



Sixteenth Annual Report

to

the Prime Minister

on

the Public Service of Canada

Kevin G. Lynch

Clerk of the Privy Council and
Secretary to the Cabinet

For the year ending March 31, 2009

Canada

BACK COVER



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Clerk of the Privy Council and
Secretary to the Cabinet



Greffier du Conseil privé et
Secrétaire du Cabinet

Ottawa, Canada
K1A 0A3

March 20, 2009

Dear Prime Minister:

In my role as Head of the Public Service of Canada, I have the honour to submit to you the Sixteenth Annual Report to the Prime Minister on the Public Service of Canada, in accordance with the provisions of section 127 of the Public Service Employment Act.

The theme of this document, as it was for the Fifteenth Annual Report, is renewal of the federal public service. The report describes progress achieved over the last year on the renewal agenda and sets out the areas we will concentrate on over the coming year.

The third report of the Advisory Committee on the Public Service, which was released in February 2009, is included as an annex to this report. As you know, the Committee has been active in identifying priorities on public service renewal and in providing timely and helpful recommendations.

The public service operates in a very complex environment, made more challenging by the global recession we are now experiencing. At the same time, we are continuing to adjust to the demographic pressures facing the public service, and the necessity to develop the next generation of public servants. Meeting these challenges is the essence of a dynamic public service with a clear focus on renewal.

Your support, Prime Minister, for a non-partisan, excellent and diverse Public Service of Canada is essential. You can be assured of the strong commitment within the public service to serving Canadians with integrity and distinction.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Kevin G. Lynch".

Kevin G. Lynch

Canada 

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I. Introduction

This is my fourth report on the public service since I assumed my duties as Clerk of the Privy Council, Secretary to the Cabinet and Head of the Public Service of Canada in March 2006.

Canada Today

I am submitting this report in an economic environment in which the challenges facing the Government of Canada and Canadians are dramatically different from what they were a year ago. At no time has the Government needed a professional, non-partisan public service more than today, as we face the most difficult international economic circumstances in recent history. The world is experiencing the first synchronized global recession in more than 60 years, exacerbated by severe strains on international financial markets. In such circumstances, the Canadian economy is also in recession, with increasing job losses, and reduced confidence on the part of business, investors and households.

Working with other countries, the provinces and territories, and the Canadian business community, the Government of Canada has responded with budgetary measures aimed at stabilizing the financial system and providing stimulus to support the economy. In this process, ideas, advice and implementation experience from the public service – from every department and agency with policy or program capacity relevant to the difficult situation facing this country – are essential. I am proud of the contribution being made by so many of my fellow public servants.

Public Service Renewal

It is my job as Clerk of the Privy Council to see that Canada's public service is both responsive and responsible in providing professional advice and support to the Government. This is why, when I took up my duties in 2006, I made public service renewal my top management priority. It was clear that if the public service was to continue to play its essential role in the country, we would need to place a significant, long-term focus on renewal – not only

in attracting new recruits to replace people retiring, but also in developing and renewing the capacities of those continuing their careers, and in looking for new skills and new ways of doing things to meet the future challenges.

In my travels across Canada over the past 12 months, and in dozens of meetings with public servants and with groups from outside government, I have stressed that renewal is not just another human resources initiative. It is, above all, about the *business* of government. It is about enabling public sector institutions to do a better job for Canadians.

The business of government has become markedly more complex than in the past. Today, almost every department and agency must deal with global challenges, using new tools and asking people to work in new ways – in integrated teams, often across organizational boundaries.

In tackling these new challenges, our goal is not to make the public service more like the private sector. Government has a different purpose, different values and different measures of success. The bottom line for public servants is not profit, but service – making a difference to Canadians. Think, for example, about the concept of “service excellence” for the people in the Passport Office. For them, good service means not only providing a timely, affordable product to the person at the counter, but also providing a document that benefits all Canadians by protecting the security of Canada.

We should all take pride in the fact that what we do in our various jobs is difficult, often in ways that are unique to the public sector, and important to Canadians.

This Report

As we enter 2009, we are several years into a renewal effort that will continue for as far ahead as can be foreseen. I would like to use this report to highlight what has been accomplished over the past 12 months, and at the same time to point to areas where we

may not have done as much as was envisaged. The report will provide in Annex A a demographic snapshot of the federal public service, and will also set out specific objectives for renewal for the coming year.

