Chapter

2

**Recruiting for Canada's
Future Public Service**

Changing the System

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies, and practices of the Office of the Auditor General of Canada. These policies and practices embrace the standards recommended by the Canadian Institute of Chartered Accountants.

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Main Points

2.1   The legislative and management framework for public service recruitment requires radical change to ensure that new systems and practices will be more responsive to both the operational requirements of departments and the long-term needs of the public service.

2.2   Our review of public service recruitment found that an alternative system of short-term hiring has emerged as the main hiring practice. We found that flaws in the system prompt managers to work around what they view as an overwhelmingly cumbersome process. Systemic problems are further complicated by weaknesses in human resource planning, workload and funding pressures, and the need for improved recruitment tools, outlined in Chapter 3. These system- and practice-related problems have combined to create a culture of short-term hiring that will have significant long-term repercussions on the public service.

2.3   These issues have been studied for years. But the changes made so far have been an inadequate response to identified deficiencies and to recommendations for resolving them. The government plans to introduce legislation in 2002 to modernize the human resource management regime. We strongly support this initiative and urge the government to take quick and decisive action to meet the significant challenges it faces.

Background and other observations

2.4   The public services faces a significant "human capital" challenge—the need for enough skilled people to perform its work, given the demographic profile of the public service; a shift in the nature of work; an increasingly tight market for talent; and negative perceptions of the public service as a career choice. To address this challenge, the Clerk of the Privy Council has identified recruitment as one of three human resource priorities across the public service.

2.5   This audit examined recruitment: the actions taken by central agencies and hiring managers to ensure that the public service is hiring enough skilled people to perform its work. We looked at six departments; we focussed on recruiting in the Scientific and Professional category and the Administrative and Foreign Service category, which are the key sources of people to replace the Executive leadership group. The Executive group could experience a 70 percent loss through retirements by 2008.

2.6   We are reporting the audit in two chapters. Reading both is essential to a full understanding of the issues involved and their interrelationships. This

chapter identifies problems in the recruitment and staffing system and discusses the need for legislative changes. Chapter 3 focusses on improvements that do not require legislative change: how managers and departments identify their recruiting needs; how they fill them; and what support hiring managers receive from their departments and from central agencies.

2.7 We believe that both in departments and in the broader public service, experience with fully delegated staffing demonstrates a potential for greater decentralization that should be considered in a new legislative model.

2.8 In our opinion, with three different central agencies providing reports to Parliament on different aspects of human resource management, it is difficult for parliamentarians to get a clear picture of the risks, the challenges, and the state of human resource management—conditions that could affect the outcomes of services to Canadians.

The government has responded. The response of the Privy Council Office, on behalf of the government and the departments we audited, and the response of the Public Service Commission are included at the end of Chapter 3. The government's response supports the need for legislative change. The responses recognize the need to address our audit observations and the recommendations for improving recruitment practices that we have made in Chapter 3.

Introduction

Entering the federal public service: General recruitment

2.9   Staffing in the federal public service includes initial recruitment into the government as well as promotions and lateral movements inside it. The Public Service Commission of Canada (PSC) administers staffing under the *Public Service Employment Act*. The Act covers the 20 departments and some 60 agencies that form the core public service.

2.10   Most hiring from outside is done by individual competition as needed to fill a vacant position. Sometimes several similar positions are filled from one competition. Sometimes positions are filled without competition. Sometimes candidates are selected from an inventory of applicants for occupational groups that have been advertised.

2.11   In December 2000, we reported on the Post-Secondary Recruitment Program, the government's prime vehicle for attracting and recruiting new and recent post-secondary school graduates. Its purpose is to fill specific, university-level vacancies in regular departmental operations and programs or in corporate development programs. During 2000–01, post-secondary recruitment garnered 701 recruits.

2.12   We identified a number of problems in the program, which the Public Service Commission is currently addressing. We were also concerned that the program was not recruiting enough graduates to prepare for imminent staffing gaps. The government responded that this was only one way of entering the public service; most hiring was done through general recruitment. This year our audit looked at general recruitment and how it is being used to meet the workforce challenges the government faces.

Pressures that contribute to "human capital" challenges

2.13   The public service faces a significant "human capital" challenge—the need for enough skilled people to perform its work. The Clerk of the Privy Council has identified three human resource priorities across the public service to address the challenge: recruitment (hiring new staff to the public service), retention (keeping competent staff), and learning (developing staff to ensure the continuing competency of the public service).

2.14   The key factors that affect recruitment today are demographics inside the public service; a shift in the nature of the work, requiring staff who are more highly skilled and more educated; an increasingly tight labour force that will be in more demand than it can supply; and the negative perceptions of the public service as a career choice.

2.15   **Demographics**. In December 2000, we reported that 70 percent of public service executives would be eligible to retire without penalty by 2008. A survey of executives and equivalents, undertaken in 2001 by the Association of Professional Executives of the Public Service of Canada (APEX) and Ekos Research Associates Inc., found that 40 percent actually plan to retire in the next five years, and an additional 35 percent in the next

six to ten years. Employees who could replace them, those at levels just below Executive ranks who have the necessary qualifications, have a similar age profile.

2.16   At the same time, youth are underrepresented in the public service, as a result of limited hiring by the government in the period of Program Review. The proportion of employees who are under the age of 35 is about half as big in the public service as in the general workforce.

2.17   **Shifting nature of work**. The nature of work in the federal public service has shifted. The decision to delegate many operational functions to outside organizations and the increasing computerization of work have reduced the number of operational and support staff. Computerization, globalization, and an increasingly complex working environment call for higher levels of skills; more positions in the public service now require post-secondary education.

2.18   **Labour force**. As we reported in April 1998, the youth population is decreasing; by 2010, the retiring population will outnumber youth, creating conditions for major labour shortages. Private sector firms already talk about a "war for talent." Every day, newspapers predict a shortage of candidates for professional and skilled employment.

2.19   **Career choice**. Finally, the public service has an image problem. A 1999 employee survey in the federal public service and some academic studies, such as *Career Development in the Federal Public Service: Building a World-Class Workforce,* have underlined some of the problems in the workplace. Surveys of university students by the Public Service Commission have confirmed that they do not consider the public service as desirable a place to work as students once did.

New human resource legislation is planned

2.20   Our Office has been critical for some time of the government's complicated legislation and framework for human resource management, particularly staffing. We have noted the need for change to meet current and emerging human resource challenges if the Canadian public service is to continue being ranked among the best in the world. In April 2001, the government announced plans to modernize the human resource legislative regime by introducing legislation in 2002.

Focus of the audit

2.21   The purpose of our audit was to examine how well the general recruitment of individuals into the public service meets both current and future requirements. For the purposes of this audit, we have defined recruitment to mean how individuals first enter the public service and also how they become indeterminate employees. An objective was to identify current general recruitment practices and their accompanying opportunities and constraints.

2.22   The results of our audit are presented in two parts. Reading both is essential to a full understanding of the issues involved and their

interrelationships. This chapter looks at the present results of recruitment and the system that produces them. Given the review of human resource legislation now under way, we do not address any recommendations to problems in the present system. At the end of this chapter, we do suggest some guiding principles for change that parliamentarians might wish to consider in their review of any new legislative framework.

2.23 Chapter 3 presents our observations on recruitment practices that need to be addressed regardless of the legislative framework. It is based on a review of six departments that represent different types; the audit observations and recommendations in that chapter apply to systems and practices across government.

2.24 Our audit focussed on recruitment into the Scientific and Professional category and the Administrative and Foreign Service category. These groups provide key administrative, professional, and managerial services to the public and are also the main feeder groups for the government's leadership ranks. In 2000–01, the two groups accounted for 38.6 percent of all hiring activity to the public service other than casual and student employment. Appendix A to Chapter 3 lists all the occupational groups in the two categories.

2.25 We looked at practices that hiring managers and human resource professionals in six departments use to recruit people. The departments were Public Works and Government Services Canada, Health Canada, Natural Resources Canada, Environment Canada, the Treasury Board Secretariat (as a department), and the Department of Finance. We selected the six departments to represent larger, medium-sized, and small departments with significant recruitment activity in the groups in our study. Four of the six departments operate across the country; two operate in the National Capital Region. Three are science-based; two have policy and central agency functions; and one provides services to other departments. In general, the larger the department, the more diffuse are its business lines and the more diverse its occupational groups and its employees' needs. Our selection of departments also took into account recent and planned audits and studies by both this Office and the Public Service Commission, in order to ensure a balanced coverage of departments and agencies.

2.26 We also looked at the support, guidance, and services that three central agencies provide for strategic direction, human resource planning, and staffing or recruitment—the Treasury Board Secretariat, the Public Service Commission, and the Privy Council Office.

2.27 We held focus groups across Canada with hiring managers and met with human resource advisors. We also conducted an Internet survey of 1,262 managers in the departments we reviewed who had hired employees in the two occupational categories in the past two years. We received 648 responses.

2.28 We looked at recruitment and the supporting staffing system. Our audit did not include recruitment of students or recruitment under the

Post-Secondary Recruitment Program, which was the subject of an audit we reported in December 2000 (Auditor General's 2000 Report, Chapter 21). We did not review other areas of human resource management, such as classification and compensation or labour relations. See About the Audit at the end of Chapter 3 for more details.

Observations

Recruitment challenges

Challenges to recruitment are being experienced now

2.29 Recruitment at all levels of the public service will need to increase to fill the shortages that impending retirements and the changing nature of work in government will create. The six departments we reviewed have identified several groups at risk because of demographics, significant departure rates (staff turnover and retirements), and competition from the private sector. (At risk means that not enough people are available to fill existing vacancies.)

An unacceptable percentage of new hiring activity is short-term

2.30 Given the priority for recruitment that has been identified for several years and the need to build now for the future, we expected that most of the hiring to the public service in the groups we examined would be for continuing employment.

2.31 According to the 2000–01 Annual Report of the Public Service Commission, general recruitment in all categories in 2000–01 resulted in 39,040 appointments to the public service, excluding students. Someone can be "hired to" the public service in one of three principal ways: indeterminate, specified term, or casual employment.

2.32 Indeterminate employment is continuing employment without a specified end date. Specified period employment (also called term hiring) has a fixed, predetermined duration (often three to six months), though it can be and is renewed often. Both of these are covered under the *Public Service Employment Act* (PSEA) and represent 51.6 percent of new hiring activity. These actions are considered appointments to the public service and are subject to the system designed to protect merit.

2.33 Casual employment (for a period not exceeding 90 days at one time or 125 days in a year) is excluded from the PSEA. Because it involves no expectation of long-term employment, it is not subject to the merit system.

2.34 While indeterminate hiring activity showed a slight increase in the past year, still only 9.9 percent was for indeterminate employment (Exhibit 2.1). Almost half of public service hiring activity (excluding students) was for casual employment, and the rest for short, fixed terms.

Exhibit 2.1 **Hiring into the public service**

Employment status	1998–99		1999–2000		2000–01	
	Number	Percentage	Number	Percentage	Number	Percentage
Indeterminate	2,269	6.4	2,874	9.8	3,856	9.9
Specified term	15,774	44.3	13,615	46.1	16,268	41.7
Casual	17,519	49.3	13,020	44.1	18,916	48.4
Total	35,562		29,509		39,040	

Source: Public Service Commission, annual reports: 1999–2000, 2000–01. Not audited.

Access by the general public to indeterminate positions is limited

2.35 While 3,856 individuals were hired directly from the general public to indeterminate positions in 2000–01, we found that the common route of entry for the general public is to be hired first as a specified-term employee and then to "compete" for an indeterminate position. The PSC reported that 6,455 people had moved from casual (255) or term status (6,200) to indeterminate status, about 64 percent of new indeterminate staff in 2000–01.

2.36 The groups in our audit displayed the same pattern. Some 58 percent of the Administrative and Foreign Service category and 62 percent of the Scientific and Professional category became indeterminate employees after having been hired first as either a term or a casual employee. Only 36 percent of people in these categories entered the public service as indeterminate employees.

2.37 Furthermore, even access to term appointments is gained through casual employment: 11.5 percent of public servants in 2000–01 had worked as casual employees immediately before their appointment as a term employee. As already noted, casual employment is not subject to the same merit process as other hiring.

2.38 Other surveys and reviews have identified the same trends. A June 2000 thematic review by the PSC on access to public service employment opportunities showed that outside applicants had a better chance at public service employment if they were willing to accept short-term jobs and if they were already known by the hiring managers on a professional basis or through previous work experience. This conclusion was based on a detailed analysis by the PSC in six departments, five of which differed from those in our audit. In March 2001, a PSC survey of newly hired employees found that a third of respondents had previously worked in some capacity in the department or agency that hired them to their first indeterminate or term position.

Short-term solutions are shortsighted

2.39   In our opinion, the government cannot rise to recruitment challenges or become an "employer of choice" by offering short-term employment on such a large scale. Although positions lasting three to six months may look good to individuals who lack employment or are just entering the workforce, in a highly competitive labour market they are not likely to attract skilled people.

2.40   This is especially true of hiring to fill mid-level administrative and professional jobs, which the government recognizes it needs to do. The pool of potential applicants for these positions is usually already fully employed, and such people are unlikely to leave their continuing employment for an offer of three to six months with the government. Nearly 35 percent of hiring managers who responded to our Internet survey said that one of the reasons why their recruitment efforts were unsuccessful was that they could offer only term positions.

2.41   There is always a need for term hiring to replace persons on maternity or parental leave, long-term sick leave, or other leave; to staff truly short-term projects; or to deal with temporary workload increases. In our opinion, however, it is not sound practice as a basis for hiring the majority of new entrants to a workforce.

2.42   Most of the hiring from outside the public service is not for long-term employment. This reflects a short-term view and does not demonstrate that rebuilding the public service for the future is a priority. The use of short-term hiring solutions for long-term recruitment needs has arisen for a variety of reasons. In part, it is due to problems with the hiring or staffing system that this chapter will discuss. In part, it is also due to recruitment practices and problems and the culture of hiring that Chapter 3 explains, including weaknesses in human resource planning, instability of funding, the need to fill vacancies quickly due to workload pressures, and the need for improved recruitment tools.

An informal, short-term recruitment system has developed

2.43   We expected systems and procedures for general recruitment to provide a timely and cost-effective response to the current and emerging needs of the public service.

2.44   Over 70 percent of line managers in our Internet survey said that recruitment in the federal public service was inflexible, expensive, and complicated. Hiring managers and departmental human resource professionals echoed this opinion in our interviews and focus groups. In a PSC survey of 990 recently hired public servants, 74 percent of respondents did not like the slowness of hiring decisions.

2.45   Our Internet respondents reported that 57.6 percent of their recent hiring actions had taken longer than three months to complete, and 32.4 percent had taken six months or longer. A recent special PSC survey of

hiring managers found that the average staffing action took five months; about a quarter took more than half a year to complete.

2.46   In our Internet survey we asked hiring managers about the impact of staffing delays on their own operations. Close to 50 percent reported increased workload for other staff; 38.5 percent experienced delays in meeting commitments; 14.4 percent noted reduced service to the public. Only 17.9 percent said there was no noticeable impact.

2.47   Managers were clearly focussed on short-term needs, and did not find the staffing process helpful for resolving pressing workload problems. One of the consequences is that they have turned to short-term solutions that, in our view, are not in the best long-term interests of the public service.

2.48   **The problems are well known and long-standing.** The problems in recruitment and staffing have long been a concern of this Office and have been studied often. Exhibit 2.2 highlights some key findings of previous government studies that go back decades.

Exhibit 2.2 **Almost 40 years of problems with the recruitment and staffing system**

Royal Commission on Government Organization (Glassco), 1962 report

The public service staffing system was a source of frustration, and the "merit system"—the rules, regulations, policies, and procedures designed to implement the merit principle—frustrated the principle.

Special Committee on the Review of Personnel Management and the Merit Principle (D'Avignon), 1979 report

The review observed excessive and inflexible regulations and a "slavish" adherence to universally applied regulations in the name of merit, at the expense of efficiency and effectiveness. Managers viewed the staffing system as slow, inflexible, and inefficient.

Public Service 2000 staffing task force, 1990

Staffing was unduly complex, rules-driven, and, particularly in the area of competition, applied unfairly. Managers did not feel ownership of the staffing system. They talked about it as an imposed burden. They either tolerated it with ill-disguised impatience or used their ingenuity to circumvent it.

Association of Professional Executives of the Public Service of Canada (APEX), survey of public service leaders, 2000

Almost without exception, respondents said the staffing, classification, and recruitment processes and practices were unwieldy and costly, hindered the development of a public service "of choice," and had a paralyzing effect on the entire system.

Advisory Committee on Labour Management Relations in the Federal Public Service, 2001

Managers viewed the system as too slow in recruiting and retaining the best people to meet their needs. They also found it inflexible and too great a burden. Although the system is supposed to protect employees from favouritism and similar abuses, union leaders considered it neither transparent nor fair. They did not see it as an effective mechanism for protection of the merit principle.

The merit "principle" and
the merit "system"

2.49 The Clerk of the Privy Council has been quoted as saying, "One of the things I'm most troubled by is that the existing processes and systems we have to protect merit do so in such a cumbersome way that they actually undermine merit." We agree. To understand how this came to be, it is useful to explore the evolution of the system.

Merit and non-partisanship are fundamental principles

2.50 The origins of the current *Public Service Employment Act* go back to 1918, when a major reform of the civil service was undertaken to "abolish patronage" and "make appointments to the public service upon the sole standard of merit." Before that reform, appointments to the public service were based on political patronage and partisanship. This failed to ensure that the public service was competent, limited public confidence in its integrity, and reduced its effectiveness. The principles of non-partisanship and merit have been fundamental ever since to the Canadian vision of a public service.

2.51 Merit has never been defined in law, and its explanation has been refined or changed over time, but generally it is understood to mean a candidate's fitness for the job sought. The merit principle has evolved over time, from "finding the best-qualified person among those that applied for the job" to include "individual merit" (qualifications of an individual measured against a standard), to the use today of competent or competency to mean that public servants are qualified to do their jobs.

2.52 Over the past few decades, the concept of a representative public service, reflecting the Canadian population it serves—geographically, linguistically, culturally, and racially—has been added to the core principles of merit and non-partisanship. Legislation that applies to all federally regulated employers, such as the *Official Languages Act*, the *Employment Equity Act*, and the *Canadian Charter of Rights and Freedoms*, has reinforced this as a legal requirement.

An independent agency to protect merit and non-partisanship

2.53 To protect non-partisanship and merit, an independent agency—the Civil Service Commission of Canada—was created to oversee the hiring of public servants, free from ministerial direction, and to report to Parliament. Originally holding many of the human resource responsibilities normally associated with an employer, this agency was transformed into the Public Service Commission in 1967 with the introduction of collective bargaining and the *Public Service Staff Relations Act*. The Treasury Board was designated the employer, but the responsibility for protecting non-partisanship and the merit principle remained the Commission's. Other responsibilities, such as for training and language testing, have been delegated to it by the Treasury Board Secretariat. The Commission thus finds itself playing multiple roles: as Parliament's agent in preserving a non-partisan, professional public service; as a central agency of government in training and other matters; and as a service delivery agent in providing staffing and recruiting services, expertise, and a federal presence in the regions.

2.54 The PSC has maintained a strict oversight of non-partisanship. While the existing *Public Service Employment Act* permits some ministerial staff to be appointed to a public service position on a priority basis under certain conditions, such appointments are subject to a decision by the Public Service Commission. These appointments tend to be to positions in the Executive ranks, but few are made. The Commission also provides guidance on the political involvement of public servants, reviewing requests by public servants to run for office at any level (provincial or federal) and publishing the number of such requests it gets each year, which is small. Initially, participation in political parties and political events was not allowed. Over time, however, court challenges based on the Charter have granted public servants more rights to political involvement. Our audit did not find any concerns about this principle. In our opinion, the principle of a non-partisan public service is well understood on the whole; it has been maintained and needs to continue to be maintained, as it has served the country well.

2.55 To protect merit, the Commission has a variety of tools. It establishes policies and guidelines on staffing and recruitment, creates selection standards for various occupational groups, provides training to staffing officers and managers, provides advice to departments, uses audits or studies to identify issues, and reports to Parliament. Later in this chapter we look at the Commission's overall guidelines, its audits and studies, and its reporting to Parliament. Chapter 3 considers the information the Commission produces, the training it provides, and the services and advice it gives to departments.

2.56 Over time, the PSC has delegated to departments most staffing inside the public service, adopting an advisory and oversight role for itself. It has retained the responsibility for providing corporate programs, such as post-secondary recruitment and programs to identify executives and assistant deputy ministers. It has also retained an active role in most recruitment from outside the public service.

2.57 In its 2000–01 Annual Report, the Commission states that both the key entry points to executive appointments and recruitment to all positions are the levers to ensure neutrality. It says this is why it continues to be actively involved in appointments to the executive level and in the majority of initial appointments to the public service.

2.58 We could not identify how much of the Commission's budget and resources were dedicated to recruitment and initial appointments from outside the public service. Exhibit 2.3 shows the Commission's forecast spending according to its 2000–01 estimates. The amounts do not include $9.7 million approved in June 2001 to deal with priorities arising out of the corporate recruitment action plan. The Commission dedicates less than half of its resources to its resourcing business line, which includes recruitment and initial appointment activities.

Exhibit 2.3 The Commission's forecast spending for 2000–01, by business line

Business line	Forecast spending ($ millions)	Full-time-equivalent staff
Resourcing (support to delegated and non-delegated recruitment and staffing)	61.5	641
Learning (language training and professional development for non-executives)	20.2	263
Recourse (appeals, complaints concerning appointment and promotion)	5.9	68
Policy, research, and outreach	14.3	150
Corporate services (central administration, systems, and support)	32.1*	255
Total	134.0	1,377

*Includes the costs associated with the pay equity retroactive settlement in the amount of $7,449,000.

Source: Public Service Commission, 2000–01 *Report on Plans and Priorities*

2.59   The business line accounts for 46 percent of the PSC's forecast spending and some 47 percent of its full-time equivalents. But the resourcing business line is more than just recruitment. It also encompasses activities that support delegated and non-delegated staffing. It includes such activities as program development, administration of staffing delegation, establishment of tests and standards for selection, administration of staffing priorities, recruitment and promotion, and employment equity initiatives. It also includes resourcing and exchange and development programs for the Executive group.

2.60   The Commission also noted that some of the work done in its policy research and outreach branch supports recruitment activities, as does some work in corporate services for systems. But it could not tell us how much of its overall resources were directed to recruitment activities.

2.61   Further, it is not clear to what extent the PSC's involvement in outside recruitment facilitates the hiring of meritorious candidates. It establishes the areas of selection in consultation with the departments, may provide advice on the statements of qualifications, and checks advertisements for consistency with standards and for the quality of translation. It does the pre-screening of applications, ensuring that each was submitted on time and was from the correct geographical area for the competition. It also confirms whether the applicant is a Canadian citizen and, in some cases, whether the applicant meets the educational requirements of the job. It may also conduct further tests at the request of departments.

The appeals process has shaped the merit system

2.62   Under the terms of the PSEA, the Commission cannot delegate the appeals and recourse function. According to its estimates, this is a small part of the Commission's business. In our opinion, however, the appeals process has had a major impact on the shaping of the merit system.

2.63   Our audit found that line managers are greatly concerned about the impacts of the appeal system on the hiring process. They said that human resource advisors are risk-averse and want to make the hiring process appeal-proof and complaint-proof. A 1997 study by the PSC, *Recourse—The Causes and Impacts*, had similar findings.

2.64   Jurisprudence in appeals of staffing decisions has complicated public service staffing. As we have noted previously (Auditor General's April 2000 Report, Chapter 9, Streamlining the Human Resource Management Regime), any competition within the public service and any move from term to indeterminate status can be appealed. While external competitions (open to the public) are not appealable, anyone who enters such a competition for a job can lodge a complaint. If an investigation determines that the complaint is well-founded, the Commission can direct the department to take corrective action. The PSC's decisions on appeals can be appealed further, to the Federal Court of Canada.

2.65   The appeals system is intended to protect the integrity of the staffing system, not to resolve an employee's personal concerns. It is not an individual rights dispute mechanism. An employee's appeal of a competition can be upheld and yet not necessarily alter the outcome of the competition. Where an appeal is upheld, however, the decision can affect the way departments follow the process. In our opinion, this has had a wide-ranging impact on the entire staffing system.

2.66   The PSC has tried to clarify issues through such vehicles as its Web site, bulletins, and a recent reference tool, *Recourse and Redress in the Public Service.* However, we think that document itself demonstrates just how complicated the process is. It lists five pages of mechanisms, including 18 separate motivating factors that can lead to various investigations, appeals, complaints, and grievances at a number of levels—the PSC, the department, the Public Service Staff Relations Board, and the Federal Court.

2.67   The Advisory Committee on Labour Management Relations in the Federal Public Service observed in its June 2001 report that the existing system is inefficient and complex. It stated, "The appeals process is perhaps the most pressing concern in the current recourse system. This process, created to respond to complaints related to the staffing of positions in the public service, is renowned for its slowness and its inability to resolve the problems that tend to precipitate appeals." The Committee went on to call for "major changes to streamline the existing redress mechanisms and make the redress process simpler, clearer, faster and more efficient by charging a single, experienced institution with the responsibility of mediating and resolving all complaints."

2.68 Recognizing that managers have complained about the rules-based system, the Public Service Commission has tried over the past several years to move away from a rules-based system toward a values-based framework. It expects managers to make staffing decisions through a systematic, informed, ethical balance of the eight merit values and management principles (Exhibit 2.4). This applies also to external recruitment.

