
Advisory Committee

*on Senior Level Retention
and Compensation*

THIRD REPORT: DECEMBER 2000

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THIRD REPORT OF THE ADVISORY COMMITTEE ON SENIOR LEVEL
RETENTION AND COMPENSATION

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Preface

T*he Advisory Committee on Senior Level Retention and Compensation was established in 1997 with a three year mandate to provide the Treasury Board President with independent advice about senior-level human resource strategies and policies for the federal Public Service. The Committee's mandate identified three priorities:*

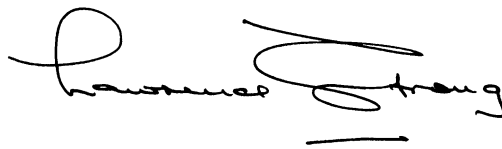
- (i) long-term human resource strategies;*
- (ii) compensation strategies and principles; and*
- (iii) specific aspects of human resource management, including rates of pay and terms and conditions of employment.*

The Committee's First Report raised serious concerns about the federal Public Service of the future and made numerous proposals for dealing with what we judged to be the most pressing issues: the Public Service vision going forward, the need for cultural and human resource renewal, and compensation. The Second Report outlined progress in implementing the earlier recommendations, made specific proposals regarding compensation for the Chief Executive Officers of Crown corporations and reaffirmed the key challenge of Public Service renewal.

While this Third Report makes some further specific proposals on compensation, our major focus is on long-term human resource strategy. It is the Committee's view that the government faces a human capital crisis. As the Public Service talent pool diminishes over the next decade due to the retirement of many long-service public servants, the government must seek to replace them in an increasingly competitive labour market. This demands above all a revitalised workplace which offers challenging work. Ironically, though, the very forces creating the crisis also provide the government with a truly unique opportunity to renew the Public Service, thereby ensuring its continued meaningful contribution to a better quality of life for all Canadians. Achieving this renewal will require some bold actions.

Since the mandate of this Committee concludes with this report, we have one final comment about the possible future role of a similar committee. At the very least, we believe that an independent group should be established for a specific term to make annual recommendations on compensation. This removes from public servants the potential conflict of interest associated with making recommendations that affect their own pay. For simplicity, we have made the assumption of a future committee when writing this report.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Lawrence F. Strong". The signature is written in a cursive style with a large initial "L" and a long horizontal stroke at the end.

Lawrence F. Strong

Long-Term Human Resource Strategy

THE PROCESS FOR DEVELOPING HUMAN RESOURCE STRATEGY

Arguably, the most challenging aspect of the Advisory Committee's mandate has been to make recommendations with respect to the long-term human resource strategy for the senior level Public Service. To do this meaningfully requires a clear understanding of the overall vision of the Public Service as well as its values, the desired mindset of its people, the desired future culture of the organization and the business plans of the government.

This knowledge, supplemented by an understanding of external trends and an objective scrutiny of the Public Service itself, enables the creation of a human resource strategy which is aligned with what the government wants to achieve.

The strategy will establish a human resource vision, set objectives and then identify a series of strategic initiatives designed to meet the objectives and deliver the vision. These initiatives will drive specific implementation plans and the allocation of resources. The suggested process for developing a long-term human resource strategy is shown in the illustration below.

Arguably, the most challenging aspect of the Advisory Committee's mandate has been to make recommendations with respect to the long-term human resource strategy for the senior level Public Service.

THE SUGGESTED PROCESS FOR DEVELOPING HUMAN RESOURCE STRATEGY

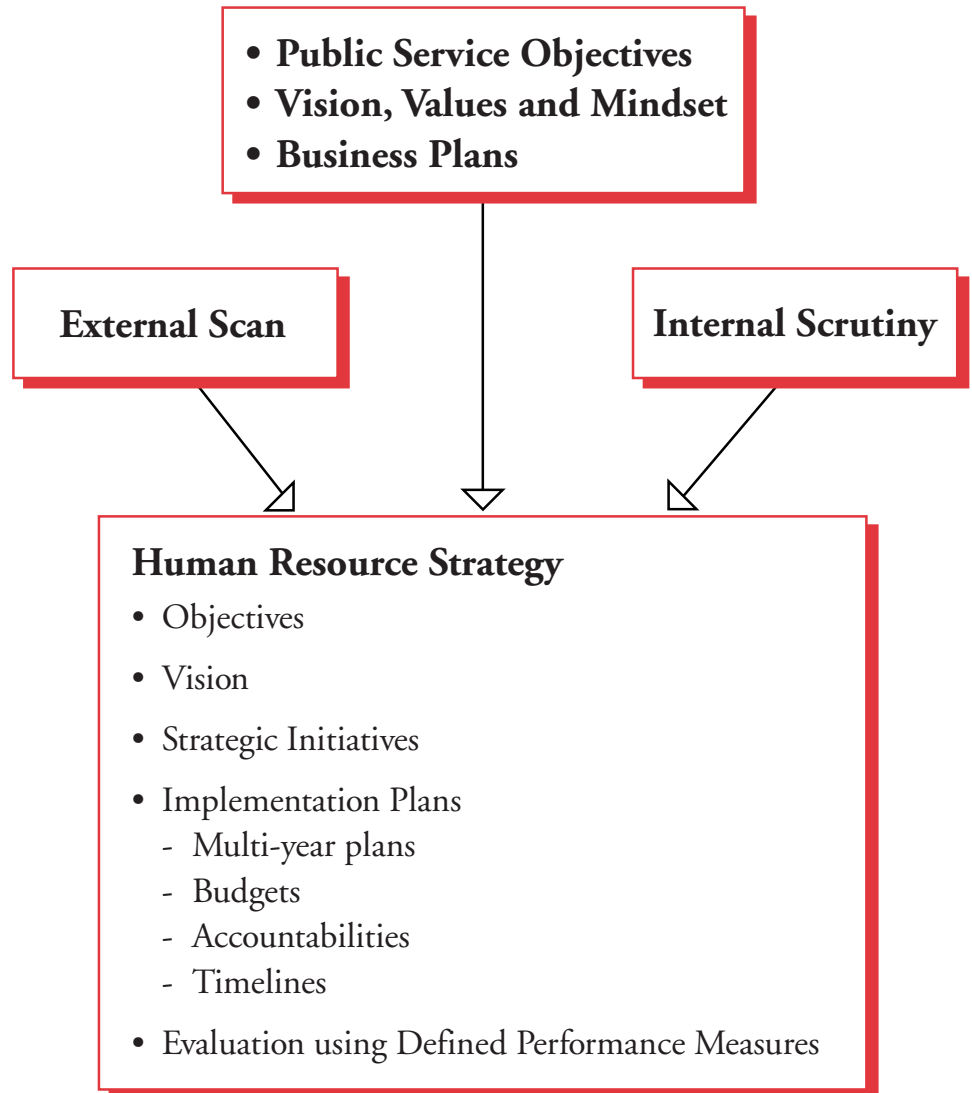


ILLUSTRATION I

PUBLIC SERVICE PURPOSE, VALUES, VISION AND MINDSET

The Committee in both its First and Second Reports discussed the importance of articulating a vision for the Public Service entering the new millennium. The rationale behind this recommendation was quite simple. Following the fundamental changes in government operation that took place in the 1990s, there was a need to:

- (i) ensure clarity and consistency of purpose going forward;
- (ii) inspire and re-energize the leadership of the federal Public Service; and
- (iii) communicate to outsiders what the federal Public Service is about and to enlist their support.

As noted in the previous section, however, such a statement of vision and values is also a necessary pre-cursor to a long-term human resource strategy.

The Seventh Annual Report to the Prime Minister on the Public Service of Canada by Mel Cappe, Clerk of the Privy Council and Secretary to the Cabinet, provides the most comprehensive view seen by the Committee of where the federal Public Service is going in the future. Using this, coupled with a Treasury Board publication entitled *Results for Canadians – A Management Framework for the Government of Canada*, the Committee has prepared the following summary to serve as a building block for the human resource strategy discussion which follows.

The purpose of the federal Public Service is:

- (i) to help ministers under law and the Constitution to serve the public interest;
- (ii) to provide high quality, impartial advice to the Government on policy issues; and
- (iii) to design and deliver programmes and services to Canadians.

Despite changes in many aspects of how the government does business, the four core values (respect for democracy, professional values, ethical values and people values) have remained unchanged and will continue to serve as the bedrock of the organization into the future.

At the heart of striving to achieve these objectives are a set of four core values embraced by the entire federal Public Service. Despite changes in many aspects of how the government does business, these values have remained unchanged and will continue to serve as the bedrock of the organization into the future.

Respect for democracy recognizes that authority rests with democratically elected officials who are accountable to Parliament, and thereby to the Canadian people. A well-performing public service takes its democratic responsibilities seriously, constantly providing ministers, Parliament and the public with full and accurate information on the results of its work.

Professional values reinforce an unwavering commitment to excellence, merit and, above all, to objective and impartial advice to the Government and service to Canadians.

Ethical values (integrity, trust and honesty) are the personal cornerstone of good governance and democracy. They require public servants to support the common good at all times and recognize the need for openness, transparency and accountability in what they do and how they do it.

People values include courage, decency, responsibility and humanity. In a well-performing workplace they show themselves in respect, civility, fairness and caring. Values-driven organizations support learning and are led through participation, teamwork, openness, communication and a respect for diversity.

These values, which it can be argued, help define Canadian society, influence how the Public Service behaves as well as the actions it takes.

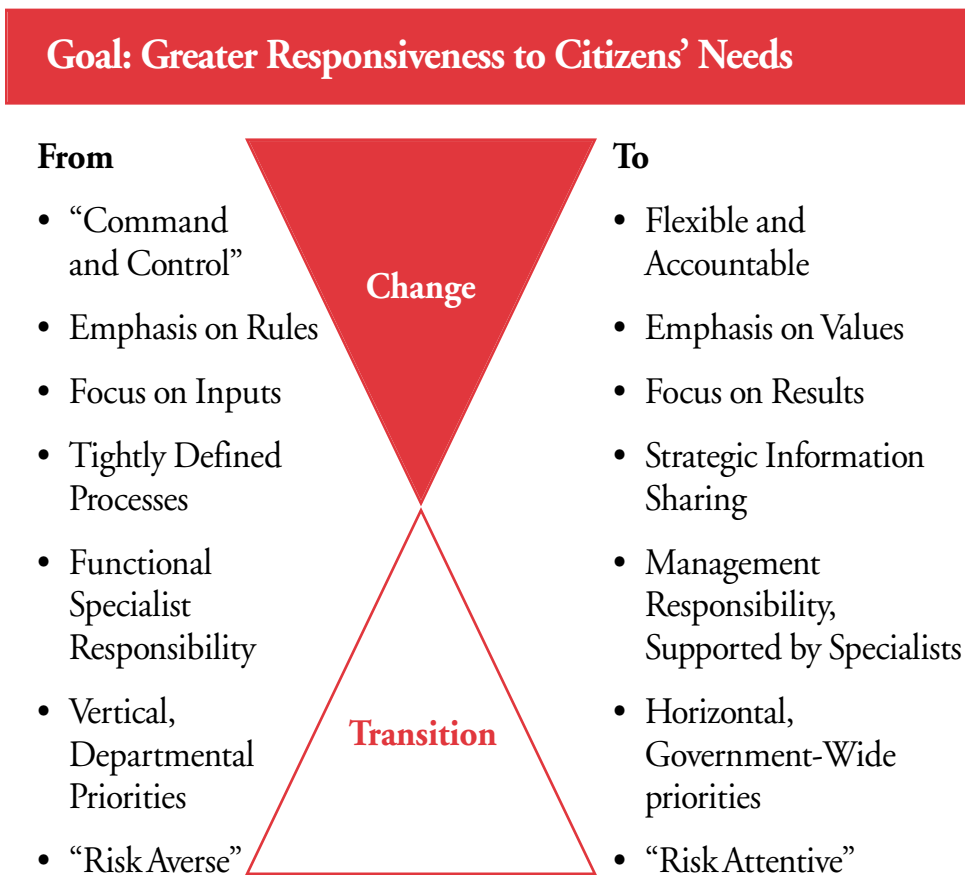
The emerging vision of the Public Service of the future is an exciting one. The following examples of statements have been developed by the Committee from existing government documents and provide an excellent flavour for this:

- be known around the world as the government most connected to its citizens;
- a citizen-focused Public Service concentrating on outcomes and accounting for results;
- a Public Service which promotes value for money in the use of public funds;

- a Public Service which develops innovative policies that contribute to Canada’s global competitiveness;
- a Public Service which has the respect of the citizens it serves.

The leadership of the federal Public Service plays a critical role in the delivery of this vision, and has already identified the changes in culture that will be required to achieve the revitalized operating climate necessary for success. These changes in mindset and behaviour are summarized in Illustration 2.

CHANGING PUBLIC SERVICE MINDSET*



The emerging vision of the Public Service of the future is an exciting one. The leadership of the federal Public Service plays a critical role in the delivery of this vision, and has already identified the changes in culture that will be required to achieve the revitalized operating climate necessary for success.

ILLUSTRATION 2

* Source: Extracted from a presentation made to the Committee by the Public Service Commission.

The explosion in technology and the new economics of information will impact the federal Public Service significantly over the next decade.

Hierarchies will flatten and decision making will be pushed down lower than in the past, thanks to the ready availability of information.

EXTERNAL SCAN

As noted earlier, human resource strategy must reflect not just the business plans of the organization but also the external realities it faces. These are discussed to some degree in the sections which follow but there is one influence which the Committee believes has particular relevance to all aspects of future strategy.

The explosion in technology and the new economics of information will impact the federal Public Service significantly over the next decade. Specifically:

- they are stimulating, and assisting in, the development of ‘electronic government’ (e-government);
- traditional concepts of time and distance are collapsing; and
- as connectivity increases, there will be an ever-widening availability of detailed information.

One consequence of these trends is that the multi-layer organization operating vertically, with span of control (the number of direct reports) primarily a function of the limitations surrounding information flow, will disappear. Hierarchies will flatten and decision making will be pushed down lower than in the past, thanks to the ready availability of information. Management’s role in information sharing and decision making will diminish, while the need for steering and coaching will increase.

INTERNAL SCRUTINY

Again, most of the Committee’s comments on the current strengths and weaknesses of the Public Service are incorporated into later sections which discuss specific areas of human resource management. There is, however, one which is overarching and we believe of critical importance.

In its First Report, the Committee identified that responsibilities for managing human resources were organized in an unnecessarily complex way, a view shared by the Auditor General in his April 2000 report. (See Chapter 9 of that report). According to the Auditor General this has led to inefficiency and lack of clear accountability in the current framework for managing human resources.

THE ROLE OF HUMAN RESOURCE STRATEGY IN DELIVERING THE PUBLIC SERVICE VISION

The Advisory Committee mandate covers a very broad range of senior level public servants. As a consequence, the Committee has segregated this constituency into three:

- (i) the deputy minister and executive community;
- (ii) CEOs of Crown corporations; and
- (iii) other Governor in Council (GIC) appointees.

The lack of homogeneity amongst this total group, coupled with an incredibly complex framework for managing human resources, makes it very challenging to formulate an integrated and coherent human resource strategy. Thus, this Report focuses primarily on human resource strategy for the executive and deputy minister community where considerable progress has been made since our First Report. Once this human resource strategy is complete, its relevance beyond compensation to the other two groups can be established. In the case of the Crown corporations, this may be restricted to sharing of best practices, since each Crown presumably has in place its own human resource strategy. In the case of the other GIC appointees, it may well be possible to adapt some of the initiatives, although we are once again dealing with many independent organizations – commissions and tribunals – each of which has different circumstances and needs, and will likely need to be treated separately.

The Committee believes that the role of human resources is best described in such statements as:

- helping the federal Public Service meet its goals;
- ensuring the right calibre of leadership to achieve the Public Service vision; and
- improving the organizational effectiveness of the Public Service through people.