In Section II, the report describes the progress of renewal in 2008 against the objectives set in last year's report. Section III discusses the specific challenges of renewal in the current environment. It also addresses the reciprocal expectations and obligations that unite managers and employees throughout the public service, as a way of clarifying both expectations and opportunities for change in the workplace. Section IV sets out the themes and specific objectives of the renewal agenda for the coming year.

As we move ahead, we should remember that public service renewal is above all a collective effort. Across government, people are learning from one another about where change is needed; about what works and what doesn't; and about how best to join their efforts in creating a public service in which dedicated employees can fulfill their potential as servants of their country.

That's an extraordinary opportunity for all of us.

II. What was Accomplished in 2008

A New Human Resources Governance Regime

On February 6, 2009, the Prime Minister announced important changes to improve the management of human resources in the Public Service of Canada. Those changes respond to the recommendations of the Prime Minister's Advisory Committee on the Public Service, in its 2008 report. The Committee found that the existing human resources governance regime was "overly complex, with multiple players and a resulting burden of duplicative and often unnecessary rules." It recommended changes in the human resources governance structure to make it simpler, more streamlined and more coherent.

This is what the Government has done with the changes it recently announced. Effective March 2, 2009, the Canada Public Service Agency (CPSA) and the elements of the Treasury Board Secretariat (TBS) that deal with compensation and human resources matters were consolidated into a new office headed by a new Chief Human Resources Officer (CHRO). The new office is being housed within the Treasury Board Secretariat, in much the same manner as the Office of the Comptroller General. Henceforth, the central agencies responsible for human resources management will now focus only on activities that must be carried out corporately.

These organizational changes reflect the fundamental responsibility of deputy ministers for people management in the public service. They will provide deputies and their management teams, working with the support of human resources professionals, with clear responsibility to manage their people fully and effectively, and the flexibility to do so.

Additional details on the new human resources governance structure can be found in Annex B.

Progress Against Commitments¹

In my 14th Report, in 2007, I set out the four pillars of public service renewal – *planning, recruitment, employee development* and *enabling infrastructure*. These themes were joined in last year's report by the over-arching theme of *employee engagement*, about which I will say more in Section IV.

In looking back on what we have achieved to date, I want to emphasize that there are no “magic bullet” solutions to the challenge of public service renewal. The key to success is sustained progress over time. And overall, I am pleased to see progress in all categories of activity.

1. See Annex C for a statement of results from the Public Service Renewal 2008-09 Action Plan.

Much of this is to the credit of deputies and other senior managers who have been working at a departmental or system-wide level. But as renewal broadens out, we are increasingly seeing progress at the branch or unit level within departments and agencies, and also by groups of employees working in functional communities, regional councils and employee networks. These public servants are taking charge of their future in a very constructive way.

Planning

The key to effective human resources planning in departments and agencies is integration with overall business planning. This was why we created the Expert Panel on Integrated Business and Human Resources Planning, under the chairmanship of former Ontario Cabinet Secretary Tony Dean. The panel was asked to review the 2007-08 integrated business and human resources plans prepared by departments and agencies and to identify best practices and lessons learned.

In its November 2008 report,² the panel made four key recommendations on integrated planning that will be guiding the work of deputy ministers over the coming months. The panel pointed to the need for:

1. top-level affirmation of the importance of integrated planning in shaping a full range of choices for delivering on key business goals;
2. having deputy ministers drive integrated planning and model integrated behaviours;
3. sharing experience and learning from existing successes in integrated planning; and
4. central agencies to support and facilitate integrated planning by departments and agencies.

This is common sense of a high order, and we are very grateful to the panel for its work. We intend to use this report as a yardstick for our assessment of progress in integrated business and human resources planning over the coming years.

2. See Annex D for a detailed account of Integrated Business and Human Resources Planning.

I am pleased to see that, as the panel observed, integrated planning is becoming better established across government. Since 2007-08, deputy heads have been required to develop integrated plans and make them available to employees on departmental websites. These plans are to include employment equity strategies. The quality of the plan and progress against commitments are evaluated by the TBS in the annual Management Accountability Framework (MAF) assessment exercise.

While we have clearly made essential progress in improving human resources planning, the challenge now for every institution is to deliver on those plans in ways that make a demonstrable improvement to the business of the organization and the working lives of employees. This will be the future focus of our attention.

Recruitment

Two commitments on recruitment were set out in last year's Renewal Action Plan. The first was that deputy ministers and deputy heads would make offers to at least 4,000 post-secondary graduates for indeterminate positions in their organizations. This goal was exceeded; by March 2009, offers had been made to more than 4,200 graduates.

