



FINAL REPORT

Review on Capacity to Deliver HRDC's Programs and Services

Project No.: 405/98

Project Team

Director General: J.K. Martin
Audit Director: G. Tanguay
Team Leader: C. Waugh
Auditors: M.-J. Bigras
B. Cyr
C. MacNeil
Regional members: T. Bouchard
B. St-John

APPROVAL:

Original copy signed by:

DIRECTOR:

Ginette Tanguay

April 14, 1999

Date

DIRECTOR GENERAL:

James K. Martin

April 14, 1999

Date

April 1999



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1.0 EXECUTIVE SUMMARY

The Internal Audit Bureau's (IAB) review on *Capacity to Deliver HRDC's Programs and Services* was conducted to identify and more fully understand the issues related to how effectively we deliver HRDC programs and services to the client. This review involved a broad assessment of local and regional workplace pressures.

The magnitude and complexity of organizational changes have had an impact on HRDC's ability to provide programs and services. A moderate risk to departmental capacity presently exists. Capacity problems do not result from a single cause, but rather a "layering on" of interconnected pressures.

Five themes emerged from our analyses: Integrating Changing Realities, Financial Constraints, Sustaining Quality, Human Resource Complement, and Staff Development. Recommendations are provided which focus on integration, balance, and culture. Employee dedication to client service explains how we have been able to surmount these pressures.

Major Findings:

The findings in this report were derived from the input of 195 individuals, 63% management and 37% staff, whom we consulted in the fall of 1998. Themes identified in this report may be familiar as they complement information gained from other departmental studies. A significant difference with this project, however, is the breadth of inquiry and the high level of consistency of views expressed on impediments to the delivery of programs and services.

This review provides an opportunity to learn from the experiences of employees at all levels of HRDC. A full recognition of dynamics of a changing organization will help us to re-adjust accordingly. Following are the most relevant issues challenging our capacity to deliver programs and services:

- 1. Integrating Changing Business Realities:** New operational realities are not adequately appreciated. Labour market development agreements (LMDA), regardless of the type of agreement, have increased the complexity and amount of work; the workload implications and resource requirements were not fully anticipated. Corporate initiatives and decisions are sometimes planned and implemented without realizing the full impact on field operations. Regions with devolution agreements are struggling to develop and implement Pan-Canadian activities as they have few remaining full time equivalents (FTE) and no EI Part II dollars. Regional concerns revolve around the need for adequate resourcing and the need to respect an integrated approach to planning.

- 2. Financial Constraints:** There is little flexibility outside of program and salary allocations to cover unexpected expenses, emerging priorities, or increasing overhead costs. Additional costs are mounting due to increased use of technology. Managers suggested that the criteria on which operation and maintenance (O&M) allocations are made is in need of review. O&M budgets are further drained from increased consultations within the department and with external partners. Managers are seeking to maximize the use of funds but there are few opportunities for savings to be generated and efficiencies gained.
- 3. Sustaining Quality:** Managers and staff are concerned that our capacity to achieve and ensure high quality output is compromised. Increased workload and the priority given to meeting key performance indicators appear to be contributing factors. There are emerging symptoms that suggest quality is slipping. Presently, our organization applies short-term, reactive approaches to programs and service management. As a result, there is a potential to lose sight of client needs, create financial risks, generate more work in the long-term and negatively affect employee morale.
- 4. Human Resource Complement:** The impact of major organizational changes, such as downsizing and devolution, has contributed to a scarcity of human resources and a loss of corporate knowledge. Maintenance of the “critical mass” needed to meet operational requirements is difficult. Some areas have been identified as being particularly vulnerable including: Labour operations; LMDA support; Corporate Services; policy support activities; some Pan-Canadian and Income Security Programs activities; and small offices.
- 5. Staff Development:** Given current operational realities, opportunities for staff development and for supporting employees are limited. This is particularly problematic since our new work environment demands expanded “soft skills” and technological competencies. To compound this issue, present departmental demographics indicate that many employees are approaching retirement age and staffing options are cumbersome. HRDC will need to seriously address this issue in the near future.

It is important to recognize that HRDC has made substantive achievements in the delivery of programs and services despite enormous organization change. The dedication and commitment of employees to quality service is a reason for these achievements.

Themes emerging from our findings provide insight into ways which might help build on organizational strengths. To realign departmental practices and reduce capacity pressures, it is recommended that:

- *The Service Delivery Committee develop an action plan to address coordination issues;*

- *The HRDC National Management Board ensure that, in evaluating the performance of executives, they are seen as rewarding a balanced management approach; and*
- *National Management Board formally discuss how to support a culture that encourages managers to manage priorities and risks with openness and with a commitment to achieving the broader organization goals.*

2.0 INTRODUCTION

Recently, many managers within HRDC have suggested that the resources available to them are not sufficient. The ability to meet operational objectives is becoming increasingly difficult. The concept of *capacity* is an ambiguous one, particularly in a context such as HRDC's where there is a broad range of operational objectives and clients.

Over the past few years, numerous organizational changes have reshaped HRDC. A series of initiatives have been introduced to respond to the changing departmental landscape. Some of these have included: program review, workforce adjustment; implementation of LMDAs; changes to the Service Delivery Network; development of a departmental vision statement; and numerous technological innovations. Along with new expectations for how work is done in the Department, these changes have also affected our capacity to deliver programs and services.

In addition to this IAB review on capacity, other departmental initiatives have assessed issues related to capacity within HRDC. A few examples include:

- Resource Model for Labour Program Delivery;
- Ontario Region Future Directions Review;
- Regional Financial and Capacity Pressures, Service Delivery Working Group; and
- Strengthening Delivery Capacity, Labour Market Development, Human Resources Investment Branch.

Findings from these works appear to support and complement our findings from this review.

3.0 REVIEW SCOPE

The Internal Audit Bureau recognized that any review of capacity would need to be broad in nature, involving discussions with many departmental employees who work in different functions and at regional and local office levels of the organization. The locations selected for this review are shown in Table 1 below. The six regions chosen were intended to reflect HRDC's asymmetrical environment. Fieldwork was conducted from the end of September to early December of 1998.

In each region visited, interviews were conducted with regional executive heads, regional directors and managers from key programs and services areas [Employment Insurance (EI), Income Security Programs (ISP), Pan-Canadian activities and Labour], as well as from corporate services [Human Resources (HR), Finance and Information Technology (IT), and Planning]. At the HRCC level, directors and managers were interviewed and group sessions were held with five to six employees representing all areas of the office. Managers and/or management teams from four ISP Processing Centres and one EI Telecentre were also interviewed.

In total, 195 participants were interviewed either individually or in group arrangements. One hundred and twenty three (123) of the 195 participants (63%) were representatives from management, while the remaining 72 participants (37%) represented staff from various levels and positions.

Table 1 - Site Visit Table

Regional Offices	Local Offices	ISP Processing Centre	EI Telecentre
Ontario	2 HRCCs, 2 Satellite Offices	1	
British Columbia/Yukon	2 HRCCs, 2 Satellite Offices		1
Quebec	3 HRCCs, 1 Satellite Office	1	
Alberta/NWT	2 Canada-Alberta Service Centres	1	
New Brunswick	2 HRCCs	1	
PEI	1 HRCC		
Totals	17	4	1

A detailed explanation of the methodology used for this review can be found in Appendix B.

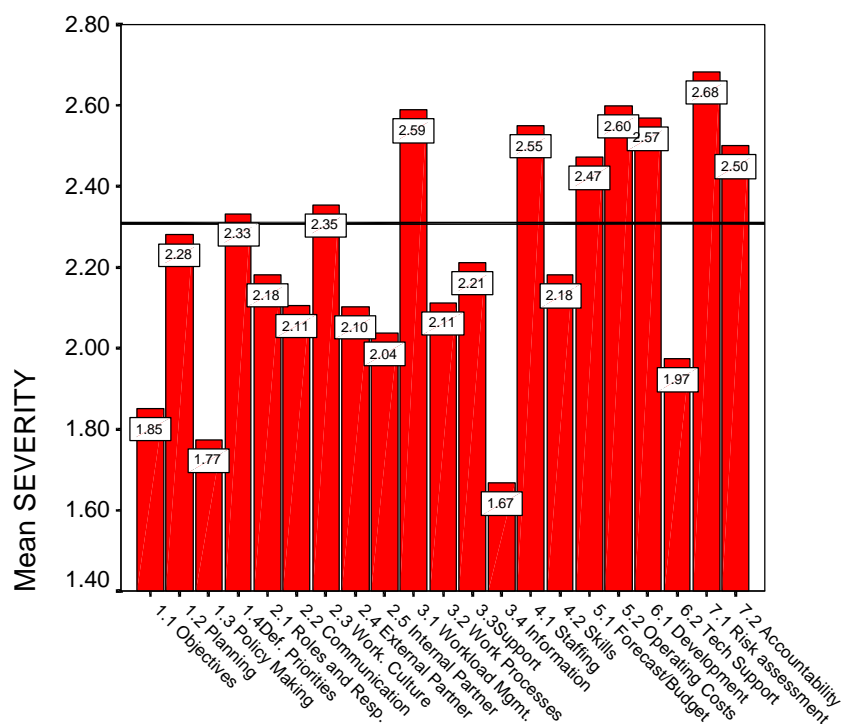
4.0 FINDINGS

Interviews with 195 employees yielded 1620 observations, each which were given a risk severity rating from 1 to 5.

The national average for risk severity was calculated for all review criteria across all regions and was determined to be 2.33. This indicates that a **moderate** risk to departmental capacity presently exists. One might assume that this level of risk to capacity is reasonable given the amount of change the organization has undergone recently. This being said, it is still important to identify those areas that pose the most risk and engage in efforts to alleviate them as best as possible.

The graph in Figure 1 illustrates the mean scores for each criterion across the regions. For the purpose of this review, it is assumed that the issues with means above the national average—the nine criteria above the bold line—are the ones requiring the most attention presently.

Figure 1: Severity Ratings by Criteria



Limited analyses were conducted to identify whether any differences existed among regions. Three regions obtained risk scores higher than the national average of 2.33. They included Ontario (2.48), Alberta (2.45) and Quebec (2.38). The impact or potential impact of a devolution model LMDA is likely a main factor for the higher scores in Alberta and

Ontario. It is recognized, however that all regions face capacity pressures. Some pressures are common across regions and some are due to regional uniqueness.

As part of our analyses, a comparison of findings between LMDA and non-LMDA observations was performed. The results indicated that Alberta, BC, Ontario and Quebec all viewed LMDA-related issues as creating much greater capacity pressures than non-LMDA issues.

Many of the managers interviewed spoke about the magnitude, complexity and impact of recent large-scale organizational changes. They viewed capacity issues as being more complex than a single problem or cause. They likened it to a “layering on” of pressures within a changing organization.

The five national themes, which will be discussed in this report, were derived from the nine criteria with the highest severity ratings, as noted above. Capacity issues are, for the most part, complex and can not be isolated to one single criterion or element. One must recognize and appreciate the interconnectedness of issues. For this reason, there are criteria that may fall under more than one theme. Table 2 illustrates the five themes and the criteria that are associated with each one.

Table 2: Five Review Themes with Corresponding Criteria

Themes	Criteria related	Mean
INTEGRATION OF CHANGING BUSINESS REALITIES	1.4 Defining Priorities	2.33
	3.1 Workload Management	2.59
	2.3 Workplace Culture	2.35
	5.1 Forecast/Budget	2.47
FINANCIAL CONSTRAINTS	5.1 Forecast/Budget	2.47
	5.2 Operating Costs	2.60
SUSTAINING QUALITY	7.1 Risk Assessment	2.68
	7.2 Accountability	2.50
	3.1 Workload Management	2.59
HUMAN RESOURCE COMPLEMENT	4.1 Staffing	2.55
	3.1 Workload Management	2.59
	6.1 Tech Development	2.57
STAFF DEVELOPMENT	4.1 Staffing	2.55
	3.1 Workload Management	2.59

Detailed information on these findings can be found in Appendix A. Following is a summary of each of the five prevailing themes.

4.1 Integrating Changing Business Realities

Managers in regional and local offices do not believe that HRDC, as an organization, is adequately positioned to deal with present-day realities of “doing business.” Many feel that NHQ, in particular, has a limited understanding of the complexities involved in service delivery within a post-LMDA working environment. Participants explained that

“NHQ doesn’t necessarily understand the complexity of managing LMDA. They give the same advice they would give years ago, which is not acceptable anymore.”

LMDAs, regardless of the type of agreement, have increased the complexity of work. More specifically, employees have experienced marked increases in their workloads. This is a spin-off from the need to: negotiate and/or re-negotiate LMDA; deal with a multitude of transition and maintenance issues; and, create revised approaches to managing programs that remain within federal jurisdiction. In addition to this incredible investment of time, an increased focus on provincial partnerships has created resource constraints. Money that was once spent internally is now expended on the maintenance and development of new federal-provincial relationships. Regions, not properly prepared for these unanticipated pressures, are now left strained to find ways to support LMDA needs.

Adding further to this frustration is the burden of trying to implement national initiatives and/or decisions. Regions with devolution agreements are struggling to develop Pan-Canadian activities because they have few remaining FTEs and no EI Part II dollars. The Pan-Canadian role appears to be expanding with the introduction of the departmental vision. Many employees expressed a need for more discourse and clarity around Pan-Canadian concepts. Some issues identified through such discussions might include:

- How should HRDC define and develop concepts such as community-capacity building given the diversity of the Canadian cultural landscape?
- What level of service should clients expect and receive from HRDC nationally, given new operational constraints?
- How can HRDC develop proactive programs and services in communities when resource allocation models do not provide for activities like prevention?
- How can HRDC maintain federal visibility given significant resource constraints (i.e., providing full service to geographically remote areas)?

Although regions are often consulted with regard to these and other important issues, they feel that the decisions taken do not adequately reflect or respond to the operational concerns they present. Most often, their concerns revolve around the need for adequate resourcing and the need to respect an integrated approach. Regional diversity has to be respected while programs are developed and when services are provided to clients.

4.2 Financial Constraints

HRDC, given its large array of programs and services, expends a significant amount of money on overhead. These “behind the scenes” expenses are often unrecognizable to the Canadian public. It becomes easy, therefore, to forget how relevant they are to the effective delivery of programs and services. It is often O&M budgets, then, that are targeted for attack when organizations attempt to maximize economies. The unfortunate spill-over of this reality is a compromise to the efficacy and integrity of the programs and services being delivered.

This issue is one that was readily identified as problematic in HRDC. Managers feel that little flexibility exists outside of program and salary allocations to cover innovations, unexpected expenses, emerging priorities, or increasing overhead costs. Further, they suggested that the basis for O&M fund allocation is in need of review. It has not been revised to take into consideration the new realities of the working environment. Additional costs are mounting due to increased use of technology. Many of the services now provided to Canadians are delivered via computers. The implementation of these systems is costly and they are in need of continuous maintenance and upgrades.

“Budgeting all you want doesn’t make money appear!”

Further drains on O&M budgets come as a result of increased consultation within the department and with external partners (i.e., travel costs involved in fostering these partnerships). The departmental vision insists that employees forge new relationships with provincial and non-governmental partners. These relationships, however, come at a high price. Some managers, for example, reported on difficulties covering non-discretionary items.

Within the climate of fewer resources, managers are seeking to maximize opportunities to gain savings and generate efficiencies. However, expectations for their success in these matters can only stretch so far. An acknowledgment of new realities needs to be reached and an adjustment of O&M budgets needs to reflect new departmental needs.

4.3 Sustaining Quality

Sustaining quality is becoming a difficult challenge for local and regional offices. Many managers and employees are concerned that our capacity to achieve and ensure high quality output is compromised. This appears to stem from the considerable priority attached to meeting departmental Key Performance Indicators (KPIs). In focusing too closely on KPIs, many suggest that the broader nuances of HRDC’s performance are being neglected.

“Don’t have the time to manage the best quality service possible.”

Managers and staff suspect that quality of service might be slipping. This is based on emerging “symptoms.” For example, the increase in EI appeals and EIT inquiries may indicate that insufficient information was initially provided to the client. Further, time constraints restrict employees from taking preventative measures that may enhance quality in the long run. Specific examples of risks to quality are provided in Appendix A.

Participants suggested that the present working environment is set up to resort to short-term, reactive approaches to managing programs and services. This sets up the potential to:

- Lose sight of client needs,
- Create an increasing number of financial risks,
- Create more work in the long-term, given the inability to thoroughly address issues at earlier stages.

Finally, the pressures to maintain organizational productivity are having a negative impact on employees. Most participants expressed sentiments of exhaustion in the workplace. Despite the reduction in the number of HRDC employees, historical expectations of productivity, standards and work flows remain. This has caused low morale in the workplace and affects job satisfaction.

Although employees seem generally committed to notions of quality in the workplace, they recognize that it comes at a high price. Recent changes to the organizational structure are making it more difficult for employees to respond to the needs of their clients and quality can no longer be guaranteed.

4.4 Human Resource Complement

The impact of major organizational changes, such as downsizing and devolution, has contributed to a scarcity of human resources and a loss of corporate knowledge. These things make it difficult to maintain the “critical mass” needed to meet operational requirements. As well, with fewer people in the workplace, many employees are left to cope with colleagues’ absences due to training and development and illness. Further, many staff are experiencing sharp learning curves with additional work responsibilities.

*“There is never a day I can leave the office with a clear conscience.”
(Employee referring to the amount of work she has to attend to)*

Under-resourced areas are particularly vulnerable. Some of these include: Labour operations, LMDA support, Corporate Services, policy support activities, Pan-Canadian activities, some ISP activities, and small/satellite offices.

4.5 Staff Development

The focus on meeting immediate operational requirements has resulted in little time to look at longer-term needs of the organization. Although managers attempt to be supportive of their staff, day-to-day pressures compromise their ability to ensure that employees receive opportunities for professional development.

Currently, managers and staff are facing a new and complex work environment with less direct support. This has resulted, by in large, from a loss of knowledgeable co-workers to downsizing and/or devolution. Further, for remaining managers, a larger portion of their time is spent away from their office attending meetings with corporate and provincial colleagues. This creates a "sink or swim" environment. Little attention can be given to providing planned developmental opportunities.

Ironically, the new work environment demands expanded "soft skills" and technological competencies. However, the Department has not made opportunities readily available for employees to gain these competencies. Given all of the current and foreseeable pressures, HRDC would be well-advised to explore options which would ensure that its employees are adequately trained and developed for the work which is expected of them. The issue of training of employees with respect to their responsibilities was identified as a recurring theme in the 1996/97 *Report to the HRDC Audit and Evaluation Committee: Status of the Management Control Framework*. This situation still prevails today.

Another significant issue, which may complicate matters, is perched on HRDC's horizon. Present departmental demographics indicate that many employees are approaching retirement age. Despite this, staffing options are presently limited. This makes managing human resources even more challenging. HRDC needs to seriously address this issue in the very near future.

5.0 LEARNING DISABILITIES

The process of implementing change is challenging for many organizations, including HRDC. Our examination of issues suggests that certain factors may inhibit positive organizational development. Factors that may inhibit positive organizational development have been referred to as “learning disabilities.”¹ The following learning disabilities may be contributing to capacity pressures in HRDC:

- **Functional Myopia** – People see their responsibilities as limited to the boundaries of their position or function. As a result, employees focus on optimizing aspects of their specific position, not the overall organization.
- **Tyranny of the Urgent** – Although much of what employees do in organizations is deemed to be important, often issues are not addressed until they become urgencies. The problem with operating within such a system is that matters are often not addressed unless they become urgent. This, in the long-term, creates additional work and adds to the stress levels of employees.
- **Quick Fixes** – We make small adjustments to adapt to our environment that work in the short term, but leave us unprepared for future changes. It is important to attain a better balance between dealing with immediate organizational needs and developing programs strategically with the organization’s future in mind.
- **Myth of the Management Team** – Managers are brought together on a team and expected to act as a team, although no team development or support exists. Managers tend to make more and more decisions these days in concert with their manager colleagues (i.e., the prevalence of management boards). Despite this, each manager, for the most part, is still held individually accountable for his or her areas of responsibility. In addition, the Department still has a tendency to reward managers individually for successes. This leads to and perpetuates organizational silos.
- **Fixation on Events** – Sometimes organizations have a tendency to focus too closely on individual events and crises. This often results in “Band-Aid” remedies to problems instead of trying to identify longer-term patterns that lie behind individual events.

¹ Notes from “Building the Learning Organization”, a seminar by Bryan Smith, The Achievement Support Centre

6.0 RECOMMENDATIONS

It is important to recognize that HRDC has made substantial achievements in the delivery of programs and services despite numerous large-scale and complex organizational changes. Themes emerging from this review provide insight into ways which might help build on organizational strengths. If some departmental practices are realigned appropriately, we may be able to reduce the magnitude and number of stressors which employees presently face. The following recommendations are presented for consideration.

Integration

Senior executives in HRDC must work to reduce silos within the Department. Efforts should be taken to create and expand horizontal coordination in the implementation of the many corporate initiatives.

- *It is recommended that the Service Delivery Committee develop an action plan to address coordination issues.*

Balance

The roles, responsibilities and priorities of managers must be clearly set out and aligned with departmental priorities and mandates. Further, HRDC needs to value and create incentives for managers to achieve balance in their goals. An appropriate balance needs to be gained between: supporting people and operational requirements; control and service; quality and productivity; long-term and short-term results; and local and corporate requirements. The Department needs to look closely at how resources are allocated to programs and services.

- *It is recommended that the HRDC National Management Board ensure that, in evaluating the performance of executives, they are seen as rewarding a balanced management approach.*

Culture

HRDC needs to promote practices that stretch beyond traditional boundaries. Solutions need to be cultivated in an environment of prevention rather than reaction. There are a variety of things that support the spirit of this commitment. Some include: 1) recognizing the need for holistic/integrated solutions to organizational capacity problems,* 2) utilizing cross-functional team mechanisms to represent the interests of relevant program and services, and 3) rewarding managers who find ways to focus on what is important, not just what is urgent.

* A capacity problem in a functional area in a region may not be cured by directly applying additional resources only.

Management needs to be committed to fostering a culture that encourages open and honest dialogue and which challenges ideas, definitions and values. Further, managers need to be encouraged to say and hear “no” if they feel expectations outweigh the capacity to deliver.

- ***It is recommended that National Management Board formally discuss how to support a culture that encourages managers to manage priorities and risks with openness and with a commitment to achieving the broader organization goals.***

APPENDIX A**ANALYSIS OF REVIEW FINDINGS****1. Integrating Changing Business Realities****Description of the Issue**

National initiatives or decisions are planned and implemented without realizing the full implications on field operations. New operational realities such as LMDAs and Pan-Canadian activities are not adequately appreciated.

Matching resourcing approaches to local realities and circumstances

- In some cases either minimal or no additional resources are supplied to cover new or expanded initiatives. The expectation is that regions will “pick up the slack”. This was noted in the decision to reclassify Service Delivery Reps from CR4 to CR5, where it was generally felt that NHQ failed to recognize the real cost of implementation. NHQ covered 50% of salary costs for the first year but there has been no provision of additional funds to cover ongoing costs.
- Regions often get infusions of resources on piecemeal or ad-hoc basis. This method of resource allocation restricts their ability to plan activities and have a more pro-active business approach.
- The workload implications of LMDAs were not fully anticipated nor adequately recognized through budget allocations.
 - ◆ The resource pressures created by LMDAs have been documented by many of the regions. Activities requiring resources include:
 - establishing liaison and focal point for provincial/federal officials;
 - managing issues of information exchange, system support, and evaluation;
 - corporate services support (e.g. communications & accommodation);
 - travel expenditures (e.g. visits to partners in northern locations); and
 - supporting result measurement activities.
- Regions are struggling to develop and deliver Pan-Canadian activities. This activity is perceived to be expanding while regions have lost a significant number of employees and expertise with devolution. It is difficult for regions to plan resource strategies as there is no standard for activities like community capacity building or prevention.

Planning and implementation strategies in our changing environment

- The general approach to implementing initiatives, whether corporate or program specific is to add on to existing workload. One comment heard was that we are “not good at stopping doing things”. It is difficult to say no to good ideas and initiatives, however the bottom line is that regional and the local offices must put these initiatives in place.
- Regions do not feel that their input is truly listened to and understood as they see decisions taken that do not reflect the regional input provided. The perception is that NHQ does not understand the context of the field environment.
- Decision making takes longer due to new partnering arrangements and adds an expanded complexity to internal coordination. This reality needs to be accommodated in planning processes.
 - ◆ One co-management region remarked that “we don’t spend \$1 without consulting with the province”, another commented that their “co-managed agreement is like having 2 captains driving the same ship”. Provincial partners can include several ministries each with their own objectives and agenda.

1. Integrating Changing Business Realities (Cont'd)

- The full impact of implementing technology projects at the local level is not always recognized. This includes the time, cost and effort to handle training requirements, maintenance, project management and back-up requirements. Although efficiencies are eventually gained, the field implications need to be fully planned for as there is limited resource flexibility in the current environment.

Improving coordination to address competing and/or multiple priorities*

- Regions are faced with competing priorities either on a corporate basis or between program functions as each competes to see their objectives met. Some of the corporate priorities include Supporting People and the Vision.
- There are numerous committees functioning within the organization and decisions of one committee can have unintended consequences in another area. Finding an effective way to coordinate the work and decisions of so many committees is difficult.
- What is needed by field offices is not necessarily seen as a NHQ priority. As a consequence efforts are duplicated to create needed products in isolation across regions. An example of this is national training packages and standardized forms and letters in the ISP area
- Staff at the field level noted that there is a lack of interconnection among NHQ players in their communications and initiatives to the regional/local level. The general impression was that there was much more integration between colleagues and functions at the local and regional level than at NHQ, the perception is that "NHQ people don't talk to each other". There are examples of regions receiving material, from separate components of NHQ, on a similar issue that shows little sign of collaboration, before the region is asked for input or comment. An integrated approach would lessen the strain on limited regional resources who must clarify and adapt NHQ material to reflect the integration of activities and functions at the field level.

Clarifying departmental directions

- The introduction of concepts like *community capacity building* and *prevention* will make program delivery more complex and possibly demand a greater investment of time and efforts. However, these orientations as well as *federal presence* or *service to clients* are not clearly defined. It is therefore more challenging for regions to plan the integration of these directions within the scope of their program operations.

Impacts

- There is added strain on regional budgets and ability to do the work.
- Complexity of dealing with operational workloads is increased.
- There is the risk that some activities will not be completed or will be delayed.
- National initiatives may be implemented to various degrees.
- Workload pressures are compounded by misunderstanding and duplication of efforts.
- Opportunities for regional input to corporate policies are not maximized.
- The planning capacity of regions is hampered without resources to match LMDAs workload.
- Regions are struggling to move Pan-Canadian activities forward.

* IAB is presently performing a review on improving the "Internal Coordination of New Initiatives." It is being carried out from a "lessons learned" perspective and will identify positive practices from improved internal coordination.

2. Financial Constraints
<p data-bbox="201 289 477 317">Description of the issue:</p> <p data-bbox="201 338 1432 428">There is little flexibility outside of program and salary allocations to cover innovations, unexpected expenses, emerging priorities or increasing overhead costs. Budget stresses are related to dollar shortages, additional cost of doing business in a new environment and reduced opportunities to generate savings.</p> <p data-bbox="201 468 380 495">Dollar shortage</p> <ul data-bbox="201 499 1432 877" style="list-style-type: none"> • Some regions reported difficulties covering non-discretionary expenses which have increased over the years. Items more frequently mentioned were: telecommunications, disability medical bills, travel, Board of Referees and training. • Sustainability of Service Delivery Network is questioned in some regions due to the cost of maintaining offices in terms of salary and infrastructure (fixed costs like photocopier, phone systems, computer maintenance). Thus economies of scale are difficult to achieve. Many managers commented that resource allocation doesn't take into account the number of satellite offices a parent office has to maintain. • Budgets are not always adjusted to regional particularities (translation costs, limited client access to technology, provision of service to other regions, etc.). • Loss of Part II funds in devolution to regions have reduced the capacity to develop activities that would fulfill HRDC's vision but are not directly linked to a specific program (prevention, development of labour market information and resource centres.) <p data-bbox="201 913 574 940">Additional cost of doing business</p> <ul data-bbox="201 945 1432 1163" style="list-style-type: none"> • Increased travel costs to participate to regional and national meetings and workshops, to work more closely with partners, and to negotiate and maintain agreements. <ul data-bbox="298 1008 1432 1066" style="list-style-type: none"> ◆ e.g. Alberta-NWT LMDA discussions involved travel to the north, which cost an average of \$3,800/trip per person. • O&M allocation has not kept pace with exponential costs of technology (development, training and skill up-date, replacement, up-grades of software and memory, maintenance, archiving, Internet and Intranet). <ul data-bbox="298 1134 1432 1163" style="list-style-type: none"> ◆ File Share and Reach Out were deemed too costly by some regions to provide remote access to SSA <p data-bbox="201 1199 607 1226">Reduced Opportunities for Savings</p> <ul data-bbox="201 1230 1432 1541" style="list-style-type: none"> • Savings that were expected with the implementation of other modes of services (telecentre, teledec, direct deposit) have not fully materialized. There are overhead costs associated with each mode of service and when the volume is spread across modes, economies of scale are lost. As a result, the overall cost for regions to provide service has not decreased and some regions had to cut in one mode to fund the other, which left little flexibility to HRCCs, as their level of permanent staff is really close to their A-base budgets. • Y2K activities has delayed system enhancements and implementation, thus delaying potential savings gained from technology. • When a new technology or procedure is implemented, the expected savings are immediately taken off the regional or local budget, without taking into account the cost of the phase out period or the need to run two systems in parallel for a certain period.
<p data-bbox="201 1612 298 1640">Impacts</p> <ul data-bbox="201 1661 1432 1814" style="list-style-type: none"> • Supplementary funds are sometimes re-directed to cover non-discretionary expenses. • Budget surplus resulting from efficiency gains are often redistributed to cover other responsibility centres' deficit. There is little incentive to effectively manage budgets because any surplus is recovered. • Discretionary expenses such as staff development, training or system development have to be postponed or reduced, affecting development of staff and limiting opportunities to streamline or gain efficiencies.

3. Sustaining Quality

Description of the issue

Sustaining quality has become a difficult challenge for local and regional offices. This partly stems from the considerable priority they attach to meeting the departmental Key Performance Indicators (KPI). A parallel focus on quality aspects would present a broader view of HRDC performance in *managing for results*.

Broadening the results focus to include quality

- Measuring how well we are performing cannot be confined to achieving HRDC's Key Performance Measures. The 1998-99 KPI continue to center on speed of service or quantitative measures. The messaging inferred is that quality is not as critical to operations, even though it is often cited that "quality is always important".
- Quality activities may not be emphasized or pursued in order to maintain productivity.
- Because of high visibility and periodic reporting for some performance indicators, there is a tendency to focus on activities that generate immediate measurement as opposed to centering on a more desirable outcome for the client. The often heard comment was "what gets measured gets done".
- It is sometimes difficult to see the link between an activity and its result. Since some results are more long term or difficult to measure, there is a tendency to devote less effort to such activities that are not directly measured (e.g., prevention, community capacity building).

Improving Measures

There were also concerns that some measures needed to be reviewed. Similar concerns were raised in the *IAB Review of Data Integrity*, September 1998. In addition:

- Regions reported that 1997/1998 employment results were not accurate. Although this situation is being addressed, it could be problematic to evaluate the provinces' performance based on the accountability framework outlined in each LMDA. The regions were concerned with the impact this has on the credibility of the department now that we are in partnership with the provinces.
- Quality is not always clearly defined or visibly measured within HRDC's accountability framework. There are few standards to assess quality and tools available to measure it are limited.

Quality Vulnerabilities

When managers and staff were asked how they suspected quality was neglected they referred to the following.

- Changing work volumes:
 - ◆ EI appeal volumes and EIT inquiries are up in certain regions, which may indicate insufficient information initially provided to the client.
 - ◆ There was increased volume of revised claims reported in some offices.
- Contract monitoring:
 - ◆ In some regions, there is little or no financial monitoring done on contribution agreements. There are concerns that the department and clients are not getting the best value from 3rd party contractors.
- Program integrity and quality control activities:
 - ◆ ISP is just beginning to conduct investigations on residence and citizenship.
 - ◆ Records of Employment (ROE) verification and exploration of mitigating circumstances are activities that take time and don't necessarily generate results for Insurance or Investigation & Control staff.

3. Sustaining Quality (Cont'd)

- Protection of financial and non-financial assets:
 - ◆ Discrepancies were found in financial practices at the local level. Chief of Administration Services (CAS) positions are gone in many sites.
 - ◆ Inventory control on physical assets cannot be done. Steps may also be overlooked in internal controls, due to resource constraints and “going on faith” that situation will be in order.
- Client service:
 - ◆ With regional asymmetry and increased flexibility that results in broader policies and guidelines, there are concerns regarding consistency, specially when it is linked to fairness to client and accessibility of services. Potential that inconsistencies may lead to client being treated unfairly.

Impacts

- Accountability framework emphasizes a short term approach and resources are dedicated to obtaining immediate and short term results versus longer term goals.
- Some activities that impact the client may not be completed because they are not measured.
- It is difficult to plan, adjust and follow-up with incomplete information on performance.
- Perception that quality is secondary lessening staff job satisfaction and morale.
- Potential exists for client overpayments or underpayments, file errors, program funds not spent wisely and less satisfied clients.

4. Human Resource Complement

Description of the Issue: Human Resources are Stretched to Deliver Programs and Services

Sufficient human resource capacity is not available for a number of functions.

“Bare bones” operations

- Although resources may appear adequate on paper, for many local offices the reality is resources are not always available where and when needed. Reasons include: training and development needs, absences due to illness, limited staffing flexibility and under-resourced activities. In some specific functions there is a clear need to have the FTE “A” Base adjusted.

Specific areas with insufficient resources

- **Labour:** Resource levels are insufficient to meet part of their mandate and legislative requirements.
 - ◆ Some of the vulnerabilities include delays in investigating and inability to meet inspection goals and provide employment equity guidelines. A Treasury Board Secretariat submission is addressing this issue.
 - ◆ The situation will not improve in the short term due to extensive training requirements for new employees.
- **LMDA Activities:** Resources for such items as maintenance of partnership agreements with the provinces were needed.
- **Corporate Services:** The Corporate Services position paper to the Ad Hoc Working Group on Financial and Capacity Pressures makes the case for needed resources. The same messages were also heard during visits to local and regional offices. Some examples:
 - ◆ LMDAs have added more pressures to the communications function. This was especially so in one small region where communications were already understaffed and where expectations are the same as larger regions; and
 - ◆ The HR function has increased demands due to activities generated by collective agreements and pay equity negotiations, Universal Classification System (UCS), and training middle -level managers.
- **Policy Support Activities:** Expectations for local and regional involvement in policy development have increased as a result of LMDAs, the Vision and an increasing shift to engage more levels of the organization in corporate agendas. Having the time to do quality policy consultation with partners internally and externally is constrained.
 - ◆ Regions are doing tasks formally done at NHQ as LMDAs and partnership activities create a need for unique regional policies versus a broad corporate policy.
 - ◆ Regions also want to be pro-active, e.g. researching and designing approaches for community capacity building.
- **Pan-Canadian Role:** Maintaining and developing resources for activities such as community capacity building was a concern in some offices. A preventive approach in the labour market and development of quality partnerships could suffer.
- **Satellite (Small) Offices:** The general consensus is that resources are really stretched in small offices and where geographic remoteness is a factor this complicates the resourcing challenge.
 - ◆ One region indicated they had a shortage of 30 FTEs for their satellite offices.
 - ◆ The optimum level of resourcing for small offices is currently under review.
- **Income Security Programs:** Several ISP activities were identified as having resourcing needs in one or more regions. These included Outreach, CPP Disability, ISP Telecentre (high turnover operation where staffing and/ or training constant) and management levels.

4. Human Resource Complement (Cont'd)

Impacts

- Some program and service requirements cannot be fully met, e.g. Labour, CPP disability.
- Quality aspects may be diminished in some cases.
- Progress towards making the vision a reality is hampered by resource constraints in some areas.
- Stress levels and overtime requirements will increase.

5. Staff Development

Description of the Issue

Opportunities to develop staff are limited by current operational realities.

Supporting People

- Regions and local offices face a number of challenges in supporting their employees.
 - ◆ Downsizing, delayering and devolution have resulted not only in skilled workers leaving but loss corporate memory for remaining employees to draw from.
 - ◆ There are now fewer options for backup when training and assignment opportunities arise. Staff were sometimes reluctant to take up development opportunities as this would add to their co-workers' workload.
 - ◆ Resource constraints compound the difficulty of matching employee training or development expectations with operational realities. (see Appendix A - *Financial Constraints*)
 - ◆ Managers/directors are away from their offices more frequently to attend to regional or corporate agendas. There is less on-site time to support staff. This is compounded by the increased span of control managers have since delayering.
 - ◆ Staff perceive contradictory messages between opportunities for employee development and continued emphasis in achieving workload targets. Development tends to be on the "back burner" for some.

Changing Skill Requirements

- Expanded competencies are required for our changing work environment.
 - ◆ There is more necessity for "soft skills". The vision, LMDAs and policy support activities require increased collaboration internally and externally with partners. Some of the soft skill needs are facilitation, conflict resolution, and negotiation.
 - ◆ Some employees were hired for skills that are no longer needed. As a result they need to adjust and be supported in acquiring the new competencies required.
 - ◆ Skills in project administration and monitoring of agreements is desired because of expanded use of 3rd party services and LMDA devolution.
 - ◆ There is more engagement of employees and middle managers in contributing to corporate discussions creating a need to understand the context and linkages surrounding HRDC issues.
 - ◆ With the increasing use of technology, some staff require more time to enhance their technological skills.

Staffing

- Staffing flexibility and options are limited.
 - ◆ Staffing processes are considered cumbersome and time-consuming.
 - ◆ Some locations have a high ratio of indeterminate staff to term staff.
 - ◆ Retaining CS support is difficult due to the competitive market.
 - ◆ Senior management positions are harder to staff as the middle management level with operational experience is no longer there to draw from. This was the experience for at least one regional ISP operation.

Future Demographic Realities

- ◆ More attention to immediate versus emerging or long-term human resource needs. Many employees are close to retirement age (within 5-10 years), yet there is not a strong focus on succession planning to address future capacity needs.

5. Staff Development (Cont'd)

Impacts

- Employees may not acquire the needed confidence and competencies to handle their job responsibilities.
- The future workforce may not be sufficient or adequately prepared to meet organizational goals.
- Human resource management has become a very challenging and time consuming task at the local and regional level.

APPENDIX B

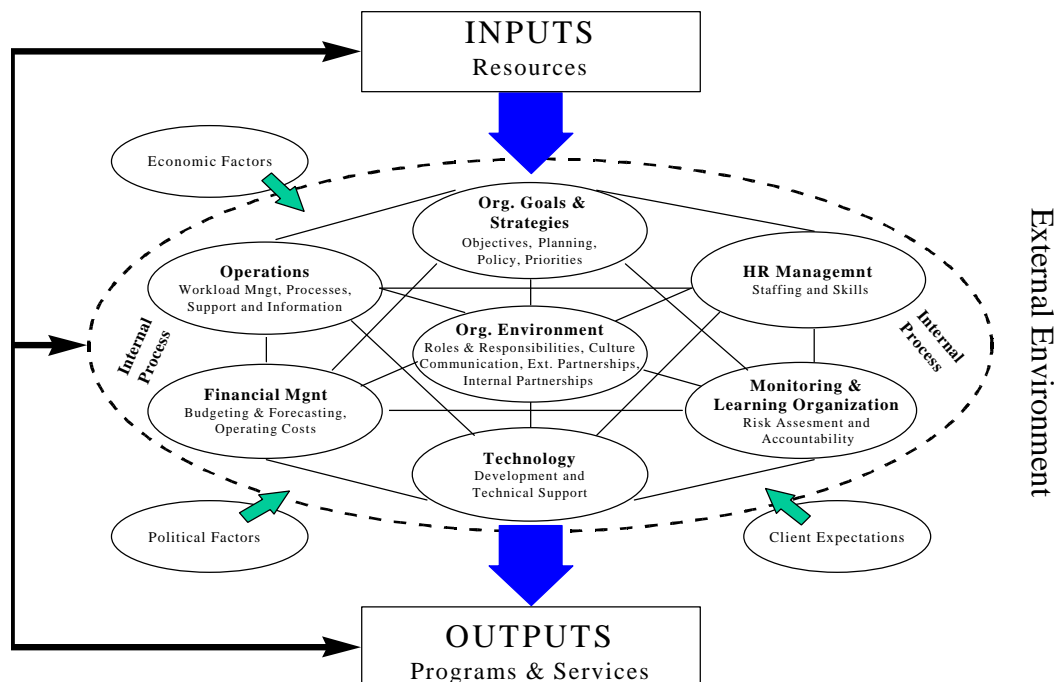
REVIEW METHODOLOGY

Questions were developed for this review using an organizational model (see Figure 2 below) which includes seven essential internal elements. Each of these internal elements is further comprised of a series of supporting criteria. A specific question was created to address issues falling under each individual criterion. For example, under the internal element of *Organizational Goals & Strategies*, there are five (5) criteria. One criterion under this element is *Defining Priorities*. A question developed to examine this criterion was “How are priorities determined in your region, HRCC, or work unit?”

Much of the development of this organizational model was guided by the *Criteria for Good Management*², an IAB model of management control². A full list of internal elements, criteria, and supporting questions used during this review can be found in Appendix C.

Questions were presented to participants on both an individual and group basis. Participants' responses were recorded through comprehensive notes, taken by no less than two interviewers. After the interviews, all observations were recorded, by criterion, into a database.

Figure 2: Organizational Model



² IAB Explanatory Document: High Level Criteria for Assessing Management Control in HRDC, April 1998

Each participant's response (grouped by criterion, as indicated above) was assigned a severity ranking on a 5 point Likert-type scale. A "1" rating indicated a presence of some capacity pressures with minimal impacts. At the other end of the scale, a "5" rating indicated very serious issues that are currently or will, in the future, gravely compromise the delivery of programs and services. Further, a reliability test was performed to ensure that IAB interviewers applied severity ratings in a consistent manner.

With regard to the coding of observations, the interviewers assigned a higher rating (e.g. 4 or 5) if the issue presented:

- a major management challenge and risk for the entire region;
- impacts on several offices across the region vs. being limited to one office; and/or
- a serious threat to the ability to deliver programs and services which will be visible to clients or partners.

Much of what was presented by participants was based not only on current pressures, but also on the identification of future issues. Given this, the severity ratings reflect the extent of current capacity pressures and the potential risk of further pressures in the future.

Once all coding was complete, means were calculated for each criterion. A national average was then established using all responses from all participants involved in the review. An assessment was then performed to determine which of each individual criterion (i.e., specific workplace and operational issues) had a mean above the national average. These were identified to be the issues of most concern and were selected for further analyses. A thorough review of findings for these particular issues led the development of five (5) qualitative themes, which serve as the foundation for the discussion presented in this report.

APPENDIX C

REVIEW ELEMENTS, CRITERIA AND INTERVIEW QUESTIONS

ELEMENT	CRITERIA	REF #	QUESTION
1. Organization Goals and Strategies			
	Objectives	1.1.1	Do you think there is sufficient clarity in HRDC's organizational objectives to adequately plan capacity requirements (in region/business line)?
	Planning	1.2.1	What are the pressures in your region or HRCC when planning capacity to deliver programs and services (now and vision)?
	Planning	1.2.2	When planning, do you have to make trade-offs and why?
	Policy Making	1.3.1	What are the capacity pressures related to policy making within your asymmetrical environment? How are they impacting program delivery?
	Defining Priorities	1.4.1	How are priorities determined in your region, HRCC or work unit?
2. Organizational Environment			
	Roles and Resp.	2.1.1	Are roles and responsibilities clear within the HRCC ? OR Are roles and responsibilities clear between RHQ and HRCCs ? (i.e. no duplication/gaps)
	Communication	2.2.1	Are communication channels within the department effective overall and for major changes? How could it be done better?
	Workplace Culture	2.3.1	Does the environment you work in foster an atmosphere of open communication and trust? Or Are you able to share your concerns with RHQ/NHQ?
	External Partnership	2.4.1	To what extent are community partnerships pursued and what are the challenges doing so?
	Internal Partnership	2.5.1	Where could we better coordinate and partner within HRDC to alleviate operational pressures?
3. Operations			
	Workload Management	3.1.1	What are the pressures you face in managing your workload? (impact on service and on quality)
	Workload Management.	3.1.2	Do you have a strategy or a back-up plan to deal with workload when you face unexpected events (sickness, natural disasters, EI lay-off, etc.)
	Workload Management	3.1.3	What ideas have you either adopted or considered to help better manage the distribution of workload?
	Work Processes	3.2.1	Are work processes designed and revised to ensure effective delivery of services and programs?
	Work Processes	3.2.2	Are operational procedures clear and practical?
	Support	3.3.1	What expertise advise/guidance is available to staff regarding operational procedures?
	Support	3.3.2	Do staff have adequate tools to perform their job? What other tools would make your life easier (name 2)?

ELEMENT	CRITERIA	REF #	QUESTION
	Information	3.4.1	Do staff receive information on new/changing operational procedures in a timely and relevant manner to carry out their work?
4. Human Resource Management			
	Staffing	4.1.1	Are human resource levels adequate to meet current and future departmental goals? If not what goals/objectives are suffering as a result?
	Staffing	4.1.2	What are the pressures you face in trying to ensure you have the right staff in the right place?
	Staffing	4.1.3	How are you able to deal with your staff requirements including turnover?
	Skills	4.2.1	What skills need to be further developed for managers and staff in order to maximize the delivery of programs/services now and applied to the vision?
	Skills	4.2.2	What limitations/restrictions prevent the development of these skill sets?
	Skills	4.2.3	How is the office ensuring development of employees to address future capacity issues such as attrition and succession?
5. Financial Resource Management			
	Forecast/Budget	5.1.1	What financial management issues have the greatest impact on your capacity? (i.e. RAM, asymmetry, regional reserves)
	Forecast/Budget	5.1.2	How have you adjusted or plan to adjust the allocation of financial resources to address capacity pressures? (i.e. salary/non-salary)
	Forecast/Budget	5.1.3	What are the implications if budgets are over/under spent?
	Operating Costs	5.2.1	To what extent is there flexibility to manage financial resources? (across business lines)
6. Technology			
	Development	6.1.1	What capacity pressures has the development and/or integration of technology created?
	Tech. Support	6.2.1	Do staff have the necessary skills and knowledge to use the technology in place?
	Tech. Support	6.2.2	Do staff have reference material and support to use current systems/programs?
7. Monitoring & Learning Organization			
	Accountability	7.2.1	Are your service standards and performance targets being achieved? If not, why? If so, how do you do it despite existing capacity pressures?
	Accountability	7.2.2	Do you feel there are mechanisms to assess and support quality client services?
	Risk assessment	7.1.1	Are there any other internal or external risks (red flags) that could prevent HRDC's achievement of goals and objectives?