

**2005 - 2006
PERFORMANCE
MANAGEMENT PROGRAM
GUIDELINES**

**HEADS OF AGENCIES
AND OTHER
GOVERNOR IN COUNCIL
APPOINTEES**

**Senior Personnel and Special Projects Secretariat
Privy Council Office
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PERFORMANCE MANAGEMENT PROGRAM GUIDELINES

The purpose of this document is to provide an overview of the Performance Management Program as it applies to heads of agencies and other Governor in Council (GiC) appointees eligible for performance pay, other than deputy ministers and chief executive officers of Crown corporations.

This guide and all related documentation are available on the Privy Council Office Web site at: www.pco-bcp.gc.ca/performance-rendement.

PROGRAM OBJECTIVE

The objectives of the Performance Management Program are:

- to encourage excellent performance by recognizing and rewarding the achievement of results that are linked to business plans and government objectives and the demonstration of leadership competencies, values and ethics; and
- to provide a framework within which a consistent and equitable approach to performance management can be applied.

COMPENSATION PLAN

In February 1998, the government accepted the recommendations contained in the *First Report of the Advisory Committee on Senior Level Retention and Compensation*. As a result, a new compensation policy for heads of agencies and other Governor in Council appointees was introduced.

Cash compensation for senior personnel has two components - base salary and performance pay. Performance pay has two elements - a variable amount (at-risk pay) which must be re-earned each year and a bonus for performance that surpasses expectations. As in the private sector, it would be expected that most senior personnel would receive at-risk pay.

An effective performance management program is integral to the success of the compensation plan.

PERFORMANCE MANAGEMENT PROGRAM COMPONENTS

Eligibility

To be eligible for performance pay, incumbents appointed by the Governor in Council must normally hold their positions for at least six (6) consecutive months in the performance cycle. This period allows the incumbent sufficient time to achieve measurable results. If the period covered by the performance evaluation is less than 12 months (full performance cycle), then the performance pay, if approved, is prorated.

Certain GiC appointees performing quasi-judicial or other functions where the receipt of performance pay could be seen as a conflict of interest are not eligible to participate in the program.

Performance Agreement

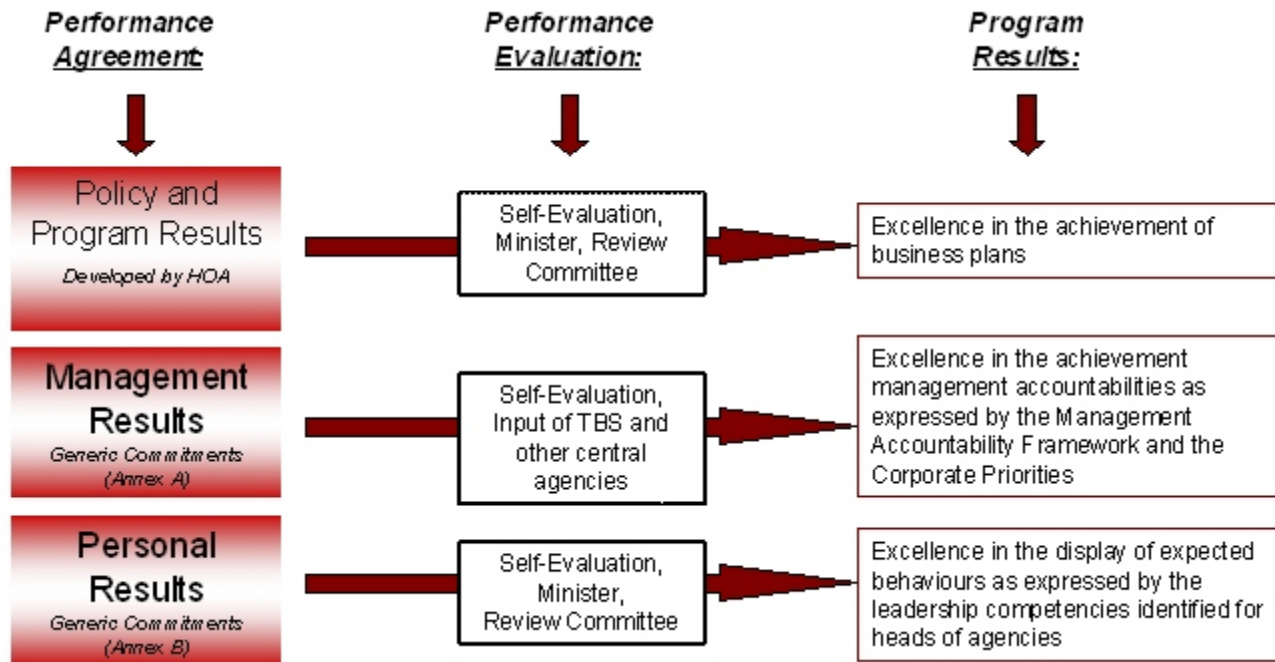
The performance agreement is a mutual understanding between the appointee and the appropriate authority as to what is expected for the performance cycle. This performance agreement is comprised of commitments and their related performance measures in the following three categories:

- 1) ***Policy and Program Results:*** These commitments reflect the organization's priority areas of focus during the performance cycle related to business plans. They are challenging but achievable with effort through the individual's own influence and control. They are also results-oriented and measurable. Individuals are expected to develop commitments based on the business plans of their organizations.

Each commitment must be accompanied by related performance measures which are observations or data that determine and define if and how well the commitments are met. They will form the basis of reporting at the end of the performance cycle.

- 2) ***Management Results:*** Individuals with responsibility and accountability for the management of an organization will also be measured on their progress against core organizational and management accountabilities as described in the Corporate Priorities issued annually by the Clerk of the Privy Council and in the Management Accountability Framework of the Treasury Board Secretariat. Individuals' performance will be assessed against the generic management commitments (Annex A) which will serve as the benchmark for expected performance.

- 3) **Personal Results:** These commitments reflect the expected demonstration of the leadership competencies required to successfully carry out the responsibilities of the position. Individuals' performance will be assessed against the generic leadership commitments (Annex B). They may establish particular leadership commitments as appropriate.



Changes to Performance Agreements

Changes may be made to the performance agreement during the performance cycle, in consultation with the appropriate authority.

Performance Evaluation

At the end of the performance cycle, each GiC appointee completes a self-evaluation assessing achievements against the agreed upon commitments. GiC appointees also complete an evaluation of any subordinate GiC appointees in the same manner.

Additional information is sought, where appropriate, to supplement the evaluations including:

- the input of the responsible Minister (where applicable);
- the comments of central agencies including Treasury Board Secretariat reporting on results in relation to the Management Accountability Framework; and
- the input of a committee of deputy ministers with portfolio responsibilities that will review performance to ensure consistency in the application of the program and provide advice to the Governor in Council.

Evaluation Results

Overall performance is evaluated with the following possible results:

- *No Performance Pay/Unable to Assess*

Did not achieve the performance expectations or unable to assess the performance during the cycle (leave, training, special assignment).
- *At-Risk Pay*

Has achieved the performance expectations.
- *Bonus*

Has surpassed performance expectations.

The amount of performance pay is determined by the degree to which the commitments were achieved, the relative contribution of the individual in achieving results and the manner in which these results were achieved.

Performance Pay

The Performance Management Program provides the opportunity to earn compensation as follows:

- *In-Range Salary Movement*

Movement through the salary range up to the maximum of the range, is earned through the successful achievement of commitments. Normal progression for successful performance is 5% per year. Higher or lower percentages may be approved based on the degree of performance against expectations. No in-range salary increase is awarded for performance that does not achieve expectations.
- *At-Risk Pay*

This lump sum payment is equivalent to a percentage of base salary and must be re-earned each year, based on the successful achievement of commitments. This payment does not increase an individual's base salary but is included in average salary for pension calculations. At-risk pay can be earned regardless of an individual's position in the salary range, however, no at-risk pay is awarded for performance that does not meet expectations.

- *Bonus*

This lump sum payment is in addition to at-risk pay and is based on the individual's demonstrated performance that has surpassed expectations. Like at-risk pay, this payment does not increase an individual's base salary but is included in average salary for pension calculations. Bonuses can be earned regardless of an individual's position in the salary range.

- *Economic Increase*

Eligibility for an economic increase, as recommended annually by the *Advisory Committee on Senior Level Retention and Compensation*, is earned through the successful achievement of commitments. An economic increase is also awarded in cases where performance is unable to be assessed for reasons such as leave, training, etc. No economic increase is awarded for performance that did not achieve expectations.

In implementing in-range salary increases, at-risk pay and bonuses, the salary used as the base for calculations is that in effect on the last day of the performance cycle, that is, March 31st. Economic increases are based on the salary following application of any in-range salary increase.

The following table illustrates the maximum compensation available according to performance and the individual's level:

Summary of Compensation Eligibility Pursuant to the PMP for 2005-2006					
Evaluation Results	Definitions	At-Risk Pay	Bonus	In-Range Salary Increase	Economic Increase
<i>No Performance Pay</i>	Unable to Assess	X	X	X	✓
	Did Not Achieve Performance Expectations	X	X	X	X
<i>At-Risk Pay</i>	Achieved Performance Expectations	✓ GC-1-5: Up to 7% ✓ GC-6-9: Up to 10% ✓ GC-10: Up to 13%	X	✓	✓
<i>Bonus</i>	Surpassed Performance Expectations	✓ GC-1-5: 7% ✓ GC-6-9: 10% ✓ GC-10: 13%	✓ GC-1-5: Up to an additional 3% ✓ GC-6-9: Up to an additional 5% ✓ GC-10: Up to an additional 7%	✓	✓

Approval

Compensation for heads of agencies and other GiC appointees is approved by the Governor in Council. Copies of the Order in Council authorizing payment are provided to the individuals concerned for forwarding to their compensation office for implementation.

Communications

To ensure transparency and understanding of the program objectives and results, as well as alignment of commitments within the organization, individuals are encouraged to share their performance commitments with their organization.

Process

The performance management process varies from one GiC appointee to another depending upon factors such as reporting relationships and the nature of the organization and portfolio. The process is initiated each year by a call letter from the Deputy Secretary to the Cabinet (Senior Personnel and Special Projects), Privy Council Office. This letter is individualized and provides details of the process to follow.

Timelines

February

- Corporate priorities are finalized.
- Call letters are sent requesting an evaluation of the previous year's performance and a proposed performance agreement for the next performance cycle.

January - March

- Heads of agencies and other GiC appointees finalize planning processes, meet with management teams on commitments, etc.

April

- Evaluations and performance agreements are due with a copy to the appropriate authority.
- Input on performance is received from various sources such as Ministers, Treasury Board Secretariat, etc.

May

- Deputy minister meeting is held to review evaluations, as applicable, to ensure consistency in the application of the program and to provide advice to Governor in Council.

June

- Performance pay is implemented.

Management Results Generic Commitments

These commitments reflect the core organizational and management accountabilities as described in the Management Accountability Framework* of the Treasury Board Secretariat.

Policy and Programs

Organizational research and analytic capacity is developed and sustained to assure high quality policy options, program design and advice to ministers.

People

The organization has the people, work environment and focus on building capacity and leadership to assure its success and a confident future for the Public Service of Canada.

Citizen Focussed Service

Services are citizen-centred, policies and programs are developed from the "outside in" and partnerships are encouraged and effectively managed.

Risk Management

The executive team clearly defines the corporate context and practices for managing organizational and strategic risks pro-actively.

Stewardship

The organizational control regime (assets, money, people, services, etc.) is integrated and effective, and its underlying principles are clear to all staff.

Accountability

Accountabilities for results are clearly assigned and consistent with resources, and delegations are appropriate to capabilities.

Public Service Values

Through their actions, organizational leaders continually reinforce the importance of public service values and ethics in the delivery of results to Canadians (i.e. democratic, professional, ethical and people values).

Governance and Strategic Direction

The essential conditions - internal coherence, corporate discipline and alignment to outcomes - are in place for providing effective strategic direction, support to the minister and Parliament, and the delivery of results.

Learning, Innovation and Change Management

The organization manages through continuous innovation and transformation, promotes organizational learning, values corporate knowledge, and learns from its performance.

* Individuals should consult the Management Accountability Framework for a complete understanding of the commitments and performance measures.

Personal Results Generic Commitments

These commitments reflect the expected demonstration of the skills and behaviours required to successfully carry out the responsibilities of the position.

VALUES AND ETHICS – Serving with Integrity and Respect

An effective leader:

- Demonstrates values and ethics including the Code in personal behaviour;
- Integrates values and ethics including the Code in departmental practices;
- Makes decisions without favouritism or bias;
- Models and instills commitment to the agency mandate, citizen-focused service and the public good;
- Provides fearless advice and acts with the courage of his/her convictions;
- Recognizes and reconciles conflicting values;
- Creates a collaborative, inclusive and diverse culture built on official languages and employment equity policies; and
- Models, communicates and builds a culture of respect for people and public service principles.

STRATEGIC THINKING – Innovating through Analysis and Ideas

ANALYSIS

An effective leader:

- Frames issues with thorough understanding of legislation and the subject matter area;
- Identifies links between global, societal, and economic trends; stakeholder concerns; the agency agenda; public service values; and regional and horizontal issues;
- Extracts the key issues from complex, ambiguous, rapidly changing contexts; and
- Analyzes problems thoroughly before developing solutions.

IDEAS

An effective leader:

- Provides quality judgment and advice;
- Develops vision and plans based upon the broader portfolio and public service vision and policy; and the national and international context;
- Projects beyond the status quo to the agency's potential contribution to society;
- Sets necessary transformational goals with broad perspectives and long term timelines;
- Encourages debate and ideas from across hierarchies, skills sets, and stakeholders;
- Anticipates emerging issues/changing contexts and develops strategies quickly to solve problems, or seize opportunities; and
- Teaches and learns from others.

ENGAGEMENT – Mobilizing People, Organizations, Partners

An effective leader:

- Develops effective working relationships and trust with partners and stakeholders;
- Acts as an interface and builds relations between partners and stakeholders;
- Mobilizes and motivates teams to achieve objectives;
- Builds a commitment to excellence and common purpose by promoting the vision internally and externally;

- Creates and collaborates with strategic alliances to achieve agency and shared objectives;
- Develops and implements effective communication and engagement strategies with partners;
- Builds support through influence, negotiation, and balancing interests;
- Removes barriers to collaboration; and
- Works with other heads of agencies as a corporate collective to improve efficiency and effectiveness.

MANAGEMENT EXCELLENCE – Delivering through Action Management, People Management, Financial Management

ACTION MANAGEMENT: Design and Execution

An effective leader:

- Leads organizational change that maximizes agency and portfolio results;
- Builds an effective, sustainable organization through stewardship and governance;
- Creates, aligns and integrates structures, systems, and teams to better achieve objectives;
- Integrates the business plan into a transparent management framework;
- Integrates comptrollership, Management Accountability Framework, federal legislation, regulations and policies in organizational practices;
- Fulfills obligations of management accountabilities;
- Applies and encourages strategic risk management practices;
- Integrates human resources, finance, information technology and information management and communications issues into planning and actions;
- Revises goals and plans to reflect changing priorities or conditions;
- Commits to a course of action despite incomplete information, if required;
- Makes decisions, initiates urgent actions, and remains calm in crisis situations; and
- Recognizes and acknowledges errors and makes corrections.

PEOPLE MANAGEMENT: Individuals and Workforce

An effective leader:

- Invests time in managing and developing people, individually and collectively;
- Looks after people and builds staff morale;
- Provides clear direction on priorities;
- Encourages reasonable and strategic risk-taking;
- Recognizes and rewards results and deals constructively with setbacks;
- Gives clear, honest feedback and manages non-performance;
- Builds accountability and value for people management within the EX community;
- Provides people with the on-going learning, support and tools they need;
- Ensures the workforce has the capacity and diversity to meet current and future needs;
- Implements rigorous human resources systems and fulfills obligations of human resources management accountabilities; and
- Collaborates within other heads of agencies on human resources initiatives and issues.

FINANCIAL MANAGEMENT: Budgets and Assets

An effective leader:

- Implements strategies to achieve operational efficiencies and value for money;
- Builds, operates and monitors rigorous systems for Financial Information Management and internal audit and evaluation;
- Fulfills obligations of accountabilities for finance and assets management;
- Delegates authority, responsibility and accountability to appropriate levels;
- Acts on audit, evaluation and other objective performance information;
- Links financial and performance information; and
- Manages stewardship issues actively, e.g. chairs audit and evaluation committees; seeks strategic re-allocation.