The second commitment was to strengthen the public service "brand." One proposed initiative in this regard was to develop a website friendly to job-seekers, to be operational by the end of 2009. This project is moving forward, though proceeding slower than we might have hoped.

Another promising initiative we undertook was holding career fair pilots at four universities. These events were held at Waterloo, Dalhousie, Victoria and Sherbrooke in the fall of 2008. Deputy ministers of hiring departments and agencies were there, with their managers and human resources professionals, to meet with prospective employees. The job fairs also had a branding element, showing graduating students that Canada's public service is a committed and interesting employer, offering a wide variety of attractive careers. They also demonstrated how the

universities and the public service can be effective partners in developing career opportunities for graduates.

Effective recruitment means more than just getting good people on our roster. It's really about getting the right people in the right jobs at the right time to meet the business needs of public sector organizations.³ It is also a matter of reaching out across the country to ensure that the public service benefits from the widest possible spectrum of future talent, and that it reflects the true diversity of people, skills and ideas in this country.

In recent years, we have made significant progress in increasing the **representation** of members of all four employment equity target groups – women, Aboriginal peoples, persons with disabilities and members of visible minority groups.

But there is more to be done, especially in terms of ensuring adequate representation of Canada's diversity at executive levels of the public service. This issue has been discussed by the Prime Minister's Advisory Committee, where we have benefited greatly from the ideas of interested people from inside and outside government.

To add practical impetus to our efforts, I have asked an experienced deputy minister, Monique Collette, President of the Atlantic Canada Opportunities Agency (ACOA), to develop new and pragmatic approaches to improve diversity, and to foster full recognition and usage of Canada's two official languages in the workplace. Next year's report will present the results of her work and how they should shape our approaches in the future.

Diversity in the public service: 2008

Updated statistics on the representation of all four employment equity target groups in the Public Service of Canada are presented in Annex A. By 2008, the representation of women in the federal public service had shown the greatest gains, rising to 54.9 percent of the overall public service and 41.2 percent of executives. All employment equity target groups demonstrated improvements, and three of the target groups (women, Aboriginal peoples and persons with disabilities) exceed workforce availability.

3. This is sometimes described as going from a supply-driven model to a demand-driven model of recruitment and staffing.

Development

Last year, deputies and deputy heads were asked to ensure that supervisors hold feedback sessions with their employees on performance, career development and related learning needs. They were also asked to expand the talent management approach already implemented for assistant deputy ministers to their entire executive cadre by March 2009.

With only a few exceptions, both of these commitments have been met. The challenge now is to make these performance tools more effective for managers and employees.

Another commitment was to strengthen our management development programs. Here too, progress was made.

- Deputies have approved a comprehensive framework for leadership development programming in the public service, and are now considering specific measures to strengthen and refine development programs.
- Our commitment to place a second group of 25 promising senior leaders into the Advanced Leadership Program (ALP) was also met. The ALP is a new initiative that combines classroom learning with on-the-ground exposure to major issues in Canada and the world.
- To engage younger public servants as future policy leaders, we have asked 150 employees to prepare an assessment of the principal challenges facing Canada in 2017 and their implications for the public service. This exciting project, aimed at Canada's 150th anniversary, is well under way.

Deputy heads were asked to apply a rigorous **performance management** approach to their senior executives, including clear, assessable commitments, mid-year feedback on progress, and specific action plans to address all performance issues. With a few exceptions, this has been done throughout the government. This

more rigorous approach to performance assessment is meant to mirror the revised deputy minister performance evaluation model, which is summarized in Annex E.

Enabling Infrastructure

Last year, we also made commitments under three headings – *governance*, *effectiveness* and *benchmarking*. Major progress was made on *governance*, as described above and detailed in Annex B.

In the area of *effectiveness*, the Treasury Board Secretariat has taken preliminary steps to reduce the “web of rules” constraining the effective delivery of services. TBS has reduced central oversight on high-performing departments and has also reduced the administrative and reporting burden on its clients by at least 10 percent. This remains a priority going forward.

Progress has also been made in the area of *benchmarking*. We have agreed on key indicators for central tracking of the state of the public service and of people management within it and will launch an annual on-line survey to better track people management including employee engagement starting in 2010. The CPSA, through Statistics Canada, has conducted the fourth public service survey of all employees, and results from the survey will be ready this spring.

Finally, deputies and deputy heads were asked to establish departmental service standards for key human resources services, including staffing, classification and pay, and to communicate these to their employees. