s Long Term Fiscal Sustainability, School of Public Policy and Governance, 2018.

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may be at risk over the medium term even if Ontario was in a better fiscal position.

### **The need for reform**

The takeaway then is that the short-term debate about Ontario's fiscal policy cannot obscure a more fundamental focus on how to better deliver key programming and services over the long-term. The province's next government ought to begin to think strategically now about how to enact positive public service reforms that improve efficiency and produce better outcomes.

This is an essential point: public service reform cannot merely be about fiscal savings. Experiences around the world demonstrate that reforms motivated solely by realizing short-term savings usually produce poor outcomes, higher costs, or both.

Instead public service reform should be focused rethinking current policies and policies to better serve Ontarians – particularly in light of long-term demand pressures.

What areas should Ontario policymakers focus for potential reform?

In Ontario and elsewhere, a child with special needs can at once be a client of the Ministries or Departments of Education, Health, Children, and then Community and Social Services when they turn 18. Services are siloed and difficult to navigate. Interventions are not coordinated, cumulative and family or child-centred. Often, a failure to effectively intervene early and coordinate effectively end up costing much more when the child is an adult. This labyrinth produces higher costs, poorer outcomes, and stress and anxiety for affected families. These problems can be traced to three causes.

First, legacy processes and conventions in budgeting prioritize inputs rather than outcomes, marginal expenditure impacts rather than holistic approaches, and short term, annual perspectives rather than long term, strategic views.

Second, public sector structures are built around Ministries with activity-based accountabilities rather than alignment of functions to higher order, whole-of-government outcomes.

Third, government has devolved the vast majority of direct service delivery to the private, non-profit and broader public sector. Government often manages these relationships on a transactional, contract-by-contract basis rather than on a sector-wide, outcomes basis. The result is often further fragmentation of service delivery and uneven service levels and quality.

A public service reform that seeks to address these three structural or process-based challenges could produce the quintessential “win-win-win” – that is, programs and services could be delivered more affordably, accessibly, and with better outcomes.

### **How to move forward**

It is important to note that these challenges are not unique to Ontario. Many other jurisdictions around the world are grappling with similar ones. There is opportunity therefore to learn from these experiences and bring best practices to the province.

Notably, the government response around the world is converging around three trends.

First, they are budgeting according on an outcomes basis instead of on an input basis. Governments are committing to multi-year expenditures and Ministers are committing to achieving defined outcomes. On cross cutting issues, the relevant Ministries agree, with mediation from the Treasury Board, on their contributions to the outcomes. Performance against these outcomes is assessed and resources assigned or reassigned as appropriate.

Second, they are experimenting with new organizational forms and processes to compel coordination across ministries and to deliver more citizen centric services, such as the formal inter-ministerial outcomes agreements mentioned above, formalized communities of practice, and integrated, cross government data hubs.

Third, governments are enhancing their ability to steward and manage the many providers delivering services on their behalf. This involves creating centres of excellence in contracting and performance management. They are also improving their capabilities to better understand the performance of their providers, recognize and resolve poor performance, and match service supply and demand.

A short-term step is for the incoming government to examine the reform experiences in specific jurisdictions including the Australia, New Zealand, and the United Kingdom and translate key lessons for public service reform in the Ontario context.

But, over the longer-term, incremental changes across these three areas will not create the fundamental shifts in approach that are essential if Ontario is to spend within its means and meet the service-level expectations of Ontarians for now and into the future. The incoming government will need to be bold and ambitious to deliver on a public service reform that meets these important goals.

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