



# **Prime Minister's Advisory Committee on the Public Service**

## **Third Report to the Prime Minister**

February 2009

### **Achieving Results: Accountability and Action**

Canada



## **MESSAGE FROM THE CO-CHAIRS**

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We are pleased to present to you, Prime Minister, the third annual report of your Advisory Committee on the Public Service, which includes our observations and recommendations on the future development of the Public Service of Canada.

With the global economic downturn upon us, renewing the federal Public Service is more important than ever. In this uncertain context, the federal Public Service will be challenged to adopt new and more effective ways of conducting its work, while seeking efficiency gains wherever possible. Essentially, the current environment underlines the importance for the Public Service to adapt quickly to this new reality; and we believe that this is what Public Service renewal is all about.

More specifically, in this report we advance our observations and recommendations to support a balanced approach to reasonable risk taking and provide insight into what has become known as the Public Service's "web of rules." Our emphasis is on the need to have the right rules in place to ensure accountability, transparency, and consistency, while providing results for Canadians. We are of the view that this requires reducing the number and complexity of unnecessary rules that can cloud our ability to achieve these important goals.

We are happy to see that many of the recommendations in our first two annual reports have led directly to tangible actions and real results across the Public Service. This is most encouraging.

Once again, we appreciate your personal commitment to the Public Service, and we look forward to continuing our work.

The Right Honourable  
Donald F. Mazankowski

The Honourable  
Paul M. Tellier

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## PART I: SETTING THE CONTEXT

The world in which the Public Service of Canada operates has changed drastically over the last six months. This new environment is characterized by economic uncertainty and instability around the world.

The challenges facing the federal Public Service that we laid out in our previous reports, such as demographic pressures, continue to require attention and are now exacerbated by the new economic reality.

“The Public Service of Canada is a key national institution. Public servants...deliver programs and services to millions of Canadians in every region of this country, from our largest cities to the most remote Arctic communities. ...Our Government is committed to the continued renewal of the Public Service.”

Speech from the Throne – November 2008

In this context, there is no doubt that a strong and innovative Public Service is more important than ever. One of the strongest attributes of our Public Service is its capacity to adapt quickly to change. We must ensure the federal Public Service remains dynamic and adaptable. Meeting this challenge demands immediate actions and requires a multi-faceted approach.

**First**, the process of Public Service renewal, launched by the Clerk of the Privy Council in 2006, aims to ensure that the government enjoys the benefits of a skilled and knowledgeable workforce now and in the future. To this end, strategic recruitment and employee development both remain important, especially in the current economic context.

“The main objective of the Prime Minister’s Advisory Committee on the Public Service is to help shape a national institution, geared to excellence, which is distinguished by highly-engaged and highly-skilled people performing critical tasks with professionalism and efficiency that rivals any organization anywhere. The Advisory Committee provides advice to the Prime Minister and the Clerk of the Privy Council on matters related to the future development of the Public Service of Canada.”

Committee Mandate – November 2006

**Secondly**, as stated in our second annual report, it is crucial to have in place a “high performance” Public Service, one that can respond quickly to Canadians’ needs and provide Ministers with advice to the highest standards of excellence.

**Finally**, we are calling for a Public Service that:

- ▶ is able to take risks;
- ▶ is accountable and adaptable;
- ▶ enhances productivity and removes barriers to efficiency and innovation;
- ▶ spends prudently and with restraint;
- ▶ maintains effective working relationships with elected officials and citizens;
- ▶ is able to attract, develop and retain knowledgeable employees; and
- ▶ is inclusive and representative of people from all parts of Canadian society (i.e., where different ideas, experiences, perspectives and backgrounds are valued and generate better solutions).

“Innovation plays a key role in economic progress and lifting living standards. The most critical factor in encouraging innovation is getting the framework conditions right....”  
OECD Economic Surveys: Canada 2006

## **PART II: TAKING STOCK**

In our last annual report, *Pursuing a High Performance Public Service*, published on February 22, 2008, we chose to focus our observations and recommendations on two areas: (1) the human resources governance and accountability structure; and (2) performance management.

The Committee is pleased to note that the Prime Minister and the Public Service have acted on both of these recommendations.

## **HUMAN RESOURCES GOVERNANCE**

Recently the Prime Minister announced changes to streamline and improve the management of human resources in the Public Service. The changes underline the fact that Deputy Ministers are primarily responsible for human resources management within their organizations.

As a result, central agencies responsible for human resources management will now focus on activities that both support the Deputy Minister role and are best carried out corporately.

This structural transformation represents much more than a straightforward adjustment in the machinery of the Public Service. It is indeed a culture shift, the impact of which must be managed carefully to be sustainable. For example:

- ▶ all players must share a common understanding of their new roles and responsibilities;
- ▶ adequate levels of support must be provided to Deputy Ministers (e.g., tools, advice and resources); and
- ▶ central agencies must re-define and integrate their new roles and pull back from overly prescriptive involvement in the management of departmental resources.

The changes will enable Deputy Ministers, their management teams and human resources professionals to manage their people more fully and effectively.

## **PERFORMANCE MANAGEMENT**

The Clerk has taken a significant first step in strengthening the performance management program for Deputy Ministers and Associates where a “best-in-class” system is in place. Work remains to be done to align the performance management approach for the entire executive cadre with that of Deputy Ministers and Associates.

We believe strongly that more needs to be done to deal with poor performers. Ignoring or mismanaging unsatisfactory performance often leads to morale problems and represents a significant disincentive for the vast majority of public servants who are doing great work. Although some policies, tools and training opportunities exist that can help managers and executives manage performance in a broader and more systematic way, more attention is required.

In this regard, we note that the *Advisory Committee on Senior Level Retention and Compensation* (the Stephenson Committee) is looking closely at these performance management issues.

## **RECRUITMENT**

Over the last year, we observed good progress on recruitment, as well as the specific commitments for action included in the *2008-09 Public Service Renewal Action Plan*. For example, the Public Service piloted four career fairs across the country to recruit post-secondary students. We were pleased to hear about the positive impact these events have had on the branding of the Public Service. No doubt, this is a great way to demonstrate that the Public Service is an employer of choice.

We also met with several young Public Service executives and were impressed by the enthusiasm, knowledge and commitment they displayed in serving their fellow Canadians. Despite these successful examples, however, the Committee believes that at a system-wide level, more can be done in:

- ▶ promoting potential careers in the Public Service while stressing the importance and attractiveness of serving one's country;
- ▶ supporting all new recruits upon entering the Public Service (e.g., access to mentors and career advisors);
- ▶ ensuring people from all parts of Canadian society are represented throughout the Public Service, including at senior levels; and
- ▶ offering a stimulating career and work environment to talented Canadians.



In summary, the Committee is pleased to see that its recommendations to date have led directly to a variety of tangible commitments and actions, most of which were captured in the 2007-08 and 2008-09 *Public Service Renewal Action Plans*.

### **PART III: OBSERVATIONS AND RECOMMENDATIONS**

In the past year, we have learned a great deal regarding the Public Service's capacity for risk management, the complexity and multiplicity of rules and reporting requirements that govern the Public Service, as well as the inadequacy of internal management systems.

In our view, immediate and decisive actions are warranted to address each of these issues. In this regard, we intend to provide clear recommendations with a view to achieving concrete results.

#### **MOVING TOWARD A RISK MANAGEMENT APPROACH**

The federal Public Service's risk management capacity has declined in recent years. Departments and agencies have moved away from risk management toward risk avoidance through the creation of numerous rules, procedures and reports.

With the objective of ensuring the government is well managed and accountable, central agencies have established an array of government-wide rules and reporting requirements. In addition, departments and agencies have put in place their own sets of unique rules and processes. This is what has come to be known as the "web of rules."

"...it is true that there are rules. I would even say that there are many rules. One may even think that there are too many of them. Perhaps we should come back to principles of sound management instead of creating more rules.

Long ago, we did an audit, before the legislation on human resource management was changed. At the time, we discovered that there were 70,000 rules for managing human resources in the federal government. When there are too many rules, they become irrelevant, and people can no longer tell essentials apart from non-essentials."

Auditor General of Canada – May 9, 2006

Our purpose is not to downplay the importance of rules and regulations. Given the unpredictable world in which the federal Public Service operates, we fully understand that checks and balances are necessary to provide Canadians with a level of assurance that they have every right to expect from their government. Effective rules help to build the trust of Canadians who demand accountability and transparency in the management of their tax dollars. Rules have also demonstrated their importance in times of crisis, particularly in certain “high” risk areas like the financial and health systems.

That being said, we believe that the Public Service needs to find the right balance. Too many rules and procedures have negative implications on timely decision making, productivity, and innovation, ultimately hindering effective service delivery to the public.

The ability of the federal Public Service to effectively stimulate innovation and manage risk, while reducing the administrative and reporting burden, is linked closely to the processes and systems in place to carry out key internal functions (e.g., financial and human resources management). We were appalled to see that many of the systems within the Public Service are seriously outdated. For example, the pay system is built on a 40-year-old platform that costs 15 times more per employee to operate than the industry standard.

***What are the anticipated benefits of simplifying the “web of rules”?***

It will:

- stimulate initiative and innovation, while motivating public servants
- reduce administrative delay and increase the Public Service’s capacity to meet Canadians’ expectations
- instil a risk management culture
- enhance transparency

In summary, there are three distinct areas where the Public Service needs to advance:

- ▶ the current risk management approach, which tends to nullify rather than manage risk;
- ▶ the “web of rules,” which results from excessive rules, procedures and reporting; and
- ▶ the poor performing information systems.

“...administration in the federal government is hobbled by a well-intentioned but ill-conceived apparatus of controls built up since the First World War to prevent the misuse of personnel and public money. These controls deny to operating departments the authority needed to be efficient, weaken their sense of responsibility and inhibit the development of effective management methods.”

“Let the managers manage.”

Glassco Commission – The Royal Commission on Government Organization – February 1963

In researching and discussing these issues, we took into account the work being undertaken by the Treasury Board and its Action Plan to address the “web of rules.” This plan identifies specific initiatives to strengthen risk management capacity, eliminate unnecessary rules and reporting requirements, and modernize administrative processes and systems.

***What is Treasury Board proposing to address the “web of rules”?***

Treasury Board Action Plan includes initiatives that will:

- eliminate unnecessary approvals in the delivery of grants and contributions (e.g., new *Treasury Board Policy on Transfer Payments* will reduce the number of Treasury Board submissions required by 10% per year)
- clarify the rules that guide human resources and financial management (e.g., government-wide policies are being reduced by 50%)
- request that individual departments and agencies take at least one critical action to address their own “web of rules”

While we are encouraged by these specific measures, they represent initial steps that will sustain only limited results. Much more fundamental management change and visible leadership are required throughout the Public Service, as risk avoidance and the “web of rules” are both entrenched and systemic. A “whole of government” approach must be taken, while at the same time focusing on the needs of individual departments (i.e., move away from a one size fits all approach).

To advance rapidly and to stimulate more movement on this front, we suggest the following.

**First of all**, the Public Service should adopt a principles-based approach to risk management in applying necessary rules and procedures. In other words, this is about:

- ▶ permitting and maximizing managers’ knowledge and experience in making decisions;
- ▶ finding the right balance between the requirements imposed by the rules and the actual levels of risk involved;
- ▶ moving away from the comfort of prescribed rules by reducing the number to those that are truly necessary; and
- ▶ clarifying the responsibilities of all key players.

***An effective risk management approach should:***

- be structured
- be an integral part of the decision making process
- take into account all risks and consider indirect and long-term impact
- minimize losses
- be based on best available information
- be transparent
- be responsive to environmental change

Such cultural and structural changes are not insignificant undertakings and will take time. To be successful, there must be consistent realistic goals put in place on an annual basis. Sustained leadership, at the most senior levels, will also be key.

**Secondly**, senior public servants and elected officials must accept that there will always be some degree of risk and uncertainty at play in managing complex issues. The important thing, however, is for decision makers to understand how risks will be managed in order to foster confidence in the ability of managers to take well informed decisions. This will require tolerance for potential mistakes, and an ability to learn from them which will be far outweighed by increases in efficiency, innovation and employee engagement.

**Finally**, while recognizing the challenges posed by the current economic environment, the Public Service must consider opportunities to modernize its internal management processes and systems. Although they play an essential role in sustaining the core operations of the Public Service, the systems currently in place are inadequate considering our goal of achieving an innovative and efficient workplace.

We understand the reluctance to address the issue of systems due to the potentially high level of required investments. However, investments in these areas are long overdue, and will no doubt pay future dividends.

In this regard, the modernization of the pay system should be a top priority. We are very supportive of the idea of a centralized pay administration, which could be modelled on the existing pension system, operating from a single location. If we do not act soon on the pay system, we are putting the Public Service at a disadvantage in attracting and retaining talented employees.

***Current human resources business processes and systems do not, for example:***

- facilitate collective staffing and/or the storing of information regarding pools of candidates, which could be considered in filling future needs
- make assessment tools and statements of merit criteria readily available for use in staffing processes
- automatically include new employee information into HR files, often resulting in payment delays
- allow for HR files to be transferred quickly when an employee starts a new job in a different department

***This results in:***

- constraints in the recruitment and mobility of public servants
- duplication of efforts and delays
- a lack of integrated planning

Given the current economic and policy challenges facing the country, there is a pressing need for government, through the Public Service, to achieve results for Canadians. We conclude that simplifying the number of rules and reporting requirements as well as modernizing internal management systems would result in a more efficient organization, boosting the Public Service's productivity, and enhancing its accountability.

## **RECOMMENDATIONS**

In these uncertain economic times, the Public Service must adapt quickly to effectively deliver on results and it is within that context that the Committee recommends that:

1. A "whole of government" principles-based approach to risk management must be taken to empower the Public Service to focus on results.
  - Senior leaders and elected officials should be prepared to take informed risks to expedite decision making and action on identified priorities in order to deliver results to Canadians.  
  
They should also support public servants by acknowledging that there are potential risks inherent in managing complex issues.
  - Central agencies should reduce their oversight on high-performing departments (i.e., those with a proven track record of managing resources and risk effectively).
  - Departments and agencies should be challenged to take decisive measures to address their own "web of rules."  
  
Action needs to occur on all these fronts concurrently to demonstrate visible change and momentum.
2. A program for renewing systems and technology in the Public Service should be established. The modernization of the pay system should be a top priority.
3. Public Service renewal, including a continued program of new entry recruitment, should remain a top management priority especially in these difficult economic times.

## **PART IV: CONCLUSION**

### **WHAT NEXT?**

In this report, the Committee has chosen to focus its observations and recommendations on the issue of risk management. Given the importance and complexity of this issue, the Committee wishes to be kept apprised of the progress made throughout the Public Service in this area.

Furthermore, in the coming months, the Committee intends to:

- ▶ look at the means to address poor performance in the Public Service — actions/tools to strengthen management of poor performers;
- ▶ look at a comprehensive plan to address the current state of systems and technology in the Public Service;
- ▶ explore the key human resources trends and challenges emerging in some specific areas of the Public Service, such as scientific capacity and regulatory functions;
- ▶ discuss values and ethics issues that managers in the federal Public Service can face;
- ▶ explore ways for the Public Service to work more collaboratively with other sectors, including looking at career development programs such as Interchange Canada; and
- ▶ track progress on the changes to human resources governance and follow up with the new Chief Human Resources Officer.

**APPENDIX 1: MEMBERS OF THE PRIME MINISTER'S  
ADVISORY COMMITTEE ON THE PUBLIC  
SERVICE**

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Royal Bank of Canada*

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Chancellor, McMaster University*

*Sheila Weatherill, C.M.*

*Dr. Indira V. Samarasekera, O.C., President and  
Vice-Chancellor, University of Alberta*