Exhibit 2.4 The Commission's merit values and management principles for staffing

Value	Definition
Results values	
1. Competency	Public servants qualified to do their jobs
2. Representativeness	A public service that reflects the labour market
3. Non-partisanship	Staffing that is free of political or bureaucratic patronage
Process values	
4. Fairness	Fair treatment of employees and applicants
5. Equity	Equal access to employment opportunities
6. Transparency	Open communication about staffing practices and decisions
Management principles	
7. Flexibility	Staffing that is adapted to organization's needs
8. Affordability and efficiency	Simple, timely, and effective staffing

Source: Public Service Commission

2.69 While the PSC emphasizes a framework of values, line managers and human resource professionals we interviewed said the processes underlying staffing (and therefore recruitment) remain detailed and bureaucratic. Given the legislative base and jurisprudence, the prescribed process is heavy.

Short-term hiring

The problems with the recruitment system encourage casual and term hiring

2.70 The problems in the recruitment system that line managers identified and that we discuss in this chapter and Chapter 3 have contributed to the increased recruitment of casual and term employees. In the view of the hiring managers, it is faster and less complicated to hire term or casual employees. They do not feel, given the workload pressures they are under, that they can have positions vacant for extended periods.

2.71 As noted earlier, appointments to the public service from outside are not subject to appeal under the PSEA. This would argue for managers hiring more employees to indeterminate status at the outset. But because the appeal process, in our opinion, has "codified" the overall merit system, exactly the

same time-consuming processes and procedures are applied to competitions outside the public service as to those inside.

2.72 The focus groups we held and managers we interviewed confirmed that the best way to get people into a job quickly is to hire them on contract or as a casual or term employee. Once the individual had demonstrated performance, the manager would look at next steps. These could include renewing the term; hiring the contract person or casual employee as a specified-term employee; holding an open or a closed competition; or appointing without competition. The PSC's *Alternative Resourcing Options Report* and its 2000 thematic review, *Access to Public Service Employment Opportunities*, bear this out.

2.73 While managers clearly indicated in our interviews and focus groups that they want to hire people who can perform, there is no formal merit process for the hiring of casual employees. Term hiring follows the merit process, but in many cases the statement of qualifications is written in a way that limits the field of applicants to a more manageable number. Further, when a closed competition is held for a position a term employee has been occupying, often there are few other candidates.

2.74 The PSC has also reported that the prevalence of short-term recruitment has had a negative impact on its capacity to attract members of designated groups. Both the PSC's review on access and its Employment Systems Review comment on this.

2.75 Despite actions to improve the recruitment situation, 40 percent of the respondents to our Internet questionnaire found that the government recruitment system has stayed the same in the past year. An additional 15 percent felt it had slightly deteriorated and 13 percent felt that it had significantly deteriorated. Twenty percent said it had slightly improved and 2 percent said it had significantly improved. In addition, 36 percent of the respondents thought that the speed of recruitment had stayed the same over the past year, 18 percent felt it was slightly slower, and 19 percent found it significantly slower. Fifteen percent said it was slightly faster and 2 percent said significantly faster.

Greater decentralization and delegation to departments works

2.76 Hiring managers told us clearly that they want fully delegated staffing authority. They want clear but broad policies and guidelines rather than the rules that have evolved under the PSEA. They want less process and red tape and more value placed on their judgment. They are prepared to be held accountable for their decisions.

2.77 The PSC has already delegated full authority to a number of departments for hiring to special professional groups. These departments may hire from outside the public service without going through the PSC. Examples in the six departments we reviewed are meteorologists in Environment Canada, nurses in Health Canada, and translators in Public Works and Government Services Canada (PWGSC). Each of these

departments has the flexibility to develop a recruitment system for the special groups that meet their needs.

2.78　For its Translation Bureau, PWGSC has developed a strong partnership with the 11 universities that have a translation program. Final-year students may opt to take course work related to government translation and are paired with experienced translators. The Bureau offers jobs to the best of them. Environment Canada targets meteorology, physics, mathematics, and other science graduates with extensive course work in physics and meteorology and provides up to 42 months of training after hiring them. The trainees are paired with experienced staff to transfer knowledge. Health Canada advertises for qualified nurses in professional journals and maintains an inventory of 200 to 300 candidates.

2.79　For all three groups, line managers were highly satisfied with having control of recruitment. They especially noted the increased speed and efficiency. We also note that hiring for all three groups has been to indeterminate status immediately, based on sound knowledge of short-term and long-range plans.

2.80　We also surveyed some 15 federal Crown corporations and separate employers who are not governed by the PSEA. These employers do not have the same restrictions on hiring, nor is "merit" in their legislation. In general, their governing legislation gives the chief operating officer the right to hire "such employees as are necessary for the conduct of business."

2.81　These organizations are governed, however, by federal labour codes (either the *Canada Labour Code* or the *Public Service Staff Relations Act*), the *Canadian Charter of Rights and Freedoms, Canadian Human Rights Act, Official Languages Act, Employment Equity Act*, and sound business practices. Many of their employees are represented by unions that also represent public servants.

2.82　All of the Crown corporations or separate employers we surveyed said they hired on the principle of merit, which they defined in various forms as finding the person best qualified for the job or the person who best met their needs. They also have to manage the issues of diversity and representativeness. From the outside, their policies do not look much different from those in the federal public service, but they reportedly are more adroit in hiring and take less time to fill officer-level jobs, from two weeks to three months.

2.83　Over the past few years, more than 50,000 public servants were moved from the "core" public service to separate employers, in some measure to escape the complex human resources regime. These separate employers included the Canada Customs and Revenue Agency (about 43,000 employees, formerly Revenue Canada), Parks Canada (about 3,900 employees, formerly part of the Department of Canadian Heritage), and the Canadian Food Inspection Agency (about 4,500 employees, from four departments). Similarly, in the 1980s the Post Office Department (50,000) and the National Museums of Canada (1,000) became Crown

corporations. None of these organizations is any longer under the *Public Service Employment Act*.

2.84 The Act establishing the new Canada Customs and Revenue Agency gave employees of that organization the right to be treated as though they were employees within the meaning of the PSEA, for the purpose of competing for positions in the core public service. It also gave the Public Service Commission the right to review whether the Agency's principles governing its staffing programs were compatible with the staffing values of the rest of the public service. In its 2000–01 Annual Report, the Commission noted that this compatibility did exist, supporting mobility between the Agency and the public service.

2.85 We believe the experience of fully delegated staffing in departments and in the broader public service demonstrates a potential for greater decentralization that should be considered in framing a new legislative model.

Insufficient change

Despite much study and analysis, insufficient change has happened

2.86 We expected that the Commission would act in response to deficiencies identified and recommendations made in previous audits, evaluations, and studies.

2.87 The Public Service Commission used to audit individual departments on a cyclical basis as a means of protecting merit. These audits focussed on process and on whether the correct procedures were followed and documented. As part of its move to a values-based staffing system and away from an emphasis on the rules, the PSC no longer conducts individual staffing audits of departments.

2.88 The Commission has replaced these audits with thematic studies on special topics, which are intended to throw light on how well the values are understood and reflected in practice. Over the past year, the PSC has taken a variety of actions to improve its understanding of staffing trends and report on them. These actions include a Staffing Accountability Early Warning System, a Programme of Special Surveys, monitoring of appeals and investigations, and initiatives related to levels of service and performance indicators. We looked at many of these reports in our audit. We note that the reports identify many problems, analyze underlying causes, and present findings, but stop short of making recommendations. While the reports inform the work of the Commission and its policy arm and are shared widely with deputy ministers and departments, it is not clear to what extent the problems they uncovered are being addressed—there is no formal tracking system or follow-up on them.

Reporting on recruitment

Parliament lacks a comprehensive report on human resource management

2.89 We expected that there would be adequate reporting to Parliament on recruitment strategies, programs, and results.

2.90 Three central agencies all provide reports on aspects of human resource management in the public service.

2.91 In 1992, amendments to the *Public Service Employment Act* named the Clerk of the Privy Council as the Head of the Public Service. The Act requires the Clerk to submit a report annually to the Prime Minister on the state of the public service, a report that is also sent to Parliament. These reports have identified general issues and have been the vehicle for establishing broad-based, public-service-wide priorities, but they have given little specific information on expected or actual performance.

2.92 The Treasury Board, as the employer of the public service, provides a number of reports to Parliament with implications for human resource management. They include reports on official languages and on employment equity, required by federal law, and a report on employment statistics that identifies employment trends in the federal public service. That report includes major changes in the composition of the federal public service workforce in recent years. It includes such information as the size of the public service; the changing proportion of employees in occupational groups, by employment type; and some demographic data. In most cases, however, the focus is on historical trends and not on future projections.

2.93 In 1998, the Treasury Board Secretariat developed a comprehensive framework for good human resource management in the public service. It identified success criteria, performance indicators, and possible sources of information for a variety of human resource areas, including recruiting and staffing. However, reports on plans and priorities and the performance reports of the departments we audited do not reflect the use of this framework.

2.94 The PSC is required by its legislation to provide Parliament with information on the transactions and affairs of the Commission and on actions taken concerning recourse, exclusions, and employment equity. This legislative requirement is strongly oriented to activities and, as we have already noted, the Commission's annual reports have not provided Parliament with a clear view of how merit is being protected and how departments and agencies have complied with the *Public Service Employment Act.* In our opinion, the legislative requirement for data on transactions does not serve well Parliament's understanding of the merit system's performance.

2.95 In its 1999–2000 report, the Commission announced that it would report on the overall health of the merit system in its annual report, and on its own performance in its departmental performance report.

2.96 In 2000–01, as part of its new Staffing Delegation and Accountability Agreements, the PSC piloted Staffing Performance Reporting. This program requires departments and agencies to submit an annual report on how their use of their delegated authority has reflected the eight staffing values, and to give specific measures of performance. This year, all departments are required to report. The Commission intends to use this information to support its assessment of the health of the merit system in its annual report.

