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Living within our means – Pragmatic solutions for governments in deficit

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These are challenging times for governments at all levels. While public sector leaders are always working within limited budgets, the current economic situation is placing extraordinary pressure on government finances. Left with massive deficits due to stimulus spending and weakened tax revenue, governments require pragmatic solutions to improve their cost structure.

Consider the numbers. According to government estimates, the federal and provincial governments are projecting a combined \$90.1 billion budget deficit for 2009-10, the equivalent of \$2,690 for every Canadian.

Why do governments need to act? The budget problem facing many governments is structural in nature and won't be fully addressed by an economic recovery.

Where should governments start? Governments have been in deficit before but the depth of the recession, the fragility of the recovery, and the need for continued infrastructure spending puts governments in a difficult position, and creates conditions unlike those of recent recessions.

Traditional tools such as public service hiring freezes and wage freezes are available, but true structural change requires a more thoughtful approach. Consider the following four opportunities to manage within a deficit:

1. *Review lost revenues to determine the root cause for the loss.*
2. *Identify and eliminate programs that are no longer relevant.*
3. *Explore how resources are expended on activities within the organization.*
4. *Examine the strategic value of assets.*

During these tough economic times, governments have a responsibility to recalibrate their spending and revenues – this is what it will take to live within our means.

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