What is critical is that these statements are results oriented rather than activity focussed. The Committee believes that human resources should be integrated into the implementation of the government's mainstream business plans to help achieve the desired results. In the absence of a focus on results, there is the potential for some human resource activities to become ends in themselves.

This Report focuses primarily on human resource strategy for the executive and deputy minister community where considerable progress has been made since our First Report.

The Committee believes that human resources should be integrated into the implementation of the government's mainstream business plans to help achieve the desired results.

The Clerk of the Privy Council and Secretary to the Cabinet is also the Head of the Public Service and once again it is the Clerk's Seventh Annual Report that has identified a number of the human resource goals, if the Public Service is to achieve its objectives in the new millennium. These include:

- creating a workforce fully representative of the population it serves;
- becoming a learning organization focussed on continuous improvement;
- ensuring decision making authority is located at the right level to achieve results;
- attracting and retaining Canada's best and brightest minds to ensure strengthened policy capacity;
- becoming an employer of choice;
- removing unnecessary bureaucracy from work processes with a focus on outcomes and accounting for results; and
- creating a culture which is innovative and open to new ideas.

The Committee wholeheartedly supports these ambitions and is particularly pleased to note the following paragraph in the Seventh Annual Report:

“As Head of the Public Service, it is my responsibility to set out the direction for the future, and my challenge is to motivate and inspire public servants in that direction”.

The federal Public Service, like many other organizations, is operating in a complex, ever changing and uncertain environment.

RECOMMENDED STRATEGIC INITIATIVES

While developing the strategic initiatives must necessarily be done by the current leadership, the Committee, using a mixture of current Public Service initiatives plus its own input, wishes to suggest some areas for inclusion.

The federal Public Service, like many other organizations, is operating in a complex, ever changing and uncertain environment. However, Human Resource's basic responsibilities remain unchanged – planning, staffing, rewarding, developing and retaining the human capital of the organization. Although these

are identified as discrete, there is a high degree of interdependence among these responsibilities. The Committee believes that the future strategy must, at a minimum, set direction for each of these areas. General comments on each follow.

PLANNING

It is understandable that during the downsizing of the nineties, little attention was paid to workforce planning. However, the Committee sees it as a critical requirement over the next decade. It will require collecting a vast amount of data on the skills and competencies of the current management cadre as well as identifying the skills and competencies which will be required over the next decade. And make no mistake, these will be different from the past. Finally, there is the need to identify the impact of the expected retirements on the experience base.

Done thoroughly, workforce planning can be time consuming, even tedious. And it is all too easy to become embroiled in a debate about definitions. While the core Public Service is not quite at the point of having a system to roll out, there are pockets of best practice that exist today and, with commitment, the necessary tools can be quickly adopted and implemented.

The Committee therefore suggests that the planning initiative needs:

- an agreed definition of future skills and competencies to use throughout the core Public Service;
- a regime for evaluation of all incumbents;
- a Human Resource Information System to ensure that the information can be effectively collected and used; and
- agreed future needs.

It is understandable that during the downsizing of the nineties, little attention was paid to workforce planning. However, the Committee sees it as a critical requirement over the next decade.

The senior level federal Public Service faces a human capital crisis as the demographics of today's managers suggest that retirements alone will create a significant resource gap.

STAFFING

The senior level federal Public Service faces a human capital crisis as the demographics of today's managers suggest that retirements alone will create a significant resource gap. By the year 2010, just over 80% of today's executive community will be eligible to retire without actuarial reduction of their pension.

CUMULATIVE EXECUTIVE RETIREMENT POTENTIAL 1999 TO 2010

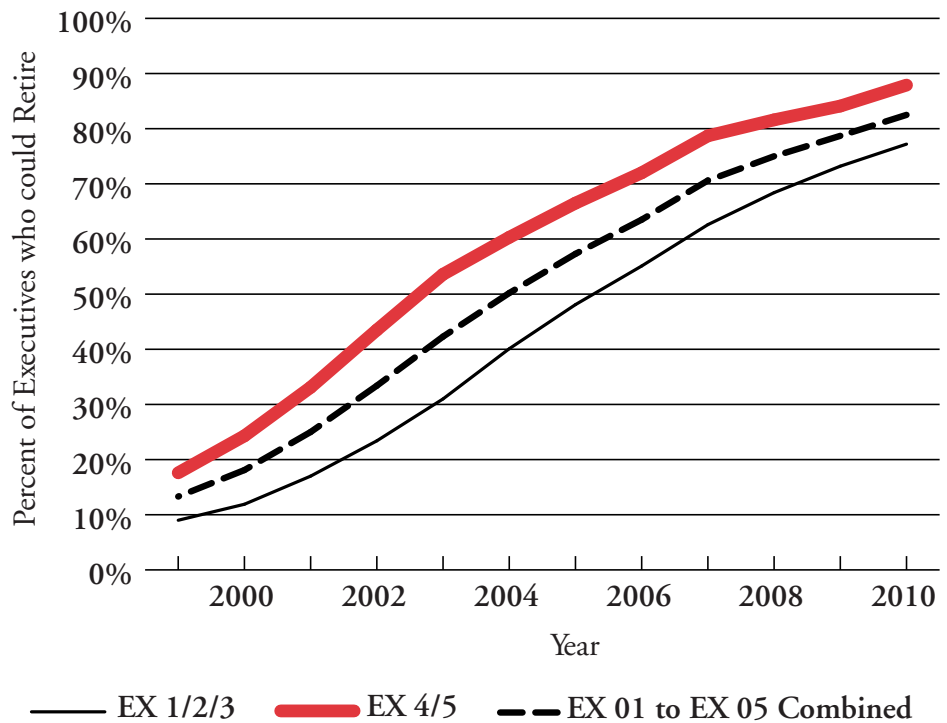
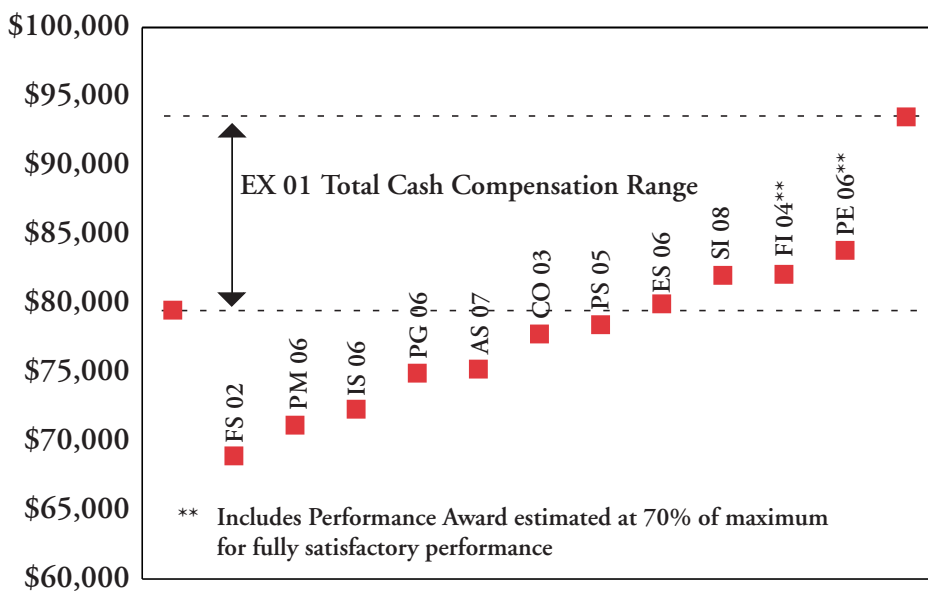


ILLUSTRATION 3

To aggravate matters, the traditional 'feeder' groups for EX 01 positions have an identical demographic profile. Further, even if that were not so, they have little financial incentive currently to seek promotion. The illustration below shows that

the total cash compensation for several of these feeder groups falls within the current EX 01 range. In addition, some also have access to rewards not available to executives, such as pay for overtime, longer vacation leaves, and bilingualism bonuses. Salary ranges plus at risk pay for the EX 01 level must, we feel, be sufficiently higher than cash compensation of traditional feeder groups to offer an inducement to work towards promotion. This is addressed later in the report under compensation in the context of ensuring internal equity.

ESTIMATED TOTAL CASH COMPENSATION FOR FEEDER GROUPS VERSUS EX 01



Traditional Feeder Groups to EX 01 Positions – Key to Occupational Groups

AS	Administrative Services	PE	Personnel Administration
CO	Commerce Officer	PG	Purchasing and Supply
ES	Economics, Sociology and Statistics	PM	Program Administration
FI	Financial Management	PS	Psychology
FS	Foreign Service	SI	Social Science
IS	Information Services		

ILLUSTRATION 4

As the federal Public Service moves to address its resource shortages, it can expect to find itself in a talent war with aggressive private sector and broader public sector competition.

The Committee again wishes to draw to the government's attention that the most significant under representation amongst the management cadre in purely numerical terms is younger Canadians.

Clearly, given the current demographics of the executive cadre and the traditional feeder groups, there needs to be a major recruitment initiative. However, it is important to recognize that the environment for hiring in the years ahead will be very different from the seventies and eighties when there was a labour surplus. In the emerging knowledge economy, people – talented people – will become an increasingly vital resource. Consequently, as the federal Public Service moves to address its resource shortages, it can expect to find itself in a talent war with aggressive private sector and broader public sector competition.

It is no surprise, then, that staffing – recruiting – is one of the three areas in which the Committee of Senior Officials (COSO), a committee of deputy ministers, is currently drawing up plans for the future. In addition to providing the skills and competencies required to meet the goals of the federal Public Service, the Clerk of the Privy Council stresses the importance of ensuring that the workforce is representative of all Canadians and specific reference is made to focussing on women, visible minorities, people with disabilities and aboriginal peoples. Clearly, these initiatives are critical and have been comprehensively reviewed with respect to visible minorities by the Task Force on the Participation of Visible Minorities in the Federal Public Service. (See report entitled *Embracing Change in the Federal Public Service – March 2000*). However, the Committee again wishes to draw to the government's attention that the most significant under-representation amongst the management cadre in purely numerical terms is younger Canadians. This imbalance must also be addressed as part of the strategy.

AGE DISTRIBUTION OF PUBLIC SERVICE SENIOR MANAGEMENT VS CANADIAN LABOUR FORCE SENIOR MANAGEMENT (1996 CENSUS)

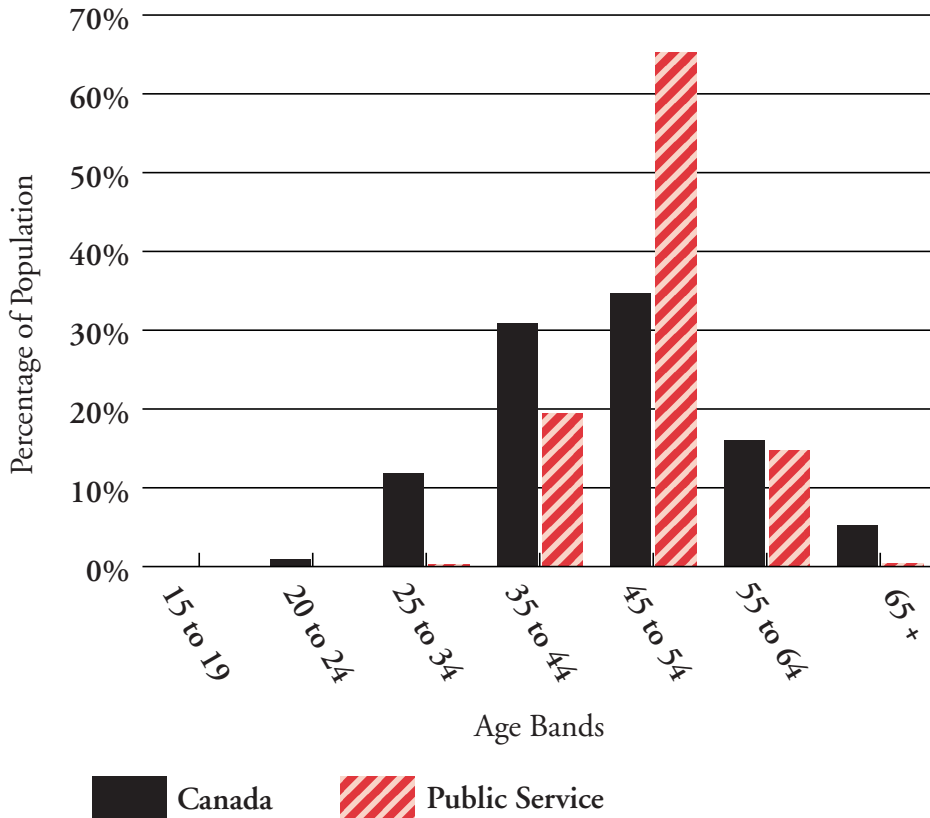


ILLUSTRATION 5

The Clerk’s Seventh Annual Report reiterated that merit will remain central to the Public Service recruitment strategy and that the guardian of merit will remain the Public Service Commission. This is obviously sound. However, the Committee believes that the role of the Commission in staffing operations should be reconsidered. Users consider the existing system complex and inefficient, a view with which the Committee concurs, and there appears to be an inherent conflict between the role of choosing candidates and involvement in the audit and recourse processes. And finally there needs to be a direct link between the authority to choose/hire managers and the accountability for their performance.

There needs to be a direct link between the authority to choose/hire managers and the accountability for their performance.

One of the challenges facing the government is how to become an employer of choice.

Interestingly, the Committee does not believe the key issue is about higher pay, although salaries must always be fair and reasonable. Nor is it about job security as part of a massive bureaucracy. It's about challenging work; it's about learning opportunities; it's about the ability to make a difference through their work and it's about Canadians respecting the job done. The government must deliver or people will simply choose to work elsewhere.

Clearly, one of the challenges facing the government is how to become an employer of choice in an environment where competition for talent is increasing and it is here that understanding the attitudes and aspirations of younger Canadians is so critical. Interestingly, the Committee does not believe the key issue is about higher pay, although salaries must always be fair and reasonable. Nor is it about job security as part of a massive bureaucracy. It's about challenging work; it's about learning opportunities; it's about the ability to make a difference through their work and it's about Canadians respecting the job done. Of course, there's nothing new about these thoughts. What is new is that the government must deliver or people will simply choose to work elsewhere. Not only will the next decade be characterized by a shortage of talented managers, but it is estimated that 95% of all professional and management jobs will be posted on the Web. This means that everyone will have easy access to job opportunities and will have detailed information about these jobs. As a consequence, people will be much better informed about their marketability. This will inevitably result in much greater job mobility.

The Committee also believes that the government must become more aggressive at middle and upper-level recruiting into the Public Service. This represents a significant change from the past where promotions have largely been reserved for internal candidates. This change is driven primarily by the need for different skills and competencies than exist in the Public Service today.

In the increasingly complex and rapidly changing environment, the government must access private sector resources more effectively. The Committee therefore recommends that the government find ways to promote two to three year exchanges into the Public Service from the private and broader public sectors.

The Committee's final recommendation in the area of staffing is that a formal policy be established for dealing with poor performers. No matter how many safeguards are built into the recruitment process, there will be managers who fail to meet performance expectations. When taking action in such situations, a clear, fair and overt policy is needed to guide managers and human resource departments.

REWARDING

Compensation, primarily pay and benefits, is at the centre of the rewards strategy. Effective compensation strategy will help the Public Service:

- attract and retain appropriate talent;
- reward superior performers;
- motivate improved performance;
- reinforce core values;
- focus individuals on what they need to deliver.

The Committee's First Report identified key aspects of compensation strategy. First, the total compensation package for the executive and deputy minister cadre should be quite distinct from that offered to unionized employees. Second, this programme needs to support and reward the results and the behaviours necessary for the success of the Public Service. This alignment is critical as the federal government moves to a results oriented management approach. Third, the Committee believes it important to have in place to the greatest extent possible, processes which remove the year-to-year administration of senior level Public Service compensation from the political arena. Establishing clearly defined criteria for assessing market competitiveness and then maintaining appropriate compensation will go a long way to achieving this. Finally, the Committee believes that it will become increasingly important to ensure that there is a meaningful link between results and rewards.

Since compensation strategy is an important part of the Committee's mandate, more detailed recommendations are found in the second Chapter of this report.

DEVELOPING

The Committee believes that the development of effective leaders for the future is absolutely critical if the Public Service is to achieve its vision. As a consequence, we are again pleased to see that the Clerk has established a COSO Sub-Committee on learning and development, and that this Committee has completed its First Report in July 2000.

The Committee believes that the development of effective leaders for the future is absolutely critical if the Public Service is to achieve its vision.

The scale and uniqueness of the Public Service, coupled with its desire for cultural change, reinforces the importance of having leading-edge management development programmes.

Without judging the output from the Sub-Committee, we would make the following observations:

- the principle that managers are responsible for managing their own careers but with proper support from human resources is key;
- meaningful learning and development opportunities represent an important tool for attracting and retaining managers, as well as achieving desired results;
- the expected shortage of talent generally means that management development is mandatory;
- the scale and uniqueness of the Public Service, coupled with its desire for cultural change, reinforces the importance of having leading-edge management development programmes;
- development must focus on the future needs of the knowledge age;
- the goal of creating an organization which looks for best practice, celebrates its successes, and learns from its mistakes is an ambitious one. Whatever the Sub-Committee recommends must be supported by behavioural change at the top of the organization; and
- one of the building blocks of continuous improvement is measurement of outcomes. What to measure depends, of course, on what is important. In the area of human resources, and we suspect elsewhere, such measurement has not always been commonplace. We recommend that COSO agree on and define a common set of measures in human resources. Possible examples are cost per hire, turnover rate, time to fill jobs, days per manager invested in training and development, and so on.

RETAINING

As the supply of talented people shrinks over the next decade, it is clearly wise to keep those people who are adding value today. As a result, work place well being and retention is the third area being studied by a sub-committee of deputy ministers.

Interestingly, there is considerable evidence to suggest that compensation or even opportunity elsewhere are not the major causes of people leaving any organization, although they often tip the scales in that direction. The reasons tend to be problems with one's boss, lack of career or development opportunities, and working conditions. This, in a general sense, was supported by last year's survey of federal public servants which resulted in the establishment of priorities of reducing harassment and discrimination, managing workload, ensuring fairness in the selection process and enhancing career development and learning. The Advisory Committee, looking forward, would add the need for greater flexibility in recognizing the needs of individual managers. We believe that this flexibility will be very important in attracting and retaining young managers.

In addition to these five generic areas of human resource strategy, the Committee recommends including at least two other initiatives, namely:

- (i) clarifying accountabilities for human resource management; and
- (ii) making it happen.

A discussion of each follows.

CLARIFYING ACCOUNTABILITIES

In its First Report, the Committee noted that "responsibilities for managing human resources appear to be organized in a way that is unnecessarily complex and administration seems to be overly burdensome. We suspect that one of the reasons behind this lies in the patchwork quilt of historical regulation that impacts human resource management in the public service." If anything, our concerns in this area have grown, as has our understanding of the challenges of making changes. The key players in the human resource management of senior levels form a complex picture.

As the supply of talented people shrinks over the next decade, it is clearly wise to keep those people who are adding value today.

KEY PLAYERS IN HUMAN RESOURCES MANAGEMENT OF SENIOR LEVELS (DM, GIC, EX)

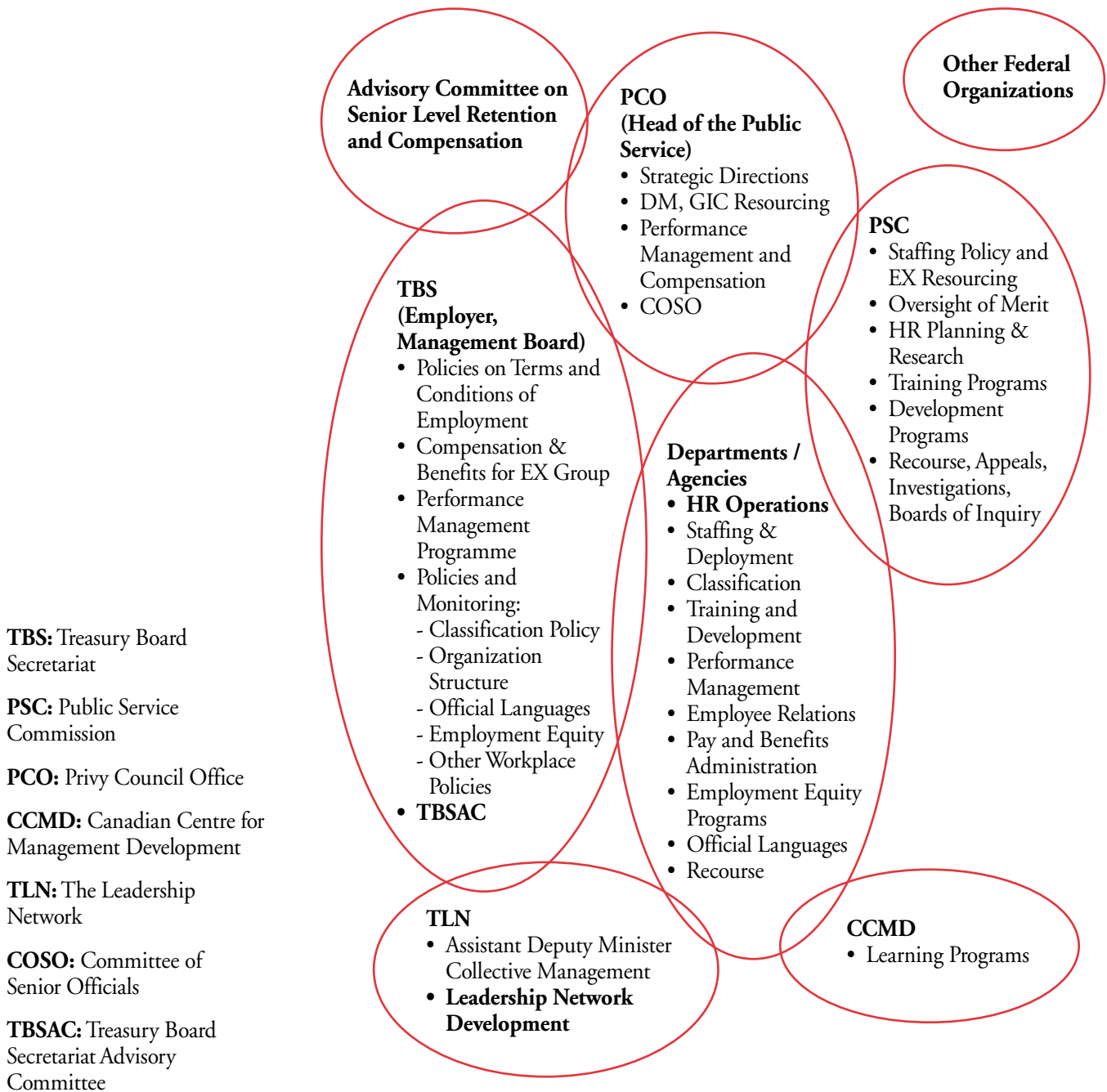


ILLUSTRATION 6

To further underline our point, included as Appendix C is an excerpt from the Auditor General's April 2000 Report which provides a more formal review of the framework for all federal public servants.

It is the Committee's view that there is an urgent need for clear accountabilities, matching authorities and a general streamlining of human resource processes if the Public Service is to deliver on its ambitious goals. In this respect, we support the Auditor General's recommendation that the government address the long-standing structural and systemic issues immediately.

However, given that a fundamental review of these issues will inevitably take some time, the Committee also recommends that an interim exercise be undertaken by the government to clarify accountabilities and streamline processes to the greatest extent possible within the context of the current framework.

From a purely pragmatic viewpoint, we are pleased to note that the Head of the federal Public Service, the Clerk of the Privy Council, has assumed the responsibility for development of an overall, integrated human resource strategy for the Public Service. He has sensibly chosen to involve the Treasury Board Secretariat and the Committee of Senior Officials (COSO), and has established three teams to make recommendations in the areas of recruitment, workplace well-being and retention, and learning and development. Compensation strategy is the responsibility of the Treasury Board Secretariat and the Privy Council Office (PCO), and is being developed working primarily through our Committee. Providing everyone is committed to developing a long-term human resource strategy, this structure can work.

MAKING IT HAPPEN

Although the purpose and core values of the Public Service remain unchanged, it is increasingly clear that tomorrow's leaders will behave quite differently from the past. New skills and competencies will be required to become more citizen focused and results oriented. New mindsets will be needed to deliver the exciting vision which is emerging.

It is the Committee's view that there is an urgent need for clear accountabilities, matching authorities and a general streamlining of human resource processes if the Public Service is to deliver on its ambitious goals.

Although the purpose and core values of the Public Service remain unchanged, it is increasingly clear that tomorrow's leaders will behave quite differently from the past. New skills and competencies will be required to become more citizen focused and results oriented. New mindsets will be needed to deliver the exciting vision which is emerging.

The opportunity that exists today is truly unique as the Public Service begins to staff itself with a new generation of managers replacing the many retirees expected over the next decade. New skills and competencies can be added, new flatter structures introduced with minimal threat and disruption and, above all, a new culture created.

Understanding where the Public Service wishes to be in ten years is the vital first step. Making it happen, driving the necessary changes through the organization, is a massive task given both its size and complexity as well as its historical culture. For this reason, the Committee recommends that the Clerk of the Privy Council consider requesting that COSO develop implementation plans to achieve the desired changes in operating climate, mindset and culture. Commitment from the top of the organization as well as “walking the talk” are critical to the success of “making it happen”.

CONCLUSION

Since the Advisory Committee began its work three years ago, considerable progress has been made in formulating an integrated and comprehensive human resource strategy for leading the Public Service into the new millennium. This work must be completed by the government and the new directions clearly agreed. The strategy will then guide the preparation of policies, programmes and implementation plans and will drive questions of resource allocation with respect to human resource management in the senior level federal Public Service. We also recommend that once the strategy is finished, it is widely communicated throughout the Public Service.

The opportunity that exists today is truly unique as the Public Service begins to staff itself with a new generation of managers, replacing the many retirees expected over the next decade. New skills and competencies can be added, new flatter structures introduced with minimal threat and disruption and, above all, a new culture created.

Our Committee has reaffirmed many times our belief in the importance of an effective and efficient Public Service to the well being of all Canadians. Now is the time to invest in the Public Service in terms of its human capital.

Compensation Strategies and Principles

In its Second Report, the Committee identified three discrete populations within the federal Public Service management cadre for purposes of setting compensation. These were:

- the executive and deputy minister community;
- CEOs of Crown corporations; and
- other full time Governor in Council appointees.

Detailed recommendations have been made with respect to cash compensation structures for all three, although the PCO is now leading a review of the remaining GIC positions to test the adequacy of the current structure as well as our proposals. This review will cover approximately 120 different jobs within some 70 organizations (see Appendix D) and will not be complete until early in 2001. The study will include updating the method for evaluating job responsibilities, conducting actual evaluations and then developing an appropriate compensation structure.

In our First Report, the Committee identified that compensation policy needs to be internally equitable, to be responsive to the economic and social environment, and to encourage and reward outstanding performance. Two critical building blocks are therefore:

- the system used to evaluate job responsibilities; and
- the process for external benchmarking.

The following sections make recommendations for addressing each of these.

SYSTEM FOR EVALUATION OF JOB RESPONSIBILITIES

Earlier this year, Treasury Board Secretariat engaged KPMG to make recommendations as to the optimal job evaluation plan for the senior level federal Public Service. A summary of this report is included as Appendix E.

In order to have a basis for comparing plans, KPMG developed through consultation with senior public servants and academics, a list of characteristics and criteria of an ideal job evaluation plan. They also conducted a survey to identify the plans used to evaluate executive positions in other organizations including provincial public sectors, Crown corporations, a select number of private sector organizations in Canada and the public services of the United Kingdom, Australia and the United States.

The Advisory Committee recommends that the current Hay-based position evaluation plan, with the addition of a Working Conditions factor, be used for all senior level federal public servants.

The Advisory Committee recommends that the current Hay-based position evaluation plan, with the addition of a Working Conditions factor, be used for all senior level federal public servants. The reasoning behind this recommendation is as follows:

- (i) the current executive group position evaluation plan essentially meets all the criteria established for an ideal plan, except for Working Conditions and up-to-date benchmarks;
- (ii) Hay has well-established versions of the plan with a Working Conditions factor measuring physical effort, physical environment, sensory attention and mental stress;
- (iii) adopting the Working Conditions factor ensures that the government meets the requirements of the Canadian Human Rights Act;
- (iv) there is no other readily available job evaluation system that would do a better job than the Hay Plan;
- (v) the benchmark positions can (and should) be updated.

The negative to this recommendation is the work involved in rewriting and evaluating over 4000 positions, especially when it is KPMG's view that it is unlikely to change the classification of the positions significantly. However, including Working Conditions is the right thing to do and the entire exercise,

which can be spread over time, can also be used to update the benchmark positions and to ensure that changes discussed elsewhere in this report are properly incorporated, including clarified accountability for human resource management.

KPMG also proposed that the Treasury Board Secretariat consider the collapse of the executive group into three classification levels. The Committee believes this has merit and should be studied further.

PROCESS FOR COMPARING COMPENSATION EXTERNALLY

Understanding where senior-level Public Service compensation stands in relation to external benchmarks is critical if the government is to have an appropriate compensation strategy. Over the past two years, the Committee's recommendations have focussed on restoring internal equity, introducing a new concept of "at risk" pay together with a new regime for performance management, and improving the competitiveness of cash compensation.

Over the course of the next decade, the competition for talented people will increase and will undoubtedly bring upward pressure on compensation. As a result, commencing in the fall of the year 2000, the Committee recommends:

- (i) the government survey cash compensation amongst the private sector and the broader public sector annually;
- (ii) given our earlier recommendations to adopt the Hay job evaluation plan, one of the sources of compensation data should be Hay although at least one other survey should also be used as a cross-check;
- (iii) prior to April 1 of each year following, the salary and "at risk" pay structure be adjusted to maintain competitiveness as defined later;
- (iv) every third year and commencing in 2000, one of the surveys be expanded to include total compensation; and
- (v) to the greatest extent possible, the scope and methodology of these surveys be consistent from year to year.

This annual review process will cover all three senior level populations i.e. executive and deputy minister cadre, CEOs of Crown corporations and other GIC appointees.

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While this approach means that the Public Service is lagging their benchmarks by up to a year, it should ensure that government increases are not fuelling inflation. This fact, coupled with the transparent process for arriving at future adjustments and their routine annual nature, will hopefully depoliticize the process of establishing senior level public servants' pay structures.

It should be noted that this proposal covers structure and not annual budgets. Annual budgets are more complex and are a function of movement within the structure, turnover, adding or subtracting managers and so on.

ENSURING INTERNAL EQUITY

The adoption of a single system for evaluating the positions of all senior level federal public servants, coupled with its rigorous and timely application, should guarantee internal equity within the management cadre. However, there is another factor which must be considered in setting the compensation of EX 01 managers and CEOs of Crown corporations. It is ensuring that there is an appropriate salary difference between a manager and the employees he or she is managing. This is an issue for EX 01s because pay for their direct reports is set as part of the bargaining process and is quite separate from the recommendations of this Committee. Similarly, as noted in our Second Report, the Crown corporations pursue independent compensation policies for managers below the CEO level.

Thus, when establishing the pay structure for EX 01s and CEOs of Crowns we must test for compression, i.e. where pay for direct reports is very close, typically within 10%, and inversion, i.e. where a subordinate earns more than his or her boss. In the case of EX 01s, the Committee believes that there should, in principle, be a discernible difference between the EX 01 pay and that of the various groups of typical direct reports. Given that there is a clear difference in level of responsibility, we recommend that, in future, consideration be given to this principle. More discussion of the compression/inversion issue is provided in Chapter Three, which deals with specific compensation issues.

In the case of the CEOs of Crown corporations, a similar comparison is appropriate but should be done in the context of total compensation.

The Committee believes that there should, in principle, be a discernible difference between the EX 01 pay and that of the various groups of typical direct reports.

DEFINING COMPENSATION COMPETITIVENESS

As part of establishing a framework for managing compensation, any organization needs to define where it wishes to position itself versus its “competitors” in terms of compensation. At present, executive and deputy minister compensation is defined by setting EX 01 total compensation comparable to an external benchmark and then using internal relativities, defined in terms of job responsibilities, to establish compensation for the higher management levels. This same approach (i.e. setting EX 01 total compensation equal to the median total compensation of a defined benchmark) is recommended going forward, with the external benchmark defined as a representative sample of private sector and broader public sector organizations combined. The Committee believes that such a sample is the best starting point for defining the organizations with which the federal Public Service competes in terms of attracting people. This recommendation also has the advantage that most compensation consultants provide such data routinely and it is widely used.

Given the Committee’s earlier recommendation to use the Hay-based position evaluation plan, we also recommend that one of the sources for benchmark data is the Hay All Organizations sample. This sample consists of approximately 250 industrial organizations, some 60 financial organizations and about 50 organizations from the public sector. However, a second source of benchmark data should also be used to check competitive positioning.

It is very important that the government analyse its experience recruiting people and quantify where people go when they leave the Public Service in mid-career. This will be input to test the validity of the assumption about the government’s competitors for talent. While this policy gives reasonable competitiveness at the management entry level, there will be a widening compensation gap with the predominantly private sector sample as responsibility grows. This has been discussed elsewhere in the report but, again, serves to underline the significance of the nature of the work and the workplace as important factors in attracting and retaining talent.

It is very important that the government analyse its experience recruiting people and quantify where people go when they leave the Public Service in mid-career. This will be input to test the validity of the assumption about the government’s competitors for talent.

The competitive positioning for the CEOs of Crown corporations is less clear since the Committee needed to balance a number of competing factors in setting their structure. Thus, the Group 1 job rate recommended in our Second Report equalled the first quartile cash compensation in the Hay All Organizations sample, with bigger jobs based upon internal relativities. This competitive positioning will be revisited in the light of actual experience in recruiting qualified candidates for these CEO positions and following a review of competitiveness based on total compensation. It is also discussed later in this report.

Compensation policies for the balance of the Governor in Council group may need to be re-examined once the study of this group is complete. If required, recommendations should be made prior to April 2001.

CASH COMPENSATION STRUCTURES

Following the Committee's first two reports, revised cash compensation structures are now in place as follows.

Executives and Deputy Ministers: 8 salary job rates plus "at risk" pay ranging from a maximum of 10% to a maximum of 20% to be paid annually based upon results.

CEOs of Crown corporations: 10 salary job rates plus "at risk" pay ranging from a maximum of 10% to a maximum of 25% to be paid annually based upon results (Governor of Bank of Canada excepted).

Other GIC appointees: 11 salary job ranges but often no "at risk" pay as this was judged inappropriate to the quasi-judicial/regulatory nature of many of the positions.

As noted earlier, this third group is being reviewed and there may be changes recommended in 2001.

Along with the introduction of "at risk" pay came the introduction of a new performance management regime, with emphasis on target setting and performance assessment. This is in the process of being implemented and will be an important contributor to the government's emphasis on becoming more results

oriented. Although it is premature to recommend further changes just yet, it is important to signal that changes are to be expected as compensation strategies increasingly focus public servants on delivering key results and demonstrating key behaviours.

PERFORMANCE MANAGEMENT

An effective process of performance management is critical to any learning organization seeking to improve continuously. First, there is a need to identify executives' skills and competencies in order to inventory them for the Public Service workforce planning and to identify specific training needs or development opportunities. Second, there is a need to evaluate how each manager is performing overall in his/her position usually based upon the most recent 12 months – this impacts on the speed with which salary movement through the job-range takes place. Third, there is the process of setting specific short term objectives and then measuring achievements – this determines the degree of pay-out in the incentive or “at risk” pay.

Common processes for each of these steps should be used throughout the senior management cadre and every effort should be made to ensure consistent and regular application throughout all departments and regions. The deputy minister community must lead these initiatives.

As the federal Public Service moves to an increased focus on results, these processes will adapt and grow in importance. It is critical that there is a sharper focus on individual accountability. There needs to be an on-going drive to ensure that objectives – whether corporate, team or personal – are clearly expressed, are quantified where feasible, and are mutually agreed between boss and subordinate. The incentive pay component is designed to reward the desired results and behaviours. This link needs to be as transparent as possible and the application of the programme must be equitable across the senior management cadre.

An effective process of performance management is critical to any learning organization seeking to improve continuously.

It is critical that there is a sharper focus on individual accountability.

BENEFITS

The Committee's First Report recommended that a study of flexible benefits be undertaken. The Committee felt that adopting a 'cafeteria' style approach to non-cash portions of the compensation package would reinforce that the leadership group was being treated as distinct. From a strategic human resources viewpoint, this approach also enables employees the flexibility to design programmes that best fit their individual needs. This, in turn, provides the employer – the government – with a maximum return on its benefit dollars.

The Committee has increasingly come to the view that flexible benefits can be a very positive contributor to the government's strategies to attract and retain the best.

A major survey conducted earlier this year by Watson Wyatt has confirmed the desirability of the notion of flexible benefits. While the specific findings are summarized in Appendix F, the Committee has increasingly come to the view that flexible benefits can be a very positive contributor to the government's strategies to attract and retain the best. We believe that the key is to design a programme that will not only meet the needs of today's management cadre but will also be attractive to the managers of the future.

Although the Committee had originally thought of such a change as broadly cost-neutral, it is highly likely that investment in this area will yield considerable value in contributing to recruitment and retention strategies. As such, the Committee is prepared to consider and recommend options which increase cost. We also recommend that the government investigate ways of introducing greater flexibility in the pension area which we had previously excluded from consideration.

The Committee believes that good progress has been made in the area of compensation.

Strategies are evolving, principles are well established and the specifics have been addressed in a completely transparent manner.

CONCLUSION

The Committee believes that good progress has been made in the area of compensation. Strategies are evolving, principles are well established and the specifics have been addressed in a completely transparent manner. However, there are more recommendations in Chapter 3 which we believe are necessary to maintain competitiveness. And then in the next eighteen months, we would expect more structural recommendations primarily dealing with other GIC appointees and Crown corporations.

Specific Human Resource Matters

T*his section of our Third Report deals with a series of specific recommendations and reports on progress with respect to certain of our previous recommendations. We revisit pay, following an external benchmarking survey completed early this year, recommend more specifically how to move forward with flexible benefits, address the creation of another Deputy Minister level, provide updates on performance management and job evaluations, provide comment on certain workplace policies and, finally, suggest one approach to the issue of work load.*

What is encouraging to the Committee is that we are able to address these specific matters of human resource management against the backdrop of an increasingly well-defined long-term strategy. As a consequence, the Committee is comfortable that our recommendations are fully consistent with the evolving strategy.

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PAY

As indicated in our First and Second Reports, the Committee has again compared Public Service cash compensation externally. Consistent with the recommendations in the previous chapter, the benchmark data was sourced from Hay Management Consultants (All Organizations sample) and a special survey conducted by William M. Mercer Limited amongst 320 private and public sector organizations. The external data was as of December 1999 whereas the Public Service data reflects the April 2000 structure. The implications of this most recent data are now analysed for each of three discrete federal Public Service management communities – executives and deputy ministers, CEOs of Crown corporations and other GIC appointees.

(A) EXECUTIVES AND DEPUTY MINISTERS

The illustration below compares federal Public Service total cash compensation (defined as salary job rate plus 70% of the maximum available “at risk” pay) at April 2000 with the 1999 actual cash compensation for equivalent positions in the two benchmark samples. The following conclusions can be drawn:

- (i) as would be expected, there are some differences between the two sources of comparative data – both are based upon samples and different methods are used for establishing the equivalency of jobs. However, directionally the external data are largely consistent and show similar pictures;
- (ii) the Public Service is behind the benchmarks in both samples at all levels of job responsibility;
- (iii) the shortfalls in both absolute and relative terms increase as job responsibility grows. This is consistent with all previous findings.

The disquieting fact about the comparisons is the quite significant shortfall at the EX 01 level, which, only two years ago, was set equivalent to the median of a similarly-defined external benchmark.

The disquieting fact about the comparisons is the quite significant shortfall at the EX 01 level, which, only two years ago, was set equivalent to the median of a similarly defined external benchmark. This is particularly important since the entire executive and deputy minister salary structure is built upon the compensation for an EX 01. In 1998, we set total EX 01 compensation and then created a structure based upon internal relativities in job responsibilities.

PUBLIC SERVICE TOTAL CASH COMPENSATION VS MERCER AND HAY MEDIANS

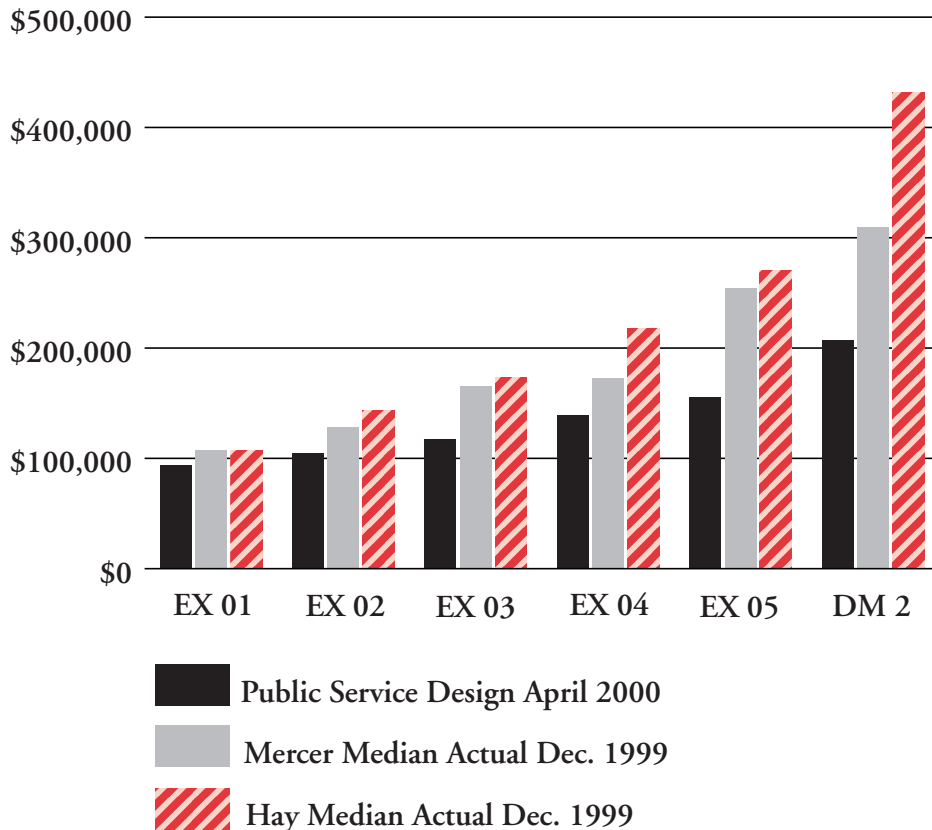


ILLUSTRATION 7

The results of the external benchmarking have led the Committee to revisit cash compensation. Consistent with the principles outlined in the previous chapter, we first investigated whether there were problems of compression or inversion. The Committee therefore requested that Treasury Board Secretariat conduct a study of actual compression. Based upon a significant sample of EX 01s from 11 of the largest employing departments, salary compression exists for 9% of the positions. In other words 9% of EX 01s have direct reports earning greater than 90% of their own total cash compensation. However, based on a conservative estimate of what might happen in collective bargaining over the balance

Clearly, the market has risen more sharply than anticipated in late 1997. Three factors appear to have caused this – the impact of the new economy, the significant number of mergers and consolidations, and the early stages of the supply shortage.

of this year, the incidence of compression will rise to 21 % by year-end. It is the Committee’s view that this is not acceptable. In order to substantially eliminate the problem of salary compression by this year-end, the EX 01 job rate would need to increase by 10%.

The Treasury Board Secretariat study also showed evidence of salary inversion. However, the incidence is low, and occurs generally where the direct reports are senior professionals, such as medical officers.

Next, the Committee focused on a more detailed analysis of the benchmark results and, in particular, sought to understand why EX 01 cash compensation had fallen behind.

We started by looking at salaries. The current EX 01 job rate of \$87,400 was set using data from a 1997 Mercer Survey adjusted to reflect an estimated movement in 1998. Clearly, the market has risen more sharply than anticipated in late 1997. Three factors appear to have caused this – the impact of the new economy, the significant number of mergers and consolidations, and the early stages of the supply shortage discussed earlier in this report.

The illustration below summarizes salary data from both external surveys. In both cases, the survey data used is the median of the sample.

PUBLIC SERVICE SALARY JOB RATES VS. MEDIAN BENCHMARK SALARIES

	Mercer Actual	Hay Actual
Salaries at December 1999	\$95,000	\$97,800
Difference from EX 01 Job Rate at April 2000	– \$7,600 – 8.7%	– \$10,400 – 11.9%

ILLUSTRATION 8

Both Mercer and Hay showed the median Total Cash Compensation for the EX 01 benchmark as \$107,000, with the compensation above salary deriving from “at risk” or incentive pay. Consequently, the Committee reviewed the variable pay situation with respect to EX 01s. As noted earlier, an EX 01 can earn between 0 and 10% of salary in incentive pay. A reasonable expectation of average payout in a typical year would be 70% of the maximum or 7% of salary. 7% of even the higher Hay salary benchmark would still leave the Public Service total cash below \$107,000, indicating that the “at risk” pay in the Public Service also trails where it should be.

Based upon this analysis, the Committee has concluded that an upward adjustment to salary job rates is needed. Before deciding the precise amount of this increase, the Committee reviewed other elements of total compensation and noted:

- (a) the total cash compensation reported earlier does not include long-term incentives such as stock options or performance unit plans. This form of reward has been growing in the private sector, as focus on creating shareholder value has increased. Thus, the difference in total compensation between the Public Service and the benchmarks would be even greater than shown, especially in the jobs with more responsibilities.
- (b) we believe there are few material differences in fringe benefits and perquisites between the Public Service and the benchmarks. The only exception is the pension plan for deputy ministers which is likely more valuable than the sample median. However, it is also at these most senior levels that the differences in salary and incentive pay (both short and long-term) are the greatest.

Thus, the Committee is satisfied that the shortfalls in cash compensation carry through to total compensation. The Committee therefore recommends an increase of 8.7% in the job rates structure for all EX and DM levels to be effective April 1, 2000. No changes are recommended to the incentive pay structure at this time. This recommendation:

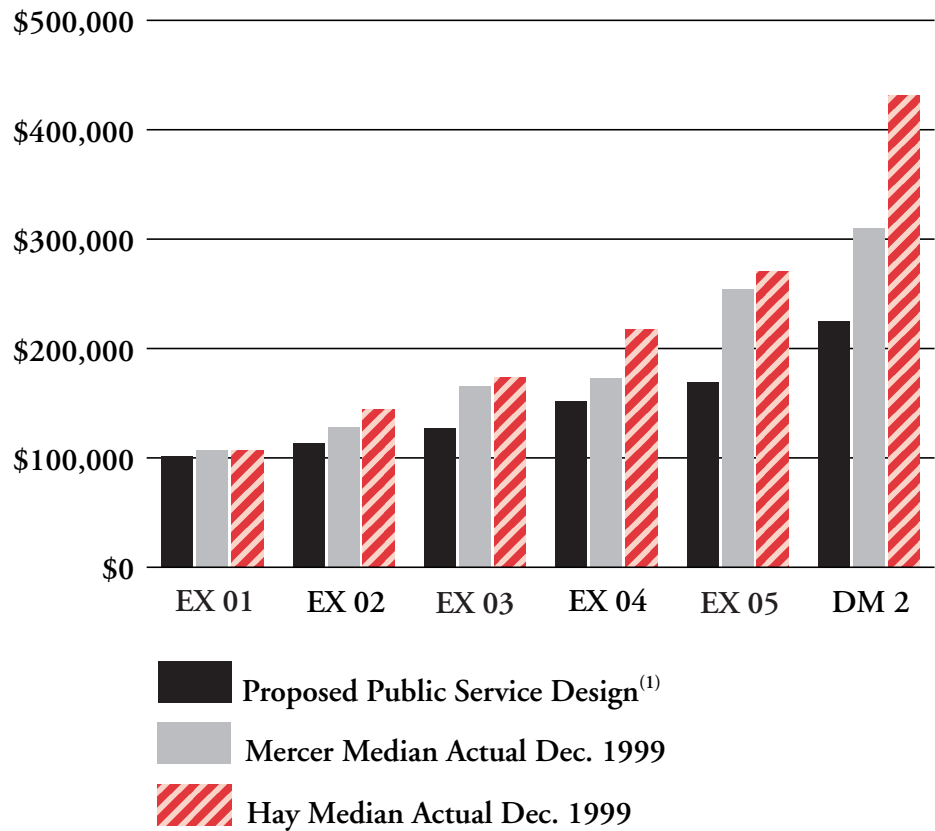
- (1) in large measure eliminates the compression problems noted earlier, although this issue will need to be revisited on a regular basis;
- (2) equates the EX 01 salary job rate to the “actual” median salary of the lower of the two benchmark samples;

The Committee recommends an increase of 8.7% in the job rates structure for all EX and DM levels to be effective April 1, 2000. No changes are recommended to the incentive pay structure at this time.

- (3) moves the salary structure closer to the desired long-term positioning;
- (4) leaves a shortfall in incentive and total cash compensation. Given that this is the first year of full implementation of at risk pay, the Committee feels possible adjustments are best considered when this experience has been fully analysed.

The illustration below demonstrates the impact of this proposal. It significantly narrows the gap compared to our benchmark at the EX 01 positioning but it does not address the now familiar widening gap in compensation as job responsibility increases.

PROPOSED PUBLIC SERVICE TOTAL CASH COMPENSATION VS HAY AND MERCER MEDIANS



(1) At risk pay included at 70% of maximum

ILLUSTRATION 9

Given the magnitude of the recommended change to the job rates, the Committee also discussed implementation options. In other words, how quickly should actual salaries be adjusted? Here, the government needs to weigh the cost implications to its various departmental budgets with the human resource risks of slow implementation (poor morale, and impact on attracting and retaining key people). It should also be pointed out that it is highly probable that, following the proposed benchmark surveys, a further adjustment to job rates is likely for April 2001. This is currently estimated in the 3-4% range. Without being overly prescriptive with respect to implementation, the Committee therefore recommends that the government target to have full integrity restored to actual salaries by no later than April 1, 2001.

One final set of comments on the implementation of the “at risk” pay programme. Firstly, its intent is to reward the achievement of results and as a consequence, the Committee would expect to see a well-dispersed distribution of awards ranging from the minimum (no payment) to the maximum (10% or 15% or 20% of salary). In an organization as large and diverse as the federal Public Service there will necessarily be some departments or individuals who have been severely challenged in any given year, while there will be others who have had great success. A heavy concentration of average payouts would suggest that the programme is not working as intended. However, the initial feedback received by the Committee is promising with respect to the distribution of payouts.

Secondly, an observation about budgeting for this at risk pay programme: unlike salary budgets which can be easily prescribed in any year, the “at risk” component is a consequence of results achieved compared to an objective. Thus, while guidance can be given to departments on how best to budget for “at risk” pay, actual payouts should be determined after the year-end on the basis of a rigorous assessment of results achieved. These results cannot, with integrity, be forced to comply with some pre-determined budget number.

It is highly probable that, following the proposed benchmark surveys, a further adjustment to job rates is likely for April 2001. ... The committee therefore recommends that the government target to have full integrity restored to actual salaries by no later than April 1, 2001.

While guidance can be given to departments on how best to budget for “at risk” pay, actual payouts should be determined after the year-end on the basis of a rigorous assessment of results achieved.

(B) CEOs OF CROWN CORPORATIONS

The Advisory Committee's Second Report, published in March 2000, recommended a new structure for salary and "at risk" pay of Crown corporation CEOs and was based upon Hay 1999 data. As a consequence, the Committee is not making any further recommendations for changes. We have looked at broad compatibility with this report's proposals and are satisfied that the equity across the Public Sector has, in fact, been enhanced. That said, the Committee proposes a series of actions to be completed over the next eighteen months:

- (i) continue to monitor whether the larger Crowns are sufficiently competitive to attract qualified candidates;
- (ii) based upon the proposed benchmark survey, adjust the current salary structure for April 1, 2001;
- (iii) measure each CEO position in terms of total compensation and test rigorously for compression;
- (iv) use the input from (i) and (iii) plus the findings from the proposed survey of total compensation to make changes, if warranted, to the salary structure and "at risk" pay for April 1, 2002. Given the relatively independent nature of the Crowns, special attention should be given to the possibility of increasing the "at risk" component of total cash compensation.

(C) OTHER GOVERNOR IN COUNCIL APPOINTEES

The Committee recommends that the existing GIC job rates be increased by 8.7%. This is consistent with the approach taken in our First Report which tied GIC appointees into the executive/deputy minister structure. Any further changes should await the currently underway Privy Council Office review of this entire group. Implementation should follow the proposals made for Executives and Deputy Ministers.

BENEFITS

The survey carried out in February by Watson Wyatt confirms a high level of support for the notion of flexible benefits. Interest is particularly high amongst younger managers. A summary of the survey results is included in Appendix F.

As already discussed in the previous chapter, the Committee believes that such a programme will play an important role in attracting and retaining good people in the Public Service and offers the government excellent potential value for dollars invested. The Committee therefore recommends that the government proceed with a full feasibility study including developing and costing a suitable programme.

The Committee favours a programme which has a set of core benefits which all executives receive automatically plus a series of optional benefits from which executives may choose to meet their individual needs and lifestyles. Directionally, the core programme should be as narrowly defined as possible while the optional programme should be as broadly defined as possible. The programme should also offer a choice of coverage level – executive only, executive plus one dependant, and executive plus two or more dependants. Managers of the future will want a significant degree of flexibility.

As part of the new flexible benefits programme, the Committee recommends that the government consider phasing out the current sick leave provisions for executives and moving to a regime of short-term salary continuance plus long-term disability coverage. Such programmes are common practice in the private sector and have two major advantages. Firstly, such an approach is more effective and equitable in providing salary protection when a manager is sick and does not tie coverage entitlement to length of service. Secondly, it enables outsourcing the administration, particularly the adjudication of claims. The Committee recognizes that some transition rules may be required.

During the course of our discussions on benefits, it came to the Committee's attention that executives were irritated by the fact that their vacation entitlement was inferior to that of their unionized staff. The Committee therefore investigated the adequacy of the current entitlement. The following chart shows current vacation policy for executives and compares this with current practices as measured in the Hay Group Report on Prevalence of Benefits Practices 1999-2000.

The Committee believes that a programme of Flexible Benefits ... offers the government excellent potential value for dollars invested.

SERVICE NEEDED TO QUALIFY FOR VACATION ENTITLEMENTS PUBLIC SERVICE VS. BENCHMARK

Weeks of Vacation	Required Years of Service		Incidence Amongst Benchmark ⁽²⁾
	Public Service Executives	Benchmark ⁽¹⁾	
3	–	2-5 years	100%
4	On appointment	10-15 years	99%
5	20 years ⁽³⁾	20 years	92%
6	No provision	25-30 years	60%
7	No provision	30 years	8%

- (1) These ranges represent the most common service requirements to earn the vacation amongst those organizations offering that vacation. However, it is based upon all employees, not just executives.
- (2) The percentage of organizations offering each vacation. For example, 92% of all organizations in the benchmark sample offer 5 weeks of vacation subject to defined service requirements.
- (3) This is the most common criterion – other options do, however, exist which accelerate the entitlement.

ILLUSTRATION 10

As can be seen from Illustration 10 above, 60% of organizations in the benchmark sample do offer a vacation entitlement of six or more weeks. This incidence rises to 77% of public sector organizations in the sample. The Committee has therefore concluded that the addition of a 6 week entitlement for vacation is consistent with the majority practice in our benchmark sample. The remaining issue, then, is the service requirement to earn this vacation. 85% of organizations offering six weeks of vacation have a requirement falling within the 25-30 years of service range, with 25 the most popular. However, as noted above, this needs

to be weighed against the fact that there are 40% of organizations which do not offer this entitlement. The Committee therefore recommends that the deputy minister, executive and Governor in Council communities be entitled to 6 weeks of paid vacation after 28 years of service.

However, the Committee also recommends that the proposed total compensation benchmark review study executive vacation entitlements in more detail.

The Committee has also had a lot of discussion about work/life balance and workload. While the Public Service is by no means alone in facing these challenges, the government needs to create a climate in which it is acceptable to take vacation! We propose, therefore, that the government ensure rigorous and consistent application of vacation policy. This will hopefully go some distance to restoring a proper work/life balance. But it is also important for the employer, since vacations are an opportunity to “recharge the batteries”, to relax and relieve the stresses of the job. Without them, there is substantial evidence that productivity and managerial effectiveness steadily decline.

DEPUTY MINISTERS

At the request of the Committee, the Privy Council Office evaluated Deputy Minister responsibilities. This confirmed that certain positions are larger in scope than others.

Recognizing the value and flexibility of the current appointment to level system, the Committee recommends the creation of a DM 4 level. The salary job rate would be 12% higher than DM 3 and the “at risk” pay would be a maximum of 25%. If the earlier changes in structure are accepted by the government this would equate to a job rate of \$247,700 with maximum “at risk” pay of \$61,900. Even though the number of people impacted by from this proposal (and hence its cost) is small, this recommendation:

- ensures greater equity between the most senior deputy ministers and the CEOs of some of the larger Crowns; and
- sends an important message in terms of the government’s willingness to attract and retain qualified and experienced staff.

The Committee recommends that the deputy minister, executive and Governor in Council communities be entitled to 6 weeks of paid vacation after 28 years of service.

The Committee has had a lot of discussion about work/life balance and workload. While the Public Service is by no means alone in facing these challenges, the government needs to create a climate in which it is acceptable to take vacation!

Indications are that the Performance Management Programme has got off to a good start. Importantly, it is clearly being led from the top.

PERFORMANCE MANAGEMENT

Indications are that the Performance Management Programme has got off to a good start. Importantly, it is clearly being led from the top. The Committee has had the opportunity to review the Treasury Board Secretariat preliminary evaluation of the 1999-2000 process (see Appendix G for the summary). We were encouraged to see good practices identified as well as a list of lessons learned. Stemming from this review were numerous recommendations for improving the 2000-2001 cycle. We hope that this process for continuous improvement will be institutionalized.

The Committee believes this programme, which supports the “at risk” compensation, is a critical factor in the drive to become more results oriented. From our viewpoint, the key factors in success are:

- continued top management support;
- clear objectives and priorities, quantified where feasible; and
- focus on fewer rather than more key commitments.

JOB EVALUATION

Job evaluations have now been completed for all executive positions. However, with the adoption of a revised Hay plan incorporating Working Conditions, all positions will need to be revisited.

A fundamental review of all “other” Governor in Council positions, as referenced earlier, is currently commencing.

WORK PLACE POLICIES

The Committee is pleased to note that the Treasury Board Secretariat is beginning to update a number of workplace policies.

- (a) **Travel:** The purpose of this initiative is to modernize the structures and processes governing travel by federal public servants. Overall recommendations are expected by February 2001 and will focus on streamlining processes and reflecting recent structural and technological changes in the travel industry. While the primary goal should be to leverage the scale of the government to minimize costs, important secondary goals are reducing the administrative burden for travellers and providing public servants more flexibility in areas such as spousal/dependent travel providing the option is cost neutral to the Crown.
- (b) **Integrated Relocation Programme:** An equitable relocation programme for executives will likely become increasingly important as mobility and transfers grow. A revised policy came into effect April 1, 2000 and should continue to be monitored for simplification and modification.
- (c) **Harassment in the Workplace:** Treasury Board Secretariat is currently engaged in a substantive review of the existing Harassment Policy. There are current executive concerns about inconsistent application, the lengthy resolution process and inadequate resources. The only recommendation the Committee would put forward is that Treasury Board Secretariat ensures that any changes are tested for consistency with the new culture which the Public Service is seeking to create.
- (d) **Legal Representation and Recourse:** Executives have expressed concerns about the adequacy of existing policies on legal representation and recourse. While the Committee has not studied this complex area of human resource policy, we believe there is merit in a review by Treasury Board Secretariat. As the Public Service moves to give managers more authority to make decisions and to take risks, it is important that executives feel confident that they have the support of their organization, providing, of course, they have not acted illegally or improperly.

WORK LOAD

Following the downsizing of the early nineties, the Public Service leadership feels they have too much work and too little time to do it. While it probably does not serve as much comfort, the Committee would add that there are many private sector organizations which feel exactly the same.

The Committee has one suggestion for a pilot study, probably in one of the smaller departments. It builds upon the Public Service commitment to continuous improvement and utilizes some well-established techniques used by many private sector organizations. Basically, the approach focuses on analysing the work done and the work processes used. We would recommend working with an outside consultant so that the government can use an established set of tools and measurements.

The results from such studies usually indicate a lot of wasted time doing unnecessary tasks, redoing activities and so on. We have certainly heard enough complaints about bureaucratic processes to know that an opportunity for gain certainly exists. There is also the opportunity to use information technology more effectively to upgrade processes. And finally, as the government becomes more citizen focused, it will be important to test that work done adds value for citizens.

Summary

Over the past three years, our Committee has learned a great deal about the senior levels of the federal Public Service. Despite our private sector roots, we have become more committed than ever to the importance of ensuring that the Public Service of Canada remains strong, representative, professional and non-partisan. But this will not happen, unless the Government takes some bold actions now, and it will not happen unless today's Public Service leaders commit to making significant changes in how human resources are managed and in the culture of the organization going forward.

The Committee is not talking about changing the core values of the Public Service. These have served as the bedrock of the Public Service for decades and will continue to do so for many years to come. However, if the Public Service is to meet the expectations of Canadians, there is a need to develop new mindsets, new skills and new abilities.

First, it is critical that the government recognize that the senior level federal Public Service is facing a human capital crisis. Retirements alone over the next decade could result in the loss of just over 80% of today's cadre. Filling this void will be immensely challenging since we are entering a period where the demand for talented people will exceed the supply.

In order to successfully compete for the high calibre people it requires, the Committee believes that the government needs a clearly articulated human resource strategy. The good news is that in the traditional human resource areas of workforce planning, recruiting, developing and retaining, very good progress is being made, led by the Clerk of the Privy Council and the Committee of

It is critical that the government recognize that the senior level federal Public Service is facing a human capital crisis.

If our proposals in this Third Report are accepted, considerable progress will have been made in the past three years – restored integrity, a transparent policy, improved competitive standing and a start on aligning rewards and performance.

Senior Officials. This strategic work needs to be completed and rigorous implementation plans developed. The fifth basic function of human resources is paying, recommendations for which are part of our Committee's mandate. Again, if our proposals in this Third Report are accepted, considerable progress will have been made in the past three years – restored integrity, a transparent policy, improved competitive standing and a start on aligning rewards and performance. What is important to note, however, is that the Committee does not believe that the government will win the recruiting battle with higher pay alone. Of course, pay must be adequate but we do not believe it is practical, in the short term, to match the private sector at the most senior levels. Given this reality, how will the government become an employer of choice?

The Committee believes the answer lies in the nature of the work and the workplace that the Public Service can offer. Talented managers of the future will want challenging and interesting work; they will want to feel that the results they achieve will make a difference; they want to be pro-active with the freedom to make decisions; they want to work in an innovative and flexible environment. The federal Public Service can offer all of these things but only if there are some significant changes in the organization and culture.

The Committee has therefore recommended that the government add two initiatives to its core human resource strategies. The first is to focus on streamlining the framework for managing human resources. This is by no means a new recommendation as this area has been the subject of numerous studies in the past. However, now is the time for action. The leaders of tomorrow do not want to be part of a slow moving, inefficient bureaucracy. Without reform, the Committee does not believe the Public Service can become an employer of choice.

The second strategic initiative recommended by the Committee addresses cultural renewal – ensuring that the desired mindsets and behaviours become the norm. The Committee is pleased to note that an exciting vision for the Public Service is basically in place. However, the challenge of changing the culture of any organization the size of the federal Public Service is immense. The Committee believes that specific implementation plans covering a broad range of initiatives will be necessary to be successful. Further, the Committee urges the Clerk to establish an aggressive timetable for this implementation.

In closing, the Committee believes that the federal Public Service has reached a unique point in its long and distinguished history. The convergence of a number of factors – workforce demographics, information technology, citizen expectations – demands change. With these changes comes an immense opportunity to modernize and revitalize the Public Service and to ensure that all Canadians continue to be well served both domestically and internationally.

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Appendices

Appendix A

COMMITTEE MEMBERS

Lawrence F. Strong, B.Sc. – Chair
Director, Unilever Canada Limited

Past President and Chief Executive Officer, Unilever Canada Limited. Past President and COO, Unilever Canada. Past Vice-President, Finance, Unilever Canada. Past President, Monarch Fine Foods and Chesebrough-Pond's (Canada). Past Chair, Food and Consumer Products Manufacturers of Canada (FCPMC), Public Policy Forum (PPF) and Electronic Commerce Council of Canada (ECCC). Trustee, Grocery Industry Foundation Together (GIFT) and the Invest in Kids Foundation. Director, Canadian Council of Christians and Jews (CCCJ), Public Policy Forum and Electronic Commerce Council of Canada.

John L. Fryer, C.M., B.Sc.(Econ.), M.A.
Chair, Advisory Committee on Labour Management Relations in the Federal Public Service

Adjunct Professor, School of Public Administration, University of Victoria. President Emeritus, National Union of Public and General Employees (NUPGE).

Marilyn H. Knox, B.Sc., RD
President, Nutrition, Nestlé Canada Inc.

Past Deputy Minister, Tourism and Recreation, Government of Ontario. Past Assistant Deputy Minister, Ministry of Agriculture and Food, Government of Ontario. Past Executive Director, Ontario Premier's Council on Health Strategy. Past Vice-President, Grocery Products Manufacturers of Canada. Former consultant, Health Protection Branch, Health and Welfare Canada.

Gaétan Lussier, O.C., B.Sc. (Agr.), M.Sc., Ph.D.
President, Gaétan Lussier and Associates

Past Assistant Deputy Minister and Deputy Minister, Quebec Ministry of Agriculture. Past Deputy Minister of Agriculture Canada. Past Deputy Minister and Chairman, Employment and Immigration Canada. Past President, Les Boulangeries Weston Québec Inc. Past President and Chief Executive Officer, Culinar Inc.

Judith Maxwell, C.M., B.Com., D.Com.
President, Canadian Policy Research Networks

Past Director, Policy Studies, C.D. Howe Institute. Former consultant, Esso Europe Inc. Former consultant, Economics, Coopers & Lybrand. Past Chairman, Economic Council of Canada. Past Associate Director, School of Policy Studies, Queen's University. Past Executive Director, Queen's University of Ottawa Economic Projects. Director, BCE Inc. and Clarica (formerly Mutual Life Assurance of Canada).

Courtney Pratt, C.M., B.A., LL.D. (Hon)
President and Chief Executive Officer, Hydro One Networks Inc.

Past Chairman and Director, Noranda Inc. Director, The Empire Company and Moosehead Breweries. Chairman, Imagine and Director, The Learning Partnership, Career Edge and The University Health Network. Past Executive Vice-President and Past President, Noranda Inc. Past Senior Vice-President, Human Resources and Administration, Royal Trust Company. Member, Advisory Group on Executive Compensation in the Public Service (Burns Committee). Member, Ontario Advisory Committee on Deputy Minister and Senior Management Compensation.

Appendix B

COMMITTEE MANDATE

To provide independent advice and recommendations to the President of the Treasury Board concerning executives, deputy ministers and other Governor-in-Council appointees of the federal Public Service and Public sector on:

- developing a long-term strategy for the senior levels of the Public Service that will support the human resource management needs of the next decade,
- compensation strategies and principles, and
- overall management matters comprising among other things human resource policies and programmes, terms and conditions of employment, classification and compensation issues including rates of pay, rewards and recognition.

To present recommendations in a report to the President of the Treasury Board. The report will be made public by the President of the Treasury Board.

Appendix C

EXTRACT FROM AUDITOR GENERAL OF CANADA'S APRIL 2000 REPORT OUTLINING THE BASIC LEGISLATIVE FRAMEWORK FOR MANAGING PUBLIC SERVANTS*

- The basic framework for managing people in the 20 departments and some 60 agencies that form the “core” public service comprises three pieces of legislation enacted in 1967: the *Public Service Staff Relations Act*, the *Financial Administration Act*, and the *Public Service Employment Act*. A fourth Act, the *Public Service Superannuation Act*, provides for pensions for the public service of Canada. The legislative framework is designed to uphold basic public service values and to provide for the protection and monitoring of merit.
- The *Public Service Staff Relations Act* introduced collective bargaining, to which about 85 percent of employees are now subject. In general, the design of the collective bargaining regime adheres to principles and processes established in law to govern relations between other employers and their employees. An important exception in the public service is the exclusion of job classification and staffing from collective bargaining.
- Since 1967, several pieces of legislation have been added to the governing framework. Notable among these are the *Official Languages Act*, the *Canadian Human Rights Act*, the *Canadian Charter of Rights and Freedoms*, the *Access to Information Act*, the *Privacy Act*, and the *Employment Equity Act*.

* Source: The April 2000 Report of the Auditor General of Canada – Chapter 9

THE MAIN MANAGEMENT PLAYERS

- Today, key roles in the management of human resources in the core public service are played by Treasury Board, the Privy Council Office, the Public Service Commission and line departments. Federal public sector entities outside the “core” have greater autonomy in managing their people.
- **Treasury Board.** Under the *Public Service Staff Relations Act*, the Board acts on behalf of the government as the “employer” for the core public service. The Treasury Board is a Cabinet committee with a number of statutory authorities in the areas of expenditure and financial management, service and innovation, information technology and human resource management. In this domain, Treasury Board ministers are concerned with maintaining a strong, competent and representative work force. Through the Treasury Board Secretariat, the Board consults and negotiates with the public service unions. The Treasury Board also has general responsibility under the *Financial Administration Act* for administrative policy and for financial and personnel management (except appointments, the domain of the Public Service Commission). Treasury Board, with the support of the Secretariat, sets out policies on such matters as job evaluation, compensation, terms and conditions of employment, training and development, labour relations, work force adjustment, pension programs, employee benefits and insurance, employment equity and official languages.
- **The Privy Council Office (PCO).** Headed by the Clerk of the Privy Council and Secretary to the Cabinet, the PCO is responsible for ensuring the satisfactory performance of the public service in support of the Prime Minister and Cabinet. This includes strategic management of senior people. The PCO provides advice and support in the selection of deputy ministers and other Governor-in-Council appointees, and in the related processes for performance review, compensation and termination. For deputy ministers, it also provides advice and support for career planning. The Clerk became the statutory Head of the Public Service in 1993, and plays a prominent role of leadership to deputy ministers and public servants generally, by establishing strategic direction and management priorities for the public service.

- **The Public Service Commission (PSC).** Under the *Public Service Employment Act*, the Commission is an independent parliamentary agent with exclusive statutory authority to appoint or provide for the appointment of “qualified persons” to and within the public service. It ensures that appointments are based on merit “as determined by the Commission.” The Commission is also responsible for conducting investigations and audits of matters under its jurisdiction and for administering the staffing recourse mechanisms provided under the Act. It operates staff training and development programs, and assists deputy heads in operating such programs. It also has responsibilities for employment equity, and handles matters assigned to it by the Treasury Board or by the Governor in Council.
- **Departments.** Ministers are assigned broad powers over the organization and allocation of resources in their departments. Deputy ministers have responsibility and authority to manage the department in support of their ministers. Beyond this, deputy ministers have little statutory authority in human resource management. Instead, their authority is derived primarily from delegation instruments under which the Treasury Board and Public Service Commission delegate powers to them.

THE MANY OTHER PLAYERS

- There are many other management players. The Canadian Centre for Management Development is responsible for developing a strong management cadre. The Leadership Network is responsible for supporting network development and promoting public service renewal, and for central management of the assistant deputy minister community. This reflects the notion that its members represent a vital corporate resource.
- Various management committees also play an important role. Most prominent are two standing committees of deputy ministers:
 - the Committee of Senior Officials (COSO), which advises the Clerk on senior appointments and other human resource management priorities and issues; and
 - the Treasury Board Secretariat Advisory Committee (TBSAC), which advises the Secretary of the Treasury Board on all administrative matters to be brought before the Board, including those related to “personnel management.”

- Other bodies play a role in the co-ordination, debate or review of human resource management issues, or perform administrative functions (see Appendix A). These include various standing or ad hoc bodies, and oversight institutions – the Office of the Commissioner of Official Languages, the offices of the Information Commissioner and the Privacy Commissioner, the Canadian Human Rights Commission and the Public Service Staff Relations Board, which administers the *Public Service Staff Relations Act*. They also include the 16 unions and various forums for consultation among employer, employees and bargaining agents, such as the National Joint Council and the Public Service Commission Advisory Council.

APPENDIX A

A Summary of the Roles and Responsibilities of Some of the Many Players in Human Resource Management in the Public Service

The players whose roles are discussed in the chapter are the Treasury Board and its Secretariat, the Privy Council Office under the direction of the Clerk, the Public Service Commission, departments and their deputy ministers, and the two key deputy ministerial committees – the Committee of Senior Officials (COSO) and the Treasury Board Secretariat Advisory Committee (TBSAC). There are numerous others that influence the management of human resources in the core public service. Some are briefly described below.

The National Joint Council (NJC)

The Council is a “consultative” body comprising representatives of the Treasury Board (acting as the “employer” for the core public service), a number of “separate employers,” and bargaining agents. Its recommendations must be approved by the appropriate executive body of government. Established before the advent of collective bargaining, the Council is a forum for regular consultation on issues bearing on the efficiency of the public service and the well-being of its employees. The NJC deals with matters on which consultation is more efficient across the public service than at each bargaining table. These matters may include any benefit or condition of work that applies service-wide. Examples include travel, relocation, isolated post allowances, foreign service, work force adjustment, and

benefit plans like health care and disability insurance. When the Council agrees to “consult” on a matter it is understood that, on approval, the matter either will be deemed to constitute a part of collective agreements or will result only in recommendations to the employer.

Bargaining Agents

Currently, 16 unions certified by the Public Service Staff Relations Board are authorized to represent particular groups of public servants in collective bargaining. The Public Service Alliance of Canada represents the largest number of public servants (approximately 116,000) and the Professional Institute of the Public Service of Canada represents another 31,000. No other bargaining agent represents more than 6,000 federal public servants, and most represent fewer than 1,000.

The Public Service Commission Advisory Council

Created in 1998, the Advisory Council provides a forum for Commissioners and senior Commission staff to discuss and consult on issues related to the *Public Service Employment Act*. The Council includes a representative of each of the public service bargaining agents and more than a dozen representatives of federal departments and agencies, with a Treasury Board observer. Meetings of the Council and its Steering Committee are co-chaired by a representative of the unions and of the departments. The Council has a number of working groups dealing with current issues such as mobility, recourse and merit.

Association of Professional Executives of the Public Services of Canada (APEX)

The Association represents the interests of executives and promotes management excellence and professionalism in the federal public service. It tracks current and emerging issues of concern to its members, gathers members’ views and represents them to government decision makers. Membership in the Association is voluntary.

The Public Service Staff Relations Board

The Board is a quasi-judicial statutory tribunal, responsible for administration of the *Public Service Staff Relations Act*. Its responsibilities include such matters as determining bargaining units, unfair labour practices, certifying and decertifying of bargaining agents, adjudication of rights disputes (grievances not resolved satisfactorily in the employee's department) mediation services for grievances, complaints and collective bargaining disputes, and generally providing an administrative structure in which the rights and responsibilities of the employer and employees in the federal public service may be exercised and/or enforced.

The Commissioner of Official Languages

The Treasury Board is responsible for providing a policy framework to ensure that departments and agencies meet the requirements of the *Official Languages Act*. The Commissioner is an ombudsman, responsible under the *Official Languages Act* to protect:

- the rights of members of the public to communicate in either official language with federal institutions and to receive services from them as provided for in the Act and its regulations;
- the right of federal employees to work in the official language of their choice in designated regions; and
- the right of English-speaking and French-speaking Canadians to equal opportunities for employment and advancement in federal institutions.

Official language requirements must be established for positions in the public service, and the ability of public servants to meet them must be assessed. The Commissioner's office conducts audits and studies of performance in departments and agencies and investigates individual complaints. It makes recommendations for corrective action, appealing to the Federal Court on behalf of complainants when all other recourse has been exhausted.

The Privacy Commissioner of Canada

The Privacy Commissioner is an ombudsman, appointed by and accountable to Parliament, who monitors the government's collection, use and disclosure of the personal information of individuals, and its handling of individuals' requests to see their records. The *Privacy Act* gives the Commissioner powers to investigate individual complaints, to launch his own complaints, and to audit compliance with the Act.

The Information Commissioner

The Commissioner deals with complaints from people who believe they have been denied rights under the *Access to Information Act*. The Commissioner is an independent ombudsman with investigative powers, who mediates between complainants and government institutions. The head of a government institution may, in certain circumstances, refuse to disclose a record that contains plans related to the management of personnel or the administration of the institution. This does not apply to decisions made in exercising a discretionary power or an adjudicative function that affects the rights of a person.

The Canadian Human Rights Commission

The Commission was established as an agency reporting to Parliament to administer the *Canadian Human Rights Act* and deal with related complaints. An example of the latter is the 1999 pay equity decision, which found that the job classification and evaluation system in the federal public service was discriminatory on the basis of gender, and thus in contravention of the Act. The Commission is also mandated to ensure that the requirements of the *Employment Equity Act* are met by all federal departments and agencies as well as Crown corporations and federally regulated private sector companies. To that end, the Commission conducts audits of these entities.

The Canadian Centre for Management Development

The Centre was created in 1988 under an order-in-council, and became a departmental corporation under legislation passed in 1991.

Under its Act, the Centre's objectives include:

- encouraging pride and excellence in the management of the public service and fostering among managers a sense of the purposes, values and traditions of the public service; and
- helping to ensure the growth and development of managers and ensuring that they have the skills and knowledge required to manage staff effectively, including leadership, motivational and communications skills.

The minister responsible for the Centre is the Prime Minister. The Centre is managed by a President, having the rank and status of a deputy minister, under the direction of a board of governors. The board comprises up to 15 governors, including the Clerk of the Privy Council as the ex officio chair, and equal numbers of persons who are employed in the public service and persons who are not. The former include, as ex officio members, the President of the Centre, the Secretary of the Treasury Board, and the President of the Public Service Commission.

In developing the programs and studies of the Centre, the President is required to take government policies into consideration, along with public service management training needs and priorities as determined by the Treasury Board.

The Leadership Network

The Leadership Network was created by order-in-council in June 1998 to maintain the momentum of the public service renewal initiative, La Relève. It is included in the portfolio of the Prime Minister. The Head of The Leadership Network receives functional direction from the Committee of Senior Officials (COSO). It has three specific areas of responsibility:

- to facilitate the collective management of the community of assistant deputy ministers (ADMs) as a corporate resource (this includes providing career counselling and advisory services related to entry into the ADM ranks, assignments, personal and career development strategies, and learning and promotion opportunities);

- to facilitate internal communication and dialogue on renewal by promoting, developing and supporting networks of leaders at all levels in the public service (for example, networks of middle managers and of federal regional officials); and
- to help consolidate La Relève successes, share lessons learned and foster change initiatives of departments and agencies, functional communities and regions.

Federal Regional Councils

In the early 1980s, Regional Councils were formed primarily to facilitate coordination of federal economic programs at the regional level. These have evolved considerably, particularly in the last several years, and play a role at the regional level in communication and information sharing, in administrative and human resource management matters, and in liaison with provincial counterparts. Today, there is a Council of senior federal officials in each province. Their roles and the extent of their development vary, and continue to evolve. They now serve as sounding boards for proposed central agency policies. Most have established human resource management subcommittees to deal with work force adjustment and other issues. For example, some regions have created interdepartmental assignment programs, career centres, mentoring and middle managers' programs.

The Human Resources Council

The Council is mandated by the heads of human resources in departments and agencies to contribute to determining strategic direction for the management of human resources in the public service. It provides leadership on the renewal and development of the human resources community and on the development of innovative solutions to human resource management issues. The deputy minister "champion" who acts as spokesperson on human resources at senior management forums looks to the Council for advice, as do others such as the Chief Human Resources Officer of the Treasury Board Secretariat. The Council (formed in 1992 as the Personnel Renewal Council) comprises about 20 officials, including 12 heads of personnel and non-voting, *ex officio* representatives of the central agencies and other bodies. The members who are heads of personnel represent the interests of all departments and the human resource management community. *Ex officio* members represent the Treasury Board Secretariat, the Public Service

Commission, the Privy Council Office, the Canadian Centre for Management Development, The Leadership Network, the Human Resources Learning Advisory Panel and the Human Resources Community Secretariat (the latter two are described below). The Council relies for funding primarily on contributions by departments and agencies. Its members lead or participate in numerous other committees or working groups.

The Human Resources Community Secretariat

At 31 March 1998, the human resources community in the public service consisted of approximately 7,000 full-time staff (down from about 11,000 in 1990). Some 2,500 were human resource management specialists, supported by about 2,400 clerks and 1,300 administrative officers working in areas such as pay and benefits administration and staffing. A Human Resources Community Secretariat (HRCS) was formed in 1998 to play an advocacy role for the human resources community and to pursue implementation of the community's La Relève action plan. HRCS is a joint initiative of the Human Resources Council, the Treasury Board Secretariat and the Public Service Commission. It operates under the leadership of the Treasury Board Secretariat's Chief Human Resources Officer.

Learning Advisory Panels

Learning Advisory Panels were created as a result of a recommendation by the Treasury Board Secretariat Advisory Committee. The purpose of such panels is to focus on the learning needs of specific public service communities, such as the policy or the communications communities. A Learning Advisory Panel for the Human Resource Community was formed in 1997 to help guide the development of this group's corporate learning agenda. It comprises about a dozen senior officials with human resource management responsibilities in departments and central agencies. It is supported by a working group of more junior officials.

Advisory Committee on Senior Level Retention and Compensation

This Committee (the Strong Committee, named after its chair) comprises seven private sector senior executives. It was established in 1997 for a term of three years, to provide independent advice to the President of the Treasury Board on retention and compensation issues for executives, deputy ministers and other Governor-in-Council appointees in the federal public sector. The Committee is charged with providing reports (to be made public by the Minister) setting out a long-term strategy to meet senior-level human resource management needs, compensation strategies and principles, and recommendations on overall management. This includes such matters as human resource policies and programs, terms and conditions of employment, classification and compensation issues, including rates of pay and rewards and recognition.

Appendix D

FULL-TIME GIC POSITIONS BEING REVIEWED

AGRICULTURE AND AGRI-FOOD

Administrative Monetary Penalties Review Tribunal

Chairperson

Canadian Grain Commission

Chief Commissioner

Commissioner

Assistant Chief Commissioner

Assistant Commissioner

National Farm Products Council

Chairman and Member

Vice-Chairman and Member

CANADIAN HERITAGE

Canadian Radio-Television and Telecommunications Commission

Chairman and Member

Vice-Chairman and Member

Member (Regional)

National Archives of Canada

National Archivist

National Battlefields Commission

Secretary

National Film Board

Chairman and Government Film Commissioner

National Library

National Librarian

Office of the Coordinator (Status of Women Canada)

Coordinator

Public Service Commission

Commissioner

CITIZENSHIP AND IMMIGRATION

Citizenship Commission

Senior Judge

Judge

Immigration and Refugee Board

Chairperson

Executive Director

Deputy Chairperson and Member (*Convention Refugee Determination Division*)

Deputy Chairperson and Member (*Appeal Division*)

Assistant Deputy Chairperson (*Convention Refugee Determination Division*)

Assistant Deputy Chairperson and Member (*Appeal Division*)

Member (*Convention Refugee Determination Division*)

Coordinating Member

Member (*Appeal Division*)

ENVIRONMENT

Canadian Environmental Assessment Agency

President / Chief Executive Officer

Executive Vice-President

FINANCE

Canadian International Trade Tribunal

Chairperson

Vice-Chairperson

Permanent / Temporary Member

Office of the Superintendent of Financial Institutions

Superintendent

FISHERIES AND OCEANS

Department of Fisheries and Oceans

Commissioner for Aquaculture Development

FOREIGN AFFAIRS AND INTERNATIONAL TRADE

International Centre for Human Rights and Democratic Development

President

International Joint Commission

Chairman and Commissioner

HEALTH

Canadian Centre on Substance Abuse

Chief Executive Officer

Hazardous Materials Information Review Commission

President

Canadian Institutes of Health Research

President

HUMAN RESOURCES DEVELOPMENT

Canada Employment Insurance Commission

Commissioner (Workers / Employers)

Canada Pension Plan / Old Age Security: Review Tribunals

Commissioner

Deputy Commissioner

INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

British Columbia Treaty Commission

Chief Commissioner

Canadian Polar Commission

Chairperson

Northwest Territories / Yukon / Nunavut

Commissioner

Office of the Treaty Commissioner in Saskatchewan

Commissioner

INDUSTRY

Bankruptcy

Superintendent

Canadian Space Agency

President

Executive Vice-President

Competition Tribunal

Lay Member

Copyright Board

Vice-Chairman

Member

National Research Council of Canada

President

Natural Sciences and Engineering Research Council

President

Office of the Commissioner of Competition

Commissioner

Patents and Trade Marks

Commissioner of Patents and Registrar of Trade Marks

Social Sciences and Humanities Research Council

President

INTERNATIONAL TRADE

Canadian Secretariat – North American Free Trade Agreement

Secretary

JUSTICE

Canadian Human Rights Commission

Chief Commissioner

Canadian Human Rights Tribunal

Chairperson

Vice-Chairperson

Member

Law Commission of Canada

President

Office of the Commissioner for Federal Judicial Affairs

Commissioner

Supreme Court of Canada

Registrar

Deputy Registrar

LABOUR

Canada Industrial Relations Board

Chairperson

Vice-Chairperson

Member (Employees / Employers)

Canadian Artists and Producers Professional Relations Tribunal

Chairperson

Vice-Chairperson

Canadian Centre for Occupational Health and Safety

President

LEADER OF THE GOVERNMENT IN THE HOUSE OF COMMONS

Office of the Chief Electoral Officer

Assistant Chief Electoral Officer

NATIONAL DEFENCE

Canadian Forces

Chief of Defence Staff

Canadian Forces Grievance Board

Chairperson

Vice-Chairperson

Judge Advocate General of the Canadian Forces

Judge Advocate General

Military Police Complaints Commission

Chairperson

Member

Office of the Ombudsperson for the Department of National Defence and the Canadian Forces

Ombudsperson

NATURAL RESOURCES

Canadian Nuclear Safety Commission

President and Member

National Energy Board

Chairman and Member

Vice-Chairman and Member

Member

PARLIAMENT

House of Commons

Clerk of the House

Sergeant-at-Arms

Deputy Clerk

Law Clerk and Parliamentary Counsel

Clerk Assistant

Library of Parliament

Parliamentary Librarian

Associate Parliamentary Librarian

Senate

Clerk of the Senate and Clerk of the Parliaments

Usher of the Senate

PRESIDENT OF THE QUEEN'S PRIVY COUNCIL FOR CANADA

Canadian Transportation Accident Investigation and Safety Board

Chairperson and Member

Member

Public Service Staff Relations Board

Chairperson

Vice-Chairperson
Deputy Chairperson
Member (Full-Time)

PRIME MINISTER

Canadian Intergovernmental Conference Secretariat

Secretary

Governor General's Office

Secretary

National Round Table on the Environment and the Economy

Executive Director

SOLICITOR GENERAL OF CANADA

Department of the Solicitor General

Inspector General

National Parole Board

Chairperson and Member

Executive Vice-Chairperson and Member

Vice-Chairperson and Member (Appeal Division)

Vice-Chairperson and Member (Regional Division)

Member (Regional Division)

Member (Appeal Division)

Office of the Correctional Investigator of Canada

Correctional Investigator

Royal Canadian Mounted Police

Commissioner

Royal Canadian Mounted Police External Review Committee

Chairman

Royal Canadian Mounted Police Public Complaints Commission

Chairman

TRANSPORT

Canadian Transportation Agency

Chairperson and Member

Vice-Chairperson and Member

Member

Civil Aviation Tribunal

Chairman

Vice-Chairman

VETERANS AFFAIRS

Veterans Review and Appeal Board

Chairperson/Member

Deputy Chairperson/Member

Permanent/Temporary Member

Appendix E

EXECUTIVE SUMMARY OF KPMG REVIEW OF JOB EVALUATION

PLANS FOR EXECUTIVE POSITIONS IN THE FEDERAL PUBLIC SERVICE

Treasury Board Secretariat (TBS) engaged KPMG to undertake a review of the performance of the current Hay-based EX Group Position Evaluation Plan (EGPEP), including suggestions for improvement. We were also to consider the Universal Classification Standard (UCS) and two other “major job evaluation plans” and make recommendations as to the optimal job evaluation (JE) plan for the federal Public Service.

In order to have a common basis for comparability, KPMG developed through consultation with senior public servants and academics, a list of characteristics and criteria of an ideal JE plan for the federal Public Service. The criteria were:

1. Gender neutral
2. Proven
3. Ease of comparability to executive positions in other public and private sector jurisdictions
4. Comprehensive
5. Credible
6. Reliable
7. Flexible
8. A balance between flexibility and reliability
9. Work and results oriented
10. Ease of use
11. Currency

We assessed the EGPEP against these criteria and conclude that the EGPEP meets all but two of the criteria of an ideal job evaluation plan for executive positions in the federal Public Service. The exceptions being that the current plan is likely to be found not gender neutral and the plan lacks the required flexibility because of out-dated benchmarks.

We assessed the Universal Classification Standard against these criteria and concluded that the UCS should not be considered at the present time as a job evaluation plan for executive positions in the federal Public Service.

We conducted a survey of provincial public sectors, Crown Corporations and a select number of private sector organizations in Canada and, through our international KPMG connections, the public services of the United Kingdom, Australia and the United States to identify the JE plans used to evaluate executive positions.

The results of our survey of 24 organizations show:

- 11 use the Hay plan
- 6 use customized plans
- 4 use other plans (Willis, Towers Perrin, KPMG COMP-ETE and Ernst & Young's Decision Band Method)
- 3 have no executive JE plans

We approached Towers Perrin to obtain information about their plan but they declined to participate in this review. In consultation with TBS we agreed to concentrate our efforts on obtaining information on the nature and extent of modifications to the Hay Plan made by the surveyed organizations.

We conclude that there is little to learn from the experiences of these organizations that would help in improving the EGPEP except with respect to the Working Conditions factor, should TBS choose to add this factor to the EGPEP.

Our review concludes with five recommendations:

Recommendation 1: We recommend that EGPEP be maintained as the job evaluation system for federal Public Service executive positions.

Recommendation 2: We recommend that Treasury Board Secretariat assess whether it is in the best interest of the Public Service to implement a Working Conditions factor into the EGPEP.

Recommendation 3: We recommend that Treasury Board Secretariat develop a plan to update within the next two years the benchmark positions in the EGPEP to better reflect the current work realities of Public Service executive jobs and that benchmark positions be regularly reviewed and up-dated on a three to five year cycle.

Recommendation 4: We recommend that Treasury Board Secretariat review the Criticality of Human Relations element to determine whether to leave it as is, make it more discriminating amongst executive positions or remove it as an element in the EGPEP.

Recommendation 5: We recommend that the Treasury Board Secretariat consider the collapse of the Executive Group to three classification levels.

Appendix F

SUMMARY OF WATSON WYATT SURVEY ON FLEXIBLE BENEFITS

In February 2000, the Treasury Board Secretariat distributed an excellent information package to Executives and Deputy Ministers describing their benefits and requesting their response to a survey of their interest in flexible benefits. Watson Wyatt Canada collected and analyzed the responses. The survey results have provided a wealth of information.

Nine hundred and forty-six (946) Executives of all ages, gender, marital status, length of service and location responded to the survey to constitute a highly credible base for the purposes of statistical inferences. Responses were provided by 29% of the surveyed group, a participation rate that is average for a survey of this type. This response rate provides a confidence level of 95%, or 19 times out of 20, that the survey results would yield the same responses, within + or – 2.7%. Demographic data provided by the respondents indicate that they are highly representative of the current workforce.

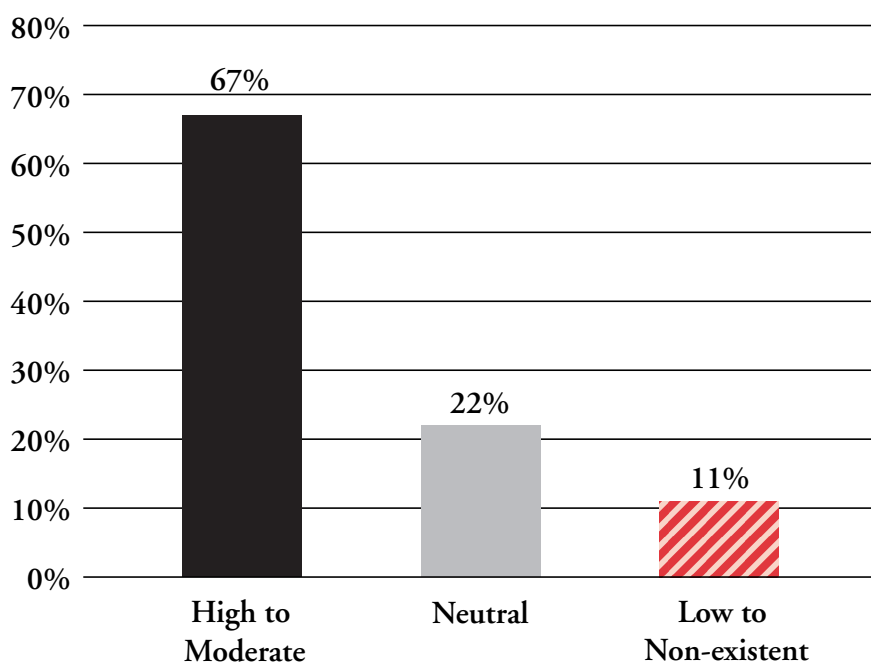
In their responses, 67% of Executives clearly indicated that the ability to tailor, customize, adapt, and change benefit levels as life and work circumstances evolve would meet their needs. It was clear that flexible benefits are viewed as an opportunity to redirect employer benefit dollars from benefits not needed to areas of greater need. Recorded comments showed that there was enthusiastic support for flexible benefits provided that:

- it made their package a distinctive feature of their compensation;
- It reduced perceived and ill-accepted internal inequities (e.g., vacation, severance, overtime, salary inversion);
- their base salary and performance-based incentives were competitive with private and other large public organizations.

MAJOR FINDINGS

While overall, 67% of respondents indicated high to moderate interest, interest was highest for those without dependents (89%) and those younger than age 45 (81%). Many were undecided (22%). Recorded comments showed that the undecided group prefers to evaluate the options, the extent of flexibility offered and the cost/value implications before deciding. Some respondents (11%) were not, or were barely, interested in flexible benefits. Current benefits, they argued, are adequate; others believed the annual selection of complicated benefit choices would be too time-consuming.

LEVEL OF INTEREST IN FLEXIBLE BENEFITS



DESIRABLE PLAN DESIGN AND PLAN ELEMENTS

Survey responses also provided some preliminary indications of a preferred plan design. A ‘core plus options’ approach wherein there are mandatory benefits plus an array of options was preferred by 71% of respondents, while 37% preferred an “à la carte” plan, or full cafeteria plan. Younger and single Executives expressed the highest level of interest in having the most flexibility.

The results made it clear that simply flexing traditional insurance-type benefits would not meet the needs of respondents. In fact, overall, there was only a small number who would reduce or opt-out of the traditional group insurance plans. Respondents preferred a broad, more inclusive definition of flexibility, one that extends beyond the spectrum of traditional group insurance plans to include total compensation issues, working conditions, perquisites, and work/life balance.

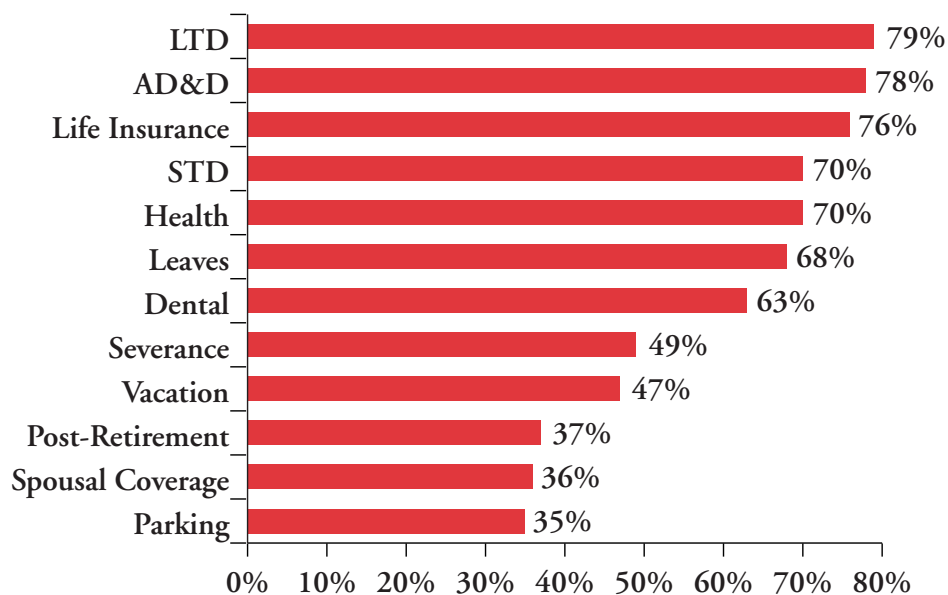
As one respondent said, “flexible benefits, especially if they include the new ones suggested (sabbaticals, HCSA, Health club memberships, etc.), might actually give me the perception I do have some benefits aside from retirement or dying.” Based on the results of the survey and supported by the numerous open-ended comments, it appears that for many respondents, flexibility means:

1. the ability/opportunity to access and redirect funds that currently are not available to them, specifically the value of unused sick leave credits, funds earmarked for parking, and uncompensated overtime work; and
2. the ability/opportunity to tailor other benefits and working conditions to help manage the pressures of work and strike a proper balance between work/family/personal priorities.

ADEQUACY OF CURRENT BENEFITS

Respondents' view of the adequacy of current benefits varies significantly, and ranges from a low of 35% (parking subsidy) to a high of 79% (long-term disability). Generally, respondents indicated that the current traditional group insurance plans offer adequate protection, with the exception of spousal/dependent life insurance. Other benefits, however, such as vacation, severance, parking, and post-retirement benefits are clearly perceived as inadequate. Open-ended comments suggest that those benefits need to be improved.

PERCEIVED ADEQUACY OF CURRENT BENEFITS



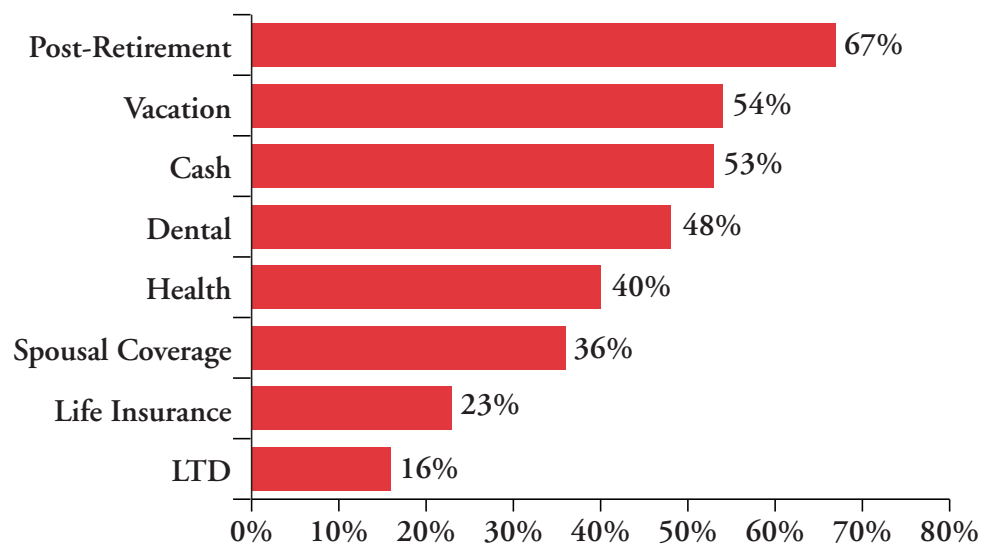
RESPONDENTS' PERCEPTION OF COMPETITIVENESS OF CURRENT BENEFITS

Less than a quarter of respondents believed that their benefits were competitive with those offered by other major Canadian employers, particularly in the private sector. For example, there are no-stock accumulation opportunities, less generous pension accrual features, no flexible benefits, lower salaries and bonus arrangements, no air miles, no business class, no expense accounts. However, respondents appear to be as much, if not more, concerned by internal relativities, as their benefits are seen as poorer than those offered to unionized employees, for example, a less generous vacation schedule, lower severance accrual opportunity, no overtime pay, and salary inversion.

BENEFITS PERCEIVED AS NEEDING IMPROVEMENT

Responses indicated that some of the current benefits need to be improved, especially post-retirement benefits (67%), vacation entitlements (54%), dental (48%) and health (40%). A significant number of respondents (53%) indicated they would consider receiving additional cash in lieu of benefit dollars allocated to unwanted benefits. The number dramatically increases to 66% for those younger than 45.

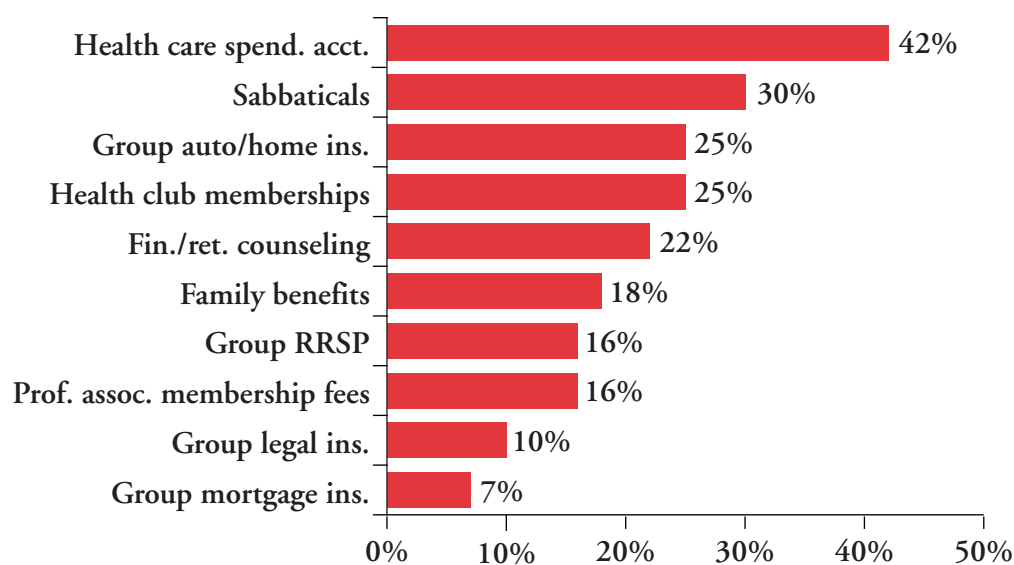
BENEFITS PERCEIVED AS NEEDING IMPROVEMENT



ADDITIONAL OPTIONS DESIRED

The survey asked respondents to choose which benefits, from an array of choices common to many flexible benefits plans, would be of most interest to them. 42% indicated a health care spending account would be an attractive feature. This option was equally attractive to all age groups and to both genders. Notable interest occurred for sabbaticals (30%), health club memberships (29%), group auto/homeowner insurance (25%), and financial/retirement counseling (22%). Younger respondents valued sabbaticals (40%), health club memberships (37%) and family benefits (30%).

INTEREST IN ADDITIONAL BENEFITS OPTIONS



OTHER ISSUES RAISED

In response to the opportunity to provide a recorded comment, respondents provided additional information of interest. On pension plan benefits, some respondents indicated they were disappointed that pension benefits were not included in the discussion on flexible benefits. Pension enhancements and pension portability were identified as key issues, for example:

- increase pension accrual percentage from 2% to 2.5%/3% per year of service as an executive;
- increase the survivor pension, from 50% to 60%/75%;
- reduce the formula for full pension entitlement;
- count sick leave as credited service;
- permit opting-out of registered pension plan.

Travel benefits were clearly perceived as inadequate and not in line with private sector offerings; for example, there are no air miles, no business class, no luggage allowance, no airport lounge privileges, no travel with spouses, and restricted hotel accommodations. Respondents, especially those who traveled a lot, believed that they should be compensated for the significant investment in time spent away from home.

Appendix G

PERFORMANCE MANAGEMENT PROGRAM FOR THE EXECUTIVE GROUP (PMP)

PRELIMINARY RESULTS FOR THE LEARNING YEAR (1999-2000)

BACKGROUND

The new Performance Management Program for the Executive Group (PMP) was launched April 1, 1999. The “learning year” for the program has been completed. The Treasury Board Secretariat (TBS) is responsible for ensuring the consistent and equitable application of the PMP for the Executive Group across departments and agencies. To begin to achieve this objective, it is important that TBS assess the performance agreements developed to date.

Consulting and Audit Canada (CAC) reviewed the level of compliance to the 1999-2000 PMP guidelines related to the development of performance agreements based on a 10% sampling of performance agreements developed by Executives (EX) in departments. CAC made recommendations regarding lessons learned, good practices and tools that could help build a foundation for consistency across organisations in the application of the PMP policy. CAC reviewed 140 out of 285 performance agreements. This number represents a distribution of the EX population by department/agency size, EX level, geographic location and functional area of work.

The PMP guidelines indicate that *ongoing commitments* and *key commitments* should be identified within a performance agreement, with specific, results-oriented *performance measures* clearly linked to the commitments. Progression through the salary range is dependent on satisfactory achievement of *ongoing commitments*. *Ongoing Commitments* are recurring, and form part of core operational activities (e.g. financial management, HR management, and program delivery.)

The variable ‘at-risk’ portion of performance pay is dependent on the achievement of *key commitments*, which focus on corporate priorities for the annual performance cycle, and are challenging, i.e. they involve “stretch” beyond ongoing commitments.

GOOD PRACTICES

The following good practices were noted in the sample of performance agreements:

- The average length of performance agreements, number of ongoing and key commitments and respective performance measures follow PMP guidelines;
- Over half of key commitments reviewed are results-oriented, as per the PMP guidelines;
- Almost half of the performance agreements mention Public Service leadership competencies, especially in the ongoing commitment area; and
- Core accountabilities identified in the PMP guidelines are well represented in the ongoing commitments.

LESSONS LEARNED

Some lessons learned from the “learning year” review include:

- Drafting the performance agreement in a non-standard format such as listing goals or objectives or job description elements instead of commitments makes the information presented inconsistent with the policy guidelines, and difficult for managers and review committees to evaluate consistently at the end of the performance cycle;
- Providing more context around the commitments would allow for more informed assessment at the end of the performance cycle;
- Vague and unclear wording impacts on how well performance measures can be quantified, measured or linked to the commitments. Performance measures often do not clearly permit an assessment of level of attainment of the commitments; and

- Several of the agreements either made no mention of the timeframe during which the commitments and related measures would be completed, or went beyond the performance cycle.

RECOMMENDATIONS

1. To address the issue of departmental consistency and equity in the application of the PMP, it is suggested that a standard departmental template be developed. A standard template would reduce some of the inconsistencies noted.
2. To make performance agreements clearer and easier to understand, it is suggested that managers provide a context for their commitments and performance measures.
3. The PMP guidelines should emphasise that commitments be worded in a more results oriented manner, e.g. verbs are written in the past tense, “course outline developed” (more results-oriented) vs. “develop a course outline” (more process-oriented).
4. PMP guidelines should include a clear statement of what constitutes a performance measure i.e. “a performance measure will clearly indicate that a commitment has been achieved, within a certain timeframe and a defined level of quantity and quality”. The performance measures should identify “what” is going to be measured, “when” and “how” with expected quantity and quality.
5. The PMP guidelines should indicate a clear requirement to explicitly include the timeframe for the commitments and the performance measures. Also, there is a need to draft commitments that are measurable within the performance cycle. When commitments extend beyond the review cycle, milestones that respect the performance cycle timeframe should be set.
6. More detail may be required on which Public Service leadership competencies to include. Developing a framework and including suggestions and examples of how Public Service leadership competencies can be integrated into the agreements would ensure that they are taken into account when developing a performance agreement.

7. To determine the degree of stretch of key commitments within departments it was recommended that an internal review of the cascade of commitments within a functional level be conducted with feedback obtained on the degree of stretch from departmental review committees.
8. These recommendations could be implemented partly through enhanced PMP guidelines in 2000-2001 **and** through coaching sessions for Executives.