In Search of a New Covenant

Gilles Paquet
and
Lise Pigeon

WORKING PAPER
96-22

April 1996

This working paper should not be quoted or reproduced without the written consent of the authors.
In Search of a New Covenant

Gilles Paquet and Lise Pigeon

Introduction

The Public Service Culture in Question

The Context for the Transformation of the Public Service

From Here to the New Covenant in Six Difficult Steps

Conclusion

Gilles Paquet is Professor of Economics and Public Management at the Faculty of Administration of the University of Ottawa and Senior Research Fellow at the Canadian Centre for Management Development. Lise Pigeon is a faculty member at the Canadian Centre for Management Development and is the Director of the Centre’s Executive Leadership Program.

A paper prepared for a volume edited by Evert Lindquist provisionally entitled Government Restructuring and the Future of Career Public Service in Canada to be published by the Institute of Public Administration of Canada. This paper was developed as a result of our teaching experience on governance and leadership at the Canadian Centre for Management Development and therefore benefited considerably from exchanges with many colleagues at CCMD but neither our colleagues at CCMD nor the Centre itself should be held responsible for views that are entirely our own.
"Put down the bloody musket; it’s not a duck but an idea."

Percy Adams

Introduction

We live in what Peter Drucker has called "the age of social transformation": economy, polity and society are in a process of mutation. New knowledge and innovation have become the prime movers of the wealth-creation process. Consequently, there has been a growing need for private, public and social organizations to react with speed, flexibility and creativity to a topsy-turvy environment bubbling up with surprises. Big firms, big government and big social agencies have reacted to this sort of pressure in three ways: (1) they have attempted to become leaner, (2) they have deconstructed themselves into smaller and more non-centralized units (organizationally and locationally) in order to become more flexible, more attentive to citizens and clients, and more creative, and (3) in order to become more agile, they have begun to renegotiate with their partners the nexus of contracts and treaties they had forged with them.

The first two responses (downsizing, delayering and dispersing power) have elicited much discussion in the specialized literature and have been critically appraised. Much less work has been done on the third front, especially as it pertains to the relationships between organizations and their employees. While much has been written about new rapport between customers and suppliers, about outsourcing and sub-contracting, it has not always been realized that "a quieter revolution has taken place. It has redefined employees' roles, and in doing so, has rewritten the implicit contract they had with employers." Employers require maximum nimbleness to survive in this new turbulent and fast-changing economy, so they cannot use employees effectively as passive instruments of production. They must come to regard their employees as partners whose knowledge and initiative they need on the front line. Yet, and this is the core of the paradox, at the very time when downsizing, the requirement to do more or different with less and the need for maximum flexibility and creativity are leading employers to demand more from these employee-partners (including longer hours, more dedication and loyalty), they have also asked them to forgo much of the security that they used to have.

Employment contracts are never easy to rewrite and the process is even more difficult in the public sector where there is no bottom-line to coax parties into workable solutions. This is especially difficult for the whole Canadian public sector, at this time, because this rewriting is undertaken at a time when, throughout the socio-economy, a process of "dejobbing" -- the disappearance of the "steady job" -- is swamping the private, public and social sectors.

In this paper, we first examine the public service culture as it stood until recently and the recent questioning of its efficiency and effectiveness. Then we scrutinize the context within which a transformation in the culture and practices of the public service is likely to materialize. Finally we sketch ways in which we might catalyze the emergence of the new covenant between the state and the public servants.
The Public Service Culture in Question

The principles associated with the traditional culture of career public service in Canada are nowhere stated explicitly in a form that would be readily accepted by all stakeholders. They have evolved through time and are embedded in a number of explicit and implicit, legal and psychological contracts. This evolving nexus of implicit contracts has been loosely recognized as de facto conventions by most stakeholders and its existence has even been acknowledged by the courts.⁵

This "culture" has been synthesized very well by Kenneth Kernaghan "in a pure and idealized form": public servants as permanent employees appointed on the basis of merit, a job-description, generous fringe benefits, job-security and a career-path, expectations of anonymity, impartiality and accountability to ministers.⁶ Kernaghan has emphasized that four principles "have been - and continue to be - closely linked with the concept and practice of career public service" (554):

* appointments made with a view to preserving political neutrality;
* appointments based on merit of the best qualified candidate;
* appointments from within the public service as far as possible;
* assistance for public servants in selecting career goals and pursuing them.

While it is readily admitted that (1) there may have been differences of opinion as to the exact content of such a covenant among stakeholders, (2) the daily practice may have been at odds with these principles and (3) these principles may have been applied or interpreted quite differently from department to department, there is also a general agreement that this culture corresponded roughly and generally to the existing public service culture circa the 1980s.

In the 1990s, this traditional culture has been challenged in two quite different ways. First, there were questions raised in a modest way by a new vision from within: Public Service 2000.⁷ Then, the traditional culture was hit by a strong pressure from without: the harsh new financial and economic realities that forced the Directors of Personnel, Treasury Board and the Public Service Commission to question the existing arrangements.⁸

The first challenge, through PS 2000, recognized the need for public service employees (1) to attend better to the needs of the citizenry and to provide better services to their clients, (2) to make the highest and best use of their creativity in this work; but also the need for the employer (3) to improve training and development of their human resources and to put greater emphasis on career planning and (4) to develop a new focus for accountability as responsibilities are devolved to managers so they can manage.

This challenge did not shake the traditional culture. Few if any of the actions initiated in the PS 2000 era really questioned neutrality or merit (with the possible exception on the new concerns for equity and representativity) and the emphasis on career planning was not really challenged; the merit principle might appear to have been relaxed somewhat through the new arrangement allowing lateral transfers not to be regarded as appointments under the Public Service
Employment Act and therefore being exempted from the merit principle. But this loosening up did not have a profound impact on the public service culture.

The second challenge has been much more significant. It was the result of the fiscal crisis of the state. While it is difficult to establish clearly the moment the crisis hit the system because of the fact that its seriousness was acknowledged at different moments in Alberta, in New Brunswick and in Ottawa, one may reasonably suggest that it emerged as a result of the realization by the different governments that the conventional rules of the game would not be able to deal effectively with the deficit and debt problems. While Alberta led the parade of provinces in the attack on deficit and debt in the early 1990s and Quebec was the last to join the parade in 1996, one may say that the federal Liberal government bit the bullet in the Fall of 1994. The message was clear in the Purple Book and in the Grey Book tabled by Paul Martin, and the full implications of this message for career public service were first presented in the Directors of Personnel discussion paper, in the Fall of 1994. This document puts forward a perspective inspired explicitly by David Noer’s Healing the Wounds and sets out to "define the steps required to achieve a New public service model for Canada" (p.2).

Noer’s message is simple and basically twofold: first, for organizations to face the new realities and acquire the requisite flexibility and nimbleness, the old employment contract guaranteeing much security to the employee must be abrogated; secondly, the traditional employment terms of reference might not have been very healthy in any case for both the employees and their organizations because they fostered a sort of undesirable co-dependency between employees and their organization.

The attack on career public service by the Directors of Personnel is stark: it is diagnosed as "unrealistic", "not necessary or affordable" and "an unhealthy expectation"(p.5). Their document suggests the termination of the current policy of conversion from term to indeterminate employment after 5 years; it puts forward a framework where "employees, not the employer, are responsible for their own employment options, but the employer would provide support to enable the continued employability of staff" (p.17). One is clearly faced with a new "moral framework"(p.9) that would need to be renegotiated and in which the key parameters would have to be clarified and amended in consultation with labour.

Even though this plea for a "new Public Service model" does not refer explicitly to the general debate about the future of work ("dejobbing") and avoids confronting head on the meaning of the new arrangement for some perennial values (accountability), the inescapable conclusion is that the current questioning of the traditional culture entails necessarily the redefinition of many of the fundamental principles on which the career public service had been built throughout Canada. Strategically, the Directors of Personnel could not and did not come forward with the details of a new model since the new framework would have to be negotiated with other stakeholders. Yet the document generates a sense of urgency: parameters have to be clarified very quickly for events are running ahead plans at this time and there is a danger that a de facto "new model" will emerge that might leave all parties worse off.

There is no consensus on what the "new model" should be nor on the manner in which the new
model will be implemented. However there are signs that at least two broad options are considered.

In the first case, the debate has begun on the tentative features of the workable model that may be the outcome of this transformation and officials have speculated in public about the nature of the new public service. In a May 1995 interview, the President of the Public Service Commission, Ruth Hubbard, sketched a three-tiered system with a small "core of permanent and highly skilled knowledge workers, supported by a pool of short-term employees who work in government for stints of several months or years and move on"...(plus) a "para-public service that could emerge as various levels of government cooperate on delivering services and as private-public partnerships take over services that were once provided by government".11 While this remains vague on specifics, the strategic direction hinted at is congruent with the ruminations contained in the Directors of Personnel document.

In the second case, the debate has focused on the implementation process, the final outcome being allowed to emerge from the process. This model has been favored in Quebec where an agreement has been signed between the government and a host of public sector unions that sets up both joint ministerial and joint sectoral committees charged with the responsibility of rethinking the organization of work to reduce public expenditures while keeping in mind both the welfare of the citizens and of the public employees. This emphasis on process allows all issues like sub-contracting, the hierarchical structure, job classifications etc. to be debated by these committees and the collective agreements to be modified according to the consensus reached at this level.12 In this case, it is not clear that one particular pattern will prevail in the new framework nor which ones are likely to.

The Context for the Transformation of the Public Service\(^\text{13}\)

The context within which this transformation is occurring is bound to have an impact not only on the methods used to reach this new covenant but also on its final contours. In this section we discuss four clusters of forces which will both constrain and shape the nature of this new Public Service model: the limitations imposed and the opportunities raised (1) by the new governance, (2) by the new sociality necessary for a mobilization of the team players in the new dispersed and distributed governance system, (3) by the likelihood that new basic moral contracts will prove tractable and agreeable to all stakeholders in the near future and (4) by the nature of the socio-economic conjuncture in the next few years.

(1) New Governance, More Implicit Contracting

In order to ensure the flexibility and nimbleness required by the turbulent environment of the late 20th century, a new distributed governance system is emerging. Participants have "a rough sense as to general principles with which unforeseen contingencies will be met" and "corporate culture plays a role here by establishing general principles that should be applied (in the hope that application of that principle will lead to relatively high level of coordination)".14 In this context, much coordination has to be handled by the unwritten or implicit portion of the
employment contract because rule-writing has become more difficult. Indeed, new principles have begun to surface: everyone’s employment is contingent on the results of the organization, there is no clear job description, employees shift from project to project, they must manage their self-development and their own career as if they were in business for themselves, and the only commitment of benefits by the employer is to help the employee maintain his/her employability.\footnote{Axsmith}

In such market-type employment contracts, explicit provisions allow the employer to modify duties and responsibilities in a major way. There are also easy provisions for severance. Employees may be allowed to choose among various arrangements for severance: from agreement about notice periods to non-compete covenants or other restrictions linked with longer notice periods and higher severance packages for core personnel.

Some observers, like Murray Axsmith, believe that the new governance system need not entail more in the form of implicit contract. The Axsmith model suggests that, as employees become free agents and entrepreneurial suppliers, more and more elaborate, flexible fixed-term written contracts will emerge; these contracts may typically be for terms of three years for core staff with possibility of renewal; compensation would be made up of a modest base salary, limited benefits and substantial incentive rewards tied to performance. For shorter-term staff, ranging from one month to two years, again compensation would be a modest base salary with substantial bonuses linked to performance. Axsmith suggests that these employment contracts may contain "soft" clauses pertaining to expectations for staff, organizational values and the fiduciary duties and responsibilities of employees, but these clauses have no legal clout; they might at best serve to clarify expectations and need not be more important than in the past.\footnote{Axsmith}

While there is much to be said in favour of this shift from bureaucratic to market principles, market ligatures \textit{stricto sensu}, backed and constrained only by explicit written contracts à la Axsmith, are unlikely to ensure the requisite coordination in the public service any more than they can be expected to be satisfactory in the case of partnerships.\footnote{Axsmith} We believe this sort of arrangement is flawed in three fundamental ways:

First, however flexible the contract may be, it remains an employee’s contract with all the trappings of top-down supervision. This cannot be adequate in a turbulent environment where the organization needs to secure the engagement of the employee as partner on the front line.

Second, this sort of arrangement leaves too little room for the social cohesion and civic commitment required in the governance system. In the market-type employment scenario, "the commitment is to the quality of the work being done. The employee’s reputation and future marketability will depend on this".\footnote{Axsmith} Yet one of the major points that is made in Steven Rosell’s \textit{Changing Maps}, on the basis of the important work of James Coleman and Robert Putnam, is the primary importance of building social capital (embodied horizontal and transversal networks of civic engagement, trust, norms and standards) to enhance the performance of a group.\footnote{Axsmith}

The main challenge of the information age is to construct such social capital, shared values and
perspectives in a world where diversity and pluralism are daunting. Market employment contracts will not foster the requisite accumulation of "social capital".

Third, the new market employment contract cannot deal adequately with the problems of accountability and loyalty. In the new governance system, the loyalty of public servants cannot be only to the quality of the work done. It must also take into account and balance many transversal and horizontal loyalties: toward one’s own "community of practice" (for it is from this network that flows the support for the sequence of contracts that will keep one employed) and toward the citizen or customer that one is serving (value for money is the basis of performance evaluation). And these more horizontal loyalties may conflict with the fundamental vertical accountability to the Minister as representative of the democratically elected government. Accountability and loyalty must therefore be balanced among the citizen, one’s "community of practice" and the Minister. This cannot be resolved by a collection of market-type contracts.

Consequently, one must find ways to enrich the implicit content of the employment contract in order to ensure that the burden of risk-sharing and the responsibility-sharing is not simply shifted completely from the employer to the employee. This sort of drastic switch from minimal to maximal responsibilities for employees may not ensure that the employee’s creativity can be mobilized as fully as it needs to be. A middle-of-the-road solution between dependency and market-type employment contract must be found if such a sharing of risk must be renegotiated.

Such a middle-of-the-road solution is unlikely to be negotiated as part of the explicit employment contract. The employer must face too many varied contingencies and attend to too many idiosyncratic needs on the part of different employees to be able to attend to those personal needs formally (i.e., through the explicit portion of the employment contract): employers would be in danger of generating a new minimal right for all employees whenever they attempt to provide tailor-made assistance. Therefore, one may expect the development of the requisite foundations for a middle-of-the-road solution in the implicit portion of the employment contract.

(2) Multiple Loyalties, New Sociality

Every partner in the new governance system is connected partially to many others, via all sorts of networks. Coordination requires ways to integrate those overlapping networks transversally in order to allow the individual to balance adjustments in these different dimensions. These different loyalties are not equally meaningful and significant and there are differences of opinion about their relative importance according to time and place. For instance, the different value systems in good currency in different countries generate very different trade-offs among loyalties.

What has to be found in the case of Canada is the particular balancing act (among the loyalties to self, network, community, society and the accountability to citizen, peers, superior or Minister) that will meet with the entrenched beliefs in our value system and provide the basis for an effective performance.

Multiple limited identities in an individualistic society entails weak ties. Such ties cannot recreate the traditional community. The construction of a new sociality is required. The belief that
weak ties (and therefore limited loyalties) can indeed prove to be a valid foundation for a strong community of the new type is rooted in the observation of Mark Granovetter that weak ties are often more important than strong ties in understanding certain network-based phenomena: strong ties tend to bond participants that are similar to each other and information obtained through such a network is often redundant; a weak tie often represents a "local bridge" between parts of the systems that would otherwise be disconnected and therefore provides much new information from disparate sections of the system. In Granovetter’s world, no tie or extremely weak ties are of little consequence, weak ties have maximum impact, and strong ties have diminished impacts.23

If our information age, organization is nothing but "an ensemble of interconnected communities of practice" and "learning is the process of becoming member of a community of practice"24, the challenge proposed by Steven Rosell’s Changing Maps is to construct a learning network of communities of practice in the Canadian governance system, while keeping in mind that Canadians are more individualist than communitarian and closer to the American psyche than to the Japanese psyche. This means constructing new forms of social cohesion on the basis of weak ties with others. In this complex and fluid informational environment, effective coordination can occur neither by threat or coercion stricto sensu (i.e. via power systems) nor by the operations of the market exchanges stricto sensu (i.e. via transaction systems). One has to count much on consensus, on voluntary adherence to norms, on inducement-oriented arrangements: these are at the core of membership and of shared leadership.25

This form of sharing is central in the definition of the implicit content of the new employment contract. While there were costs attached to the old implicit contract generating dependency, it cannot be presumed that the optimal amount of protection for the employee is zero if one wishes to promote learning and creativity. The new sociality must provide some form of basic 'security zone’ that is necessary for the entrepreneurial spirit to thrive. The former implicit contract was hierarchical and paternalistic; the new implicit contract is a jointly negotiated risk-sharing agreement on the minimal security zone necessary for creativity to flow.26

(3) New Moral Contracts

A number of years ago, we have examined the malaise of the Canadian public servants in the late 1980s and their loss of gumption.27 Invidiously, the employment contract had begun to shift, but the contours of the new work arrangements had not crystallized yet. We suggested, at the time, that a possible way out of this quandary was through the renegotiation of two moral contracts, in addition to whatever change might be required in the explicit employment contract. These moral contracts were meant (1) to enrich the implicit context of the employment contract, (2) to embed better the explicit employment contract in the corporate culture, and (3) to provide guidance in balancing the two basic ingredients necessary for an intelligent organization (freedom of choice and the responsibilities vis-à-vis different communities or the whole of society).28

We argued that the addition of these two moral contracts would generate a pro-active, entrepreneurial and responsible public service capable of balancing loyalties and accountabilities in a creative way.
The two moral contracts were:

*Moral Contract I* - the *ethics moral contract* - called for a redefinition of mutual responsibilities and obligations between the citizenry and the bureaucracy and

*Moral Contract II* - the *professionalism moral contract* - called for a rethinking of the mutual obligation, trust requirement and esprit de corps between the politicians and very senior bureaucrats on the one hand and the junior public servants on the other.

The situation has continued to evolve since the early 1990s and it would now appear that more is needed if the implicit employment contract is to prove adequate.

First, some action is needed to minimize the negative impacts of the centralized mindset of politicians, the arrogant logic of internal administration and the unrealistic expectations of the citizenry. This calls (a) for a re-affirmation of the fundamental responsibilities of individuals for their own affairs, (b) for a re-confirmation that the state is to intervene modestly as a reserve army, only when its action is necessary to help the citizens take care of their specific needs, and not on the basis of entitlements ordained from above, and (c) for the reminder that if and when the state must intervene, it should always be at a level as close to the citizen as possible where the help can be provided efficiently. In this context, the task of any higher-order governance unit (ie. regional, provincial, federal, etc.) is to assist the more localized units in carrying out their tasks, and to manage only those functions that cannot be effectively delivered within these forums.  

From these new circumstances emerges the need for *Moral Contract III* (among the citizens, the bureaucrats at all levels and the politicians at all levels) - the *axiom of individual responsibility and subsidiarity in the governance process* - which calls for an explicit re-affirmation of the fundamental responsibility of the citizens for their own affairs and of the crucial *devoir de prudence et de réserve* of politicians and bureaucrats at the time of intervening in the life of the citizenry on the basis of needs, not entitlements.

Second, it has become necessary to re-affirm that the debates leading to the development of a new moral framework demand that dialogue and deliberations be civil, free from coercion or any form of organizational violence. A democratic society is built on dialogue and deliberation. The difficult task of framing a just society, taking into account the growing plurality of interests in Canada, is to ensure that the conversation goes on. The condition for the dialogue to continue is a *Moral Contract IV* (among the citizens, the bureaucrats at all levels and the politicians at all levels) based on *tact* and *civility*, on trust that there is a capacity to suspend judgment until one’s own and the other person’s assumptions have been explored.

For Mark Kingwell, "if citizens are to talk to one another, they must refrain from saying all the things they have it in mind to say; they must likewise open themselves up the possibility that a claim made by someone else has merit". We take this to mean not that people should refrain from expressing their views but that they should do so in a way respectful of other points of
views. This is a bare minimum, but, only with the assurance of at least that much, can we hope to build an organization where personal meaning and mutually beneficial dreams will serve as an anchor at the time of making these difficult balancing acts.\textsuperscript{31}

\textit{Moral Contract IV - dialogue based on the primacy of tact and civility} - reaffirms simply the importance of the moral climate for organizational effectiveness and social learning.

While this last requirement may appear trite, one should not underestimate the difficulty of overcoming the existing degree of cognitive dissonance about the existence of organizational violence in the rapports among and between politicians, bureaucrats and citizens, and the breakdown of trust which obviously ensues. Until this reality is squarely confronted and individuals accept that they cannot change anything unless they are willing to change themselves, it may be difficult to obtain an agreement on \textit{Moral Contract IV} either because, wrongly, it is assumed that it is a non-problem, that civility prevails already, that everyone that has anything to say is heard, or because, equally wrongly, it may be presumed that the content of such a norm is trivial and inconsequential.

These four moral contracts constitute the necessary conditions for the creation of a new corporate culture capable of ensuring a deliberative and participative governance. They are required if a new workable implicit employment contract of the new public service is to be negotiated. The central question is: how likely are we to be able to count on such moral contracts emerging as new norms in the near future?

(4) Four Environments

The moral climate that is likely to emerge will obviously depend on the nature of the Canadian socio-economic circumstances during that transformation period. If the next decade is a period of rapid economic growth, the transformation will proceed much faster and with greater ease than if economic stagnation is the rule. In the same way, the transformation will be accelerated in a world of enthusiasm for social change while it will be stalled in a world of social rigidity and sclerotic mindsets.

A useful summary of different futuribles has been proposed by Mercier et al.\textsuperscript{32} in terms of four sets of circumstances. These circumstances have been associated with four winds mentioned in the Greek mythology: BOREAS (the wind from the North corresponding to a situation of economic crisis and social rigidity), EURUS (the south-west wind denoting a desire for social change rendered painful by economic difficulties), NOTUS (the south wind connoting strong economic growth but a strong allergy to social change), and ZEPHYR (the west wind associated with strong economic growth and robust adaptation to social change).

The combination of slow growth and institutional sclerosis until the end of the 1980s, followed by faster growth in the 1990s but with much social rigidity remaining, has made the transformation of the public service difficult even under the mixed blessing of NOTUS. The recent acute deceleration in economic growth is a great source of concern, for one may even
anticipate that the transformation will have to occur under the terrible influence of BOREAS.

These contextual forces will have a determining impact on both the process through which the Canadian public service will be transformed and on the contours of the new public service culture and model. Indeed, one may state unhesitatingly that the nature of transformation will be affected by these circumstances, to an extent that might completely overshadow the boldness and astuteness of internal initiatives.

* * * * *

Summarizing the last section in the reverse order in which the issues were brought up, we may say:

* first that much will depend on the sort of wind that will be blowing over Canada and that a reasonable forecast is that those changes will be carried out in a world of slow economic growth and strong socio-political resistance to change;

* secondly, that while much progress has been made in emphasizing the central importance of the new moral contracts as new partnerships develop to provide the requisite flexibility and nimbleness and in allowing them to be discussed openly, the stakeholders are still very far from being persuaded that such conventions and norms are necessary and not very well equipped when it comes to guidelines in the process of arriving at workable conventions;

* thirdly, that the very recognition of the existence of multiple loyalties and of the need for a new sociality is neither recognized nor even acknowledged: the rigid top-down Westminster model of governance is still regarded by a fair majority of the stakeholders as the only acceptable model. Therefore, it is unlikely that the notions of accountability and loyalty will be redefined completely in the next quinquennium even though, informally, it is recognized as necessary by a large number of observers;

* finally, and this is an echo effect of our third point, even though market employment mechanisms may appear flawed to most, the view in good currency is that they represent the only workable way. The Axsmith model is therefore proposed as the workable protocol to deal with alternative delivery mechanisms while the upstream policy development continues to be regarded as a natural preserve of the traditional public service. While models such as those developed in New Zealand would appear to question the existence of any obvious border between the policy development domain and the delivery mechanism domain, and while social learning would appear to require an integration of the two domains for an effective evolutionary policy-making, the putative boundaries between the to domains remains in good currency.33

**From Here to the New Covenant in Six Difficult Steps**

Strategic action to catalyze the transformation process of the Canadian public service culture may
be examined under two general rubrics: (1) there is the action required to develop a new philosophy of governance so as to ensure that the Canadian socio-economy will modify its guidance system to ensure goodness of fit with the new realities and (2) there is the action required to develop a new philosophy of leadership so as to ensure that the whole process through which we choose, evaluate and help executives do their work will be modified to make it congruent with the requirements of the new governance. In the case of each rubric, we proceed in two steps: first, we state for the record what would appear to be the new requirements on the governance and on the leadership fronts, and then, secondly, we put forward some very precise pre-conditions for a coherent strategy to emerge.

Before we proceed, it may however be useful to minimize the possibility of misunderstanding by introducing a number of clarifications.

First, these issues need to be addressed at all levels of the public service, as well as by politicians, unions and other stakeholders, but the requisite dialogue would be only a whimsical fantasy unless debates on these issues are legitimized and built into the daily practice of the federal central agencies. Otherwise the sort of bottom-up process of social learning that is essential would soon die out.

Secondly, and this danger is the exact obverse of the first, it is essential that all the stakeholders take part in the renegotiation of the new covenant right from the start and that the central agencies not be allowed to appear to hijack the process. Otherwise, again the bottom-up dynamics would soon die out. Consequently, we suggest that the process be designed in such a way as to allow maximum input from below right from the beginning.

Thirdly, it must be clearly understood that our "modest proposals" are not meant to be anything definitive but rather a set of preliminary ideas that might deserve attention at a time when the dialogue is beginning on what "a new Public Service model" might look like.

(1) A New Philosophy of Governance

a/ General Principles

At first, when organizations were relatively small, governance had a fiefdom-quality. The dialogue was very informal and strongly focused on the leader. This has often been the governance system of small entrepreneurial firms and of small public sector agencies. But as the size of the socio-economy grew and the problems it has to face grew more complex, organizations had to develop more elaborate structures and more formal rules to orchestrate collective action; from this emerged more or less standardized bureaucratic forms of organization. Large private and public bureaucracies played an important role between the 1940s and the 1970s.

As long as the environment remained relatively stable, bureaucracies thrived as their rules remained valid and effective. However, as the pace of change accelerated, problems became less structured and ever changing, and the bureaucratic system, with its slow capacity to transform
its rules, began to show signs of dysfunction. This led to efforts to partition private and public bureaucracies into smaller self-contained and more flexible units. In the private sector, large companies created a multiplicity of more or less independent profit-centred organizations more attentive to the changing needs of the clients and more adaptable to evolving circumstances. With a lag, public bureaucracies have gone the same route with for instance the creation of executive agencies in the United Kingdom or special operating agencies in Canada. Organizations came to be governed to a much greater extent than before by the "invisible hand" of the market forces.

But the price-driven steering mechanism often proved less than perfect. For instance, it proved insensitive to third-party effects and external economies, and very poorly equipped to appreciate and foster synergies. As a result, an effort was made to re-introduce the requisite amount of cooperation in the governance of organizations through the development of a variety of informal links - liens moraux - based on shared values i.e. the corporate culture. The private sector developed very quickly these new informal clan-type organizations. Public organizations proceeded at a much slower pace. The Public Service 2000 exercise was one of the first occasions drawing attention to the centrality of organizational culture, but, for all sorts of reasons we cannot analyze here, it never succeeded in modifying the traditional culture.

Such a modern bottom-up clan-type governance system cannot be engineered top-down by the leader: the organization can only govern itself by becoming capable of learning both its goals and the means to reach them as it proceeds. This sort of governance system is fundamentally built on intelligence and innovation: a capacity to tap the knowledge and information held by active citizens, active public servants at all levels and to get them to invent ways out of the predicaments the organization experiences. A leader in this new context must be able to ensure that the institutional setting is capable of promoting and ensuring the highest degree of social/organizational learning. This, in turn, requires that all stakeholders become part of the learning and of the change process and are led to effect and support change without hesitation because the institutional setting ensures fair risk-sharing.

b/ Modest Proposals

Our three modest proposals are in line with this new philosophy of governance. They pertain to three aspects of governance that need to be taken in for repairs.

i. The first one has to do with efforts to give a second life to the Program Review exercise or to the equivalent or similar exercises that have developed in parallel at the provincial and local levels. We have argued elsewhere\(^5\) that initially a philosophy of subsidiarity was underpinning the Program Review but that the 1994 Program Review exercise was transformed into a simple cost-cutting process as a result of the pressures generated by the fiscal imperative. However, there may a small window of opportunity for a refurbishment of the Program Review process as a result of the panic generated by the October 30, 1995 referendum in Quebec.\(^6\)

What is most important in the next round of Program Review and in the parallel exercises conducted at the provincial and local levels is (1) that it be geared fully to answering the six basic questions raised in round one but especially the first four\(^7\), it should generate an
important degree of re-responsibilization of the citizen and a massive devolution of responsibilities to the private and social sectors and to lower-order governments; (2) that the required analysis and consultation involve in a meaningful way the citizenry on whom public services are bestowed but also the private and social sectors, and the lower-order governments.

While this may appear to be very far from concerns related to the renegotiation of the implicit employment contract, it is a pre-requisite to any real rethinking of the way in which the public service will be redesigned. Unless one knows as clearly as possible what will be the responsibilities devolved to the federal government in the new governance system, but also what will fall into the bailliwicks of the provinces, of the municipalities, of the social sector and of the private sector, it is difficult to gauge the nature of the transformation of the public service that is required and what new Public Service model is called for.

ii. The second proposal pertains to the adoption of new principles to reflect the multiple loyalties required for the success of the new governance system. As it stands now, the principles of the Westminster model are inadequate to meet the needs of the new governance. New guidelines (inspired by the moral contracts mentioned above but by others maybe) are required to help select, guide, inspire, develop, evaluate and reward public servants in a manner that would recognize these multiple loyalties. Such principles, however, can be operative only if they are the result of a process of organizational learning involving all levels of the public service and all the stakeholders, with central agencies perhaps acting as facilitator. At a minimum, the Privy Council Office, the Treasury Board Secretariat and the Public Service Commission must give a clear signal that they are extremely open and presumptively favorable to a process of social learning leading to new principles. These should reflect the emerging multiple loyalties being actively developed to redefine the process of hiring, evaluation, remuneration of public servant but also the workable degree of risk-sharing that can be reasonably demanded from public servants to ensure maximum learning. This, of course, will require a reframing of the outlook of those agencies from that of order-giver and rule-setter to that of facilitator and animateur.

iii. The third proposal deals with the process of social learning which underpins the new governance. It calls for an explicit recognition that public administration deals with wicked problems where goals are multiple, ambiguous and uncertain, and means-ends relationships volatile and changing. This in turn requires that the governance system abandons its demands for infallible, universal and mechanical methods of problem solving. Yet public administration has been prone to demand such infallibility in the past. Such a view is dangerous for it instills an undue optimism into the practice of public administration and such "optimism restricts anticipation of error, minimizes its probability, and leads to the concealment of both its occurrence and the severity of its effects".

This state of affairs would appear to fit very well the Canadian scene. In a recent debate, Donald Savoie has stated clearly the nature of the malaise even though he did it without seemingly finding anything wrong with it: "in government, it does not much matter if you get it right 90 per cent of the time because the focus will be on the 10 percent of the time you get it wrong". In this context, it is hardly surprising that errors and mistakes are denied with such vehemence
and success-fixation revered in a manner that can only lead to a rejection of managerial techniques built on error-correction.\(^{41}\)

A more reasonable philosophy of governance would not be built on success-fixation. It would recognize that the greater the nimbleness and agility of an organization, the greater the probability of error. This in turn calls for the development of technologies, structures and incentive reward systems, but also for an overall understanding of what the organization is legitimately about, that would take into account this sort of constraints in designing the new governance.

This requires that the new public sector governance system (1) be designed to incorporate technologies to detect error quickly, for artificial systems like organizations cannot necessarily restore themselves; (2) be structured in such a way that the requisite ’security zones’ and ’empowerment levers’ are in place so that the learners have both a firm ground on which to stand and the tools necessary to take the sort of action called for as a result of learning; it is our view that this can only happen if some negotiated risk-sharing arrangement among the stakeholders has been arrived at; (3) be designed to ensure that the process of learning from errors and of "progressive reduction of error" are explicitly legitimized.

The emphasis must clearly be put on the dynamic cognitive efficiency and effectiveness of organizations: this tends to dedramatize error and to promote "progressive reduction of error" as a modest objective worth pursuing in the new modest state. This is what being a learning organization is all about.

Some have argued that the sole pressure of the threat generated by market competition suffices to drive employees to maximum performance. This is based on an unduly restrictive and reductive view of human beings, and one that is mostly wrong. Human beings have a broad range of sensitivities and needs: they demand both support and stimulation. Ignoring these sensitivities is bound to force the system to operate much below capacity.

The implicit part of the new employment contract must deal with both the support side (the ’security zones’ that even entrepreneurs need in order to be creative and the ’risk-sharing’ that will provide maximum incentive to embrace change and to disseminate new knowledge) and the stimulation side, (i.e. the motivation of employees, by recognizing that it is not driven only by coercion and threat but even more by the commitment to the pursuit of novelty).\(^{42}\)

Indeed, the substance of the new covenant has to be very much determined by the negotiation of both the required additional stimulation from below and from above: the nature of the security required for the employee to perform the task creatively and the nature of the enticement to pursue novelty and to go beyond one’s limit that is required for the full creative capacity of the employee to be tapped.

(2) A New Philosophy of Leadership

a/ General Principles
The critical challenge facing public service leaders is a direct consequence of the complexities and intricacies of the new kind of work required by the new governance. The inter-relationships among levels of government, departments, stakeholders and citizens as well as among jobs and functions within the public service are bound to be more complex and very unspecified. The leaders’ job is to ensure that the new governance system works well. Leadership is about breathing life into structures. But it is crucial to recognize that "it is fruitless to be a leader in an organization that is poorly designed": leadership entails therefore some concern for design and continuous interaction with the construction of the governance system.43

Even though we will refer mostly to persons in positions of authority, it should be clear that leadership is not the preserve of executives, senior managers and supervisors. Leadership is a process (not a task nor a position) in which persons at all levels of the organization must partake. By focusing on those who are expected to effect change, we wish to emphasize two main points: (1) that those in authority may, because of their authority, make or break the new governance; and (2) that those who wish to institute change cannot do it at arms’ length and be themselves untouched by the change. Leadership is not about manipulating an object outside of and independent of the leader: "senior managers who labor under this misconception don’t learn to play their complementary part and therefore unconsciously undermine the reorganizations or cultural change they initiate".44

For leadership is about cultural change. And to modify a culture three main ingredients are necessary: a capability for meaning-making, a capacity for community-building and much honesty and an ability to inspire trust and confidence.

First, the new governance system requires making sense of people’s experience by putting it into a larger context, thereby providing a sense of purpose, a story of why people do what they do, a way to shape the organization by building a shared vision with the many stakeholders. Meaning-making is about reflecting meanings that existed in the partners and connecting them to one another in new ways appropriate to the demands of the new situation.45

Second, community-building is about establishing, developing, maintaining, sustaining and nourishing relationships within and between organizations. It is all about skilfully working interfaces where dilemmas, inconsistencies, contradictions, paradoxes are omnipresent. This requires the mastery of dialogue, the capacity to suspend judgment, to question one’s assumptions.

Hervé Sérieyx describes very well the leader as community builder:

"Le véritable acteur de l’entreprise en réseau est un accoucheur (il sait faire émerger une innovation), un fécondateur (il sait enrichir ses découvertes de celles des autres), un facilitateur (il met l’innovation en oeuvre sans déstabiliser l’organisation quotidienne), un guetteur (il apporte des idées venues d’ailleurs); c’est un peu un concierge le ‘doorkeeper’ qui fait circuler l’information entre des parties relativement séparées de l’entreprise), un intégrateur (il met en relation
Thirdly, leadership cannot emerge unless one can promote "adaptive capacities rather than inappropriate expectations of authority", for leadership is "influencing the community to face its problems". This cannot be accomplished without some sort of 'social contract' between the leader and the community: "leadership as influence promotes influence as an orienting value, perpetuating a confusion between means and ends".\(^{47}\)

The heart of the matter is not goal-seeking and control, but intelligence and innovation: the definition of standards and norms, and the negotiation of a moral, intellectual, and emotional norm-holding pact built on a multi-level dialogue in which (1) leaders and community are in some measure the shaper and the shaped, and (2) the whole institutional process becomes itself the learning process and the source of the redefinition of norms and standards as a result of experience.\(^{48}\)

b/ Modest Proposals

Bringing about the kind of leadership necessary for the new governance system to take hold requires a thorough renewal of our way of selecting, evaluating and coaching leaders.

i. The first proposal has to do with the selection, promotion and deployment of executives. It calls for revisions in the current practices to ensure (1) that the selection be done according to criteria that echo the profile of the new leader, and (2) that the selection is made through a process involving various stakeholders.

While this requires no change in legislation or policy, it would call for a significant modification in practice: the definition of the profile of the executive position and the choice of the incumbent would be made not only by the supervisor and the Public Service Commission but also by representatives of the different stakeholders (employees, peers, major client groups, etc.) under the guidance of the PSC to ensure due process and impartiality. While current practices already encourage the composition of interview boards comprised of the stakeholders, our proposal goes much further: it calls for the stakeholders to be involved in defining the selection profile (which for the moment is entirely left to the supervisor with possible suggestions from the Senior Personnel Advisory Committee), in arriving at a short list, checking references, etc. with employees being present at each step of the process.\(^{49}\)

The inclusion of the stakeholders would force dialogue among them which can only help anchor the process of organizational learning. Critics will argue that this would require time and dilute management’s authority to deploy personnel as it seems fit. That is precisely the point. Meaning-making, shared vision, community building and organizational learning cannot occur without dialogue. Dialogue takes time and is costly. But poor selection based on a very partial identification of needs and leading to demotivated employees can only translate into organizational sclerosis or in-fighting, reduced productivity, low creativity and innovation and
dissatisfied clients. This is much more costly.

ii. Our second proposal deals with how, once appointed, managers are supported, coached, mentored and developed. At the risk of generalizing, the current model is one of "sink or swim". Executives are expected to be quick studies and to possess almost instantly all the knowledge and skills of their new positions. Some managers at all levels are known to boast not only that they expect instant high performance but expect such performances instantly under the most extreme and demanding conditions. This sort of situation has led to organizational disaster and would, if anything, be exacerbated by a shift to the market employment model. This proposal calls for personal development to be regarded as a planned process of learning through feedback, coaching, mentoring as well as other self-directed activities. Personal development becomes part of a contract where responsibilities are not shovelled on the employee entirely but shared by employer and employee. It would require a paradigm shift: from the boss knows to the leader learns. It would require also that managers develop a new appreciation for all the phases of the learning cycle - questioning, finding possible answers, testing to see if their work, and reflecting on the lessons learned.  

iii. Our third proposal calls for a new process of evaluation for executives and a rethinking of the whole incentive-reward system for this category of personnel. Just as the stakeholders must be involved in selecting executives, so they must be in evaluating them. The 360° degree appraisal must become the norm and as a result of it a process of dialogue and values clarification must be instituted.  

Deputies and central agencies will be expected to reward formally and informally those persons who meet all aspects of the new leadership profile and to avoid celebrating those who excel in certain areas only to the detriment of others. If one may use the Jack Welch approach as a template, one may suggest a system where several key leadership dimensions are evaluated and where even if an executive has had a very positive impact on the bottom-line, he or she will be released if their treatment of employees does not reflect the values espoused by the corporation. This is called “walking the talk” and our experience with hundreds of executives in the classrooms of the Canadian Centre for Management Development tells us that such an approach would be supported by most executives who feel that several key leadership factors are ignored when the time comes to reward and promote individuals.  

This third proposal is the kingpin of the transformation process. No change will occur if employees continue to perceive that rewards go mostly to those whose policy skills and political savvy are geared entirely to serving mindlessly the whims of their superiors irrespective of their capability for meaning-making, their capacity for community-building and their ability to inspire trust and confidence and to deal with people at all levels.

As Hervé Sérieyx would put it:

"Demander à des fonctionnaires de travailler autrement sans prévoir de distinguer ceux qui acceptent d’accomplir cette mutation et ceux qui
s’y refusent, sans transformer les systèmes de notation, de promotion, de rémunération, d’intérêtement, c’est réduire le renouveau du service public à un sympathique encouragement du type "Allez-y les petits gars". Cette "boy-scoutisation" des stratégies de changement est souvent perçue par les acteurs les plus dynamiques du renouveau du service public comme sa pire limite et, à moyen terme, comme son plus sûr germe d’échec".

Conclusion

One may reasonably ask why we have felt we had to roam over such a vast territory in our reflections on the search for a new covenant for the public service. The main reason is that we believe that the traditional employment framework cannot simply be replaced by a nexus of market employment contracts. So we had to provide some basis for the development of the new "moral framework" that will be required as an essential complement to the market contracts.

The contours of this new "moral framework" is currently debated but it is nowhere presented very clearly. The recent Hubbard interview may have revealed the general shape of the public service of tomorrow but it has not revealed the soul of this new model. It is not our role to determine what this new "moral framework" should be, but we have felt that it might be useful to sketch the process that might get us there.

This process depends first on the recognition that a nexus of market employment contracts will not suffice. This is a point we have made forcefully and, we hope, persuasively. As to the content of the required complementary "moral framework", we have argued that it would have to provide (1) ways of dealing with multiple loyalties by public servants in the modern age and (2) ways of effecting the moral contracts for the new "moral framework" to coalesce. We also emphasized the point that the task would be more difficult that had been anticipated because of the likely period of slow economic growth and of the high degree of social rigidity that would appear inevitable in the years ahead.

To forge the new "moral framework", we have suggested that one must proceed in six steps. Each of these steps will be very difficult because each call for a genuine revolution in the mind, a nouvelle manière de voir.

On the governance front, we feel that wide-ranging consultations can lead (1) to a reconfiguration of the new federal Public Service (Program Review Phase II) and (2) to the replacement of the Westminster model by a more modern version taking fully into account the multiple loyalties of public servants; we also suggested that (3) a major redirection in the guiding principles of public administration toward a social learning process is absolutely necessary.

On the leadership front, we feel that there is need to rethink profoundly the notion of leadership in the new non-centralized, distributed governance system. We have sketched the general features of the new leader and we have suggested some dramatic modifications in the machineries that govern (1) the entry and promotion of executives in the federal public service, (2) the nature of
the support and training they get in the process, and (3) the process of evaluation and the whole incentive-reward system of executives.

These changes point the way to a new "moral framework" that would appear to fall half way between the old model and the nexus of market employment relations that has been suggested by some as the only workable alternative. This new "moral framework" will be based on a looser series of ties among a larger number of stakeholders. It will not easily accommodate dependency but will emphasize the central importance of the avventura comune as the binding factor or at the very least what Aristotle identifies as concord ("a relationship between people who ... are not strangers, between whom goodwill is possible, but not friendship ... a relationship based on respect for ... differences").

This may provide for the federal public service what has been provided by successful private sector enterprises for their employees: not a naked market-based employment contract but a two-tier contract with a tacit unwritten but centrally important component to ensure a reasonable degree of risk-sharing between employers and employees. The full burden of risk will not be shouldered entirely by the employer as in the old "moral contract" nor by the employee as in the market-type employment contract, but will be shared after extensive negotiations involving not only those two parties but by many of the stakeholders who have such an interest in these negotiations that they will not permit any longer that negotiations be carried out without them.

GP/LP
March 1996

References


8. For a statement of the new vision, see The Way Ahead for the Public Service (Discussion Paper for the Directors of Personnel Conference, Cornwall, October 4-6, 1994). There are on-going reflections on this issue in both Treasury Board and the Public Service Commission and it is regarded as work of the highest strategic priority.


16. Many academics and practitioners have developed similar ideas but few have been as influential as Murray Axsmith on the Ottawa scene. One may refer to Murray Axsmith, "Contracts to become flexible" Canadian H.R. Reporter (14 February 1994) pp. 14-15; Murray Axsmith, "The Work Force: How It Will Change" Career Options, 7 (1993/94) pp. 5-7.


26. W.T. Easterbrook has examined the pre-condition of 'entrepreneurship' in bureaucracies and enterprises. While the enterprise form is characterized with a greater dispersion of power, it requires nonetheless some 'security' to thrive. Easterbrook identifies four types of security necessary for enterprise (economic, social, ethical and political). These are the fundamental components that need to be provided by the negotiated implicit contracts. See "The Climate of Enterprise" American Economic Review 39 (1949), pp.322-335; "Political Economy and Enterprise" Canadian Journal of Economics and Political Science 15 (1949) pp. 322-333; "Uncertainty and Economic Change" Journal of Economic History 14 (1954) pp. 346-360.

27. Gilles Paquet, "Betting on Moral Contracts" Optimum, 22, 3 (1991-92) pp. 45-53. A moral contract is nothing more than a convention or a moral code in the relationship between or among partners. For a detailed examination of the way moral contracts and conventions have been analyzed quite differently in the American and the European literature as mechanisms of coordination, see P.Y. Gomez, Qualité et théorie des conventions (Paris: Economica, 1994).


34. This section draws freely from Gilles Paquet "Paradigms of Governance" op.cit.


37. The Program Review was announced in the February 22, 1994 budget and the basic philosophy and guidelines underpinning this review of government operations were spelled out in the form of six tests that departments were asked to apply in the review and assessment of their activities:

<table>
<thead>
<tr>
<th>Test</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Interest Test -</td>
<td>Does the program areas or activity continue to serve a public interest?</td>
</tr>
<tr>
<td>Role of Government Test -</td>
<td>Is there a legitimate and necessary role for government in this program area or activity?</td>
</tr>
<tr>
<td>Federalism Test -</td>
<td>Is the current role of the federal government appropriate, or is the program a candidate for realignment with the provinces?</td>
</tr>
<tr>
<td>Partnership Test -</td>
<td>What activities or programs should or could be transferred in whole or in part to the private/voluntary sector?</td>
</tr>
<tr>
<td>Efficiency Test -</td>
<td>If the program or activity continues, how could its efficiency be improved?</td>
</tr>
<tr>
<td>Affordability Test -</td>
<td>Is the resultant package of programs and activities affordable within the fiscal restraint? If not, what programs or activities would be abandoned?</td>
</tr>
</tbody>
</table>

38. While we do not know exactly the content of the report prepared in the early 1990s by Robert René de Cotret and a blue-ribbon panel of experts to suggest ways of restructuring the federal government apparatus, it has been reported widely that much of their recommendations purported to effect major changes in the role of central agencies very much in line with what is suggested here.


41. For a glaring illustration of this, see the exchanges between Donald J. Savoie and Sandford Borins in *Canadian Public Administration* 38, 1, (1995) pp. 112-138. The ethos of Canadian public administration as described by Donald Savoie is one (by contrast with the private sector) with an extraordinarily low tolerance for mistakes. This fixation on success is attributed to "a political environment that is always on the lookout for "errors". Savoie’s
Manichean view of the world suggests, very much like Jane Jacobs’ *Systems of Survival* (New York: Random House, 1992) that there is such incommensurability between the private and public sector that any attempt to reform the latter by using experiences from the former is bound to fail at best or at worst to generate "monstrous hybrids". Savoie is led to defend the status quo and to hold the politicians and the political institutions responsible for what may be imperfect in the present system. Instead of focusing on the failings of bureaucrats and the public service, we should focus on "fixing" our political institutions and then laws of Parliament.

Borins’ belief that "by emphasizing clear objectives and written performance contracts, the new public management should increase rather than diminish the accountability of public servants to ministers and of ministers to Parliament" may be equally simplistic given the "wicked" nature of so many problems faced by public servants and the impossibility of ever writing complete and all-comprehensive contracts in a turbulent world. Consequently, much will depend on "moral contracts" or implicit arrangements and conventions and these are not always given their due by the new public management literature. For instance, and this is a point suggested by Savoie’s paper though not raised explicitly by him, there may be a need for new moral contracts between the government and the opposition and the government and the media before one can escape the trappings of success-fixation.

What would appear to emerge from this debate is that neither the status quo nor narrow-minded managerialism will do. The "wickedness" of management problems (which is not only a feature of public sector issues) demands that a third way be explored between the pure Savoie and the pure Borins positions. Indeed, this is exactly what we have tried to develop.


49. While for the moment, (1) the Public Service Commission "chairs" the process, approves and appoints, (2) the supervisor defines the profile and is usually the "most listened to" in the appointment process (3) some stakeholders are members of the selection board (but never
employees), the new process would aim at getting most stakeholders (including employees) involved in the profile definition and selection processes.

