



# **Why the Public Service is Responsible for Canada Falling Short of its Potential and Lagging Behind its International Peers**

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# First, Consider Canada's Context



- Demographic trends are aging population and declining population growth.
- A rise in the relative size of our older cohort
- By 2030, 22 per cent 65 and over
- Increasingly dependent on immigration
- **Without major shifts in policy**, our workforce is unlikely to have enough workers

# How Does Canada Perform in This Context



- The Conference Board of Canada benchmarks Canada’s performance :

<u>Canada’s Report Card by Domain</u>	<u>Grade</u>	
Economy.....	B	11/17 <50%
Innovation.....	D	14/17 <50%
Environment .....	D	14/17 <50%
Education and Skills.....	A	3/17 >50%
Health.....	B	8/17 =50%
Society.....	B	10/17 <50%
Source: The Conference Board of Canada.		

# The 17 Countries Assessed

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- Finland
- Norway
- Sweden
- Denmark
- Switzerland
- Germany
- France
- Belgium
- Netherlands
- Italy
- Austria
- Ireland
- United Kingdom
- Canada
- United States
- Japan
- Australia

# Let's Start With Our "A"

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- Our best grade—"A"—in the Education and Skills
- High quality education to people between the ages of 5 and 25
- Two major weaknesses:
  - not enough postgraduates in the disciplines that underpin innovation (engineering and science)
  - We are also poor in basic skills/literacy for adults

# Do You Think a “B” Assessment is Good Enough?

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- In the domains of economic and social performance and in health outcomes, we are a “B” performer and in the bottom 50%
- In health and social outcomes, we are not living up to our brand and our own ideal.
- We could be doing much better.

# If an “A” and a “B” are Problems What About a “D”?



- Canada is a “D” performer in the Environment domain, but our record on climate change and waste generation drags our performance down
- Most discouraging is Canada’s poor performance in innovation.
- Canada earns a “D” in this domain, ranking 14th—or fourth to last among the 17 comparator countries
- Performance in innovation is woefully inadequate

# Innovation Domain Report Card

Source: The Conference Board of Canada.



Rank	Country	Grade
1	Switzerland	A
2	Sweden	B
3	Finland	B
4	United States	B
5	Germany	B
6	Netherlands	C
7	United Kingdom	C
8	Belgium	C
9	Denmark	C
10	Ireland	C
11	Japan	C
12	Austria	D
13	France	D
<b>14</b>	<b>Canada</b>	<b>D</b>
15	Norway	D
16	Australia	D
17	Italy	D



# Conclusions on Performance

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- Canada is below the middle of the pack
- Mediocre performance will not be good enough to meet the fundamental goal of a high and sustainable quality of life for all Canadians

# There Is A Principle Cause For This Weak Performance

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- The common thread: failure to innovate
- Innovation is an essential component of sustainable prosperity:
- Without innovation Canada's performance deteriorates relative to that of its peers

# How Was It Determined That Canada is Poor In Innovation?

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- To assess innovation performance the Conference Board looked at the core dimensions of innovation in the economy:
  - the creation of knowledge;
  - the diffusion of knowledge;
  - the transformation of knowledge;
  - the use of knowledge through commercialization; and
  - the creation of a policy environment that enables innovation
- Canada trails the pack

# What does it mean to say, “Canada trails the pack”



- Performing poorly across almost all dimensions and rank in the bottom quarter of our peer group
- Lag in investment in R&D/ machinery/ equipment
- Fewer graduates in science, engineering and the trades.
- Lagging in the creation and in the commercialization of knowledge
- High-technology products and services contribute less than they should to our economy and limit our comparative advantage
- Current prosperity is almost totally based on commodities – a non-renewable resource

# Now, What Does The Public Service Have To Do With This Weak Performance?

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- Canada must provide a national focus
- Canada must define national paths and priorities for investments
- **It is the Public Service that must have this clear Vision and then provide the policy environment to enable it**

# The Public Service is Important to Canada's Competitive Advantage



- Thomas Friedman, renowned writer for the New York Times, argues that “... ***one of the most important and enduring competitive advantages that a country can have today is a lean, effective, honest civil service.***”
- The Clerk of the Privy Council has added, “***In other words, public service matters, and an effective, efficient, accountable public service can be part of a country's comparative advantage.***”

# What are Some of the Gaps



- In **Health Care** Canada needs to shift resources into prevention and health promotion. Yet **the use of new knowledge, experimentation, the design and implementation of new strategies to meet the challenge—is largely absent**
- Canada can be a leader in **social innovation**
  - We have solved the problems of poverty among the elderly and of access to health care.
  - **We have not demonstrated the same capacity to innovate - to tackle poverty among children, aboriginals and working-age adults**

# What are Some of the Gaps

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- Canada funds few world ranked research universities that can attract talented people to continue studying in Canada at the doctoral level.
- Canada imposes one of the developed world's highest effective tax rates on capital
- Canada's protectionist policies are seen as having a negative impact on conducting business



# The Public Service Needs to Focus on Where We Need To Be and How To Get There

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- The PS must emphasize excellence in:
  - policy and program leadership;
  - in achieving outcomes that matter; and
  - teamwork in everything we do
- Canadians should expect nothing less than excellence in their public service, and Public Servants should accept nothing less from themselves
- The best and brightest don't want to work for an average organization, and average public policy will not propel Canada to the front ranks of nations

# Making Excellence Matter in the PS

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- The Clerk of the PCO has said, “I believe we should **make excellence our quest, and our brand.** We need to provide leadership to manage for excellence and to foster effective teamwork in a creative, dynamic work place

# What Would You Recommend The Clerk Do to Address This?



- But it doesn't change the fundamentals of Canada's competitiveness, and the question of whether there are things we should really be looking at. Tax policy is probably the most important one, but competition rules, Investment Canada rules, the cost of regulation across all industries, provincial trade barriers - those things are all part of it.
- As CEO, your primary responsibility is to ensure that the organization is continuing to move forward, to change, to innovate and to transform. So operational growth and performance is clearly job No. 1.
- We eliminated a lot of processes, and really focused on shifting the culture of the organization to be quicker, more responsive and client-focused. We centralized all of our operations, all of our global functions and empowered our people in the field to go out and do a better job servicing their customers.
- But where you do get a lot of agreement (with Ottawa) is that you want to have an economic and business environment in Canada that makes this country the best place from which to attract capital and to grow a company.
- Gordon Nixon CEO RBC