2.97 In its 2000–01 report, the Public Service Commission revamped its format to report against the staffing values, using the departmental performance reports, its thematic studies, and special surveys. The report

focusses more on the overall health of the staffing system than it has in previous years. It includes a section on major issues affecting the staffing system, which identifies many of the issues we raise in Chapter 3. These include demographics, diversity and representativeness, access to employment, reliance on short-term temporary staffing, and capacity of the human resource management community. While the detailed discussion in the narrative of the report clearly identifies some problems, in our view the summary assessment information does not adequately convey the extent of the problems in the basic functioning of the system.

2.98 The report contains statistical information on the Commission's transactions, as the current legislation requires. However, there is minimal analysis of the data and trends. And the data do not provide a clear picture to Parliament of issues that need to be addressed.

2.99 The Public Service Commission's performance reports and reports on plans and priorities focus on its departmental activities. The performance reports do not present information on the outputs generated by these activities, such as hiring the right people and doing so in a timely way. Further, the reports on plans and priorities fail to clearly identify the expected outcomes of the planned activities. Consequently, Parliament is not able to determine the extent to which the Commission's work contributes to the health of the public service.

Reporting on human resource management can be improved

2.100 In our opinion, with three different central agencies providing reports to Parliament on different aspects of human resource management, it is difficult for parliamentarians to get a clear picture of the risks, the challenges, and the state of human resource management—conditions that could affect the outcomes of services to Canadians.

2.101 In our April 2000 Report, Chapter 9, Streamlining the Human Resource Management Regime, we noted, "Reporting to Parliament on performance in human resource management needs to improve significantly. To exercise its stewardship for this aspect of government operations, Parliament needs to get better information on how systems perform and how senior managers discharge their responsibilities." We are still concerned that Parliament is not informed about key challenges that affect the functioning of the public service.

Legislative change is required

2.102 In April 2000, we reported that while improvements were being made in the right direction, the staffing process was still a major source of frustration. This audit further confirmed our view that not enough corrective action has been taken.

2.103 We have not made specific recommendations to address the problems we have found in the present system. We believe the government needs to rethink and redesign the entire system rather than tinkering at the margins.

2.104 The government announced plans in April 2001 to introduce modernized human resource legislation in 2002. This Office agrees that

legislative change is needed, change that should reflect the concerns raised in this chapter and in previous reports.

2.105   There is a need to separate process and guiding principles from legislation. The challenges that today's public service faces, the composition of its workforce, and the means that it can use, such as the Internet, are vastly different from those of the 1960s when the present legislation was written.

2.106   In reflecting on the lessons from this audit and previous work that examined recruitment issues and some underlying problems, we have outlined some guiding principles for change.

- Human resource legislation should be streamlined and simplified.
- The concepts of a non-partisan public service, able to provide service in both official languages, staffed with competent employees, and representative of the Canadian population it serves are key.
- The legislation should stay at a fairly high level, leaving the operational arrangements to a framework of policy and guidelines within which individual departments would work to address their specific challenges, taking affordability and efficiency into account.
- Any legislation should provide clear direction on responsibilities and accountabilities.
- It should clearly define the role of deputy ministers for the management of human resources in their departments.
- There needs to be a strong accountability regime with strong consequences for inappropriate or poor management of this key resource. Annual reporting to Parliament on human resource management in departments is needed. As well, some form of comprehensive, cyclical reporting on human resource management by departments to Parliament might be considered. Parks Canada's legislation requires such reporting.
- Some form of external oversight function should be in place to provide Parliament with assurance on human resource management. This function should be completely separate from any corporate operational unit needed.

Conclusion

2.107   We undertook this audit to examine how well the general recruitment of personnel into the public service meets both current and future requirements. Our audit found, and many previous public reports have said clearly, that the public service faces a looming "human capital" challenge due to the aging of its workforce, previous hiring and downsizing initiatives, a shift in the nature of work, and the tight labour market expected in the future.

2.108   The public service of the future must be rebuilt on a foundation of attracting both new graduates and seasoned professionals to fill the upcoming vacancies. As recent hiring trends show, this is not occurring. Hiring activity is focussed more on short-term operational needs than on the long-term recruitment needs of the federal public service.

2.109 We are concerned that some significant recruitment problems have been identified already and yet few plans of action have been completed to address them.

2.110 We are also concerned that an alternative system of short-term hiring has evolved as managers work around the more complex system for indeterminate hiring. Our review of general recruitment found that flaws in the system prompt managers to work around it rather than within it. Added to the weaknesses in human resource planning, funding, and individual practices outlined in Chapter 3, hiring managers focus more on hiring for the short-term. This will have significant long-term repercussions on the public service.

2.111 In our opinion, the government cannot build the workforce that will give Canadians an outstanding public service in the future if it offers only short-term jobs to prospective employees. It will have to attract and hire people to mid-level scientific, professional, and administrative positions—people who likely are already employed elsewhere. Current general recruitment practices do not provide a strong enough foundation for meeting current and future requirements.

2.112 All of these issues have been studied for years. But the changes made so far have been an inadequate response to the identified deficiencies and the recommendations made for resolving them. The legislative and management framework for recruitment requires radical change to ensure that the new system and practices will be more responsive to both the operational requirements of departments and the long-term needs of the public service. At the same time, the public service must continue to be non-partisan, competent, and representative.

2.113 The government plans to introduce legislation in 2002 to modernize the human resource management regime. We strongly support this initiative and urge the government to take quick and decisive action to meet the significant challenges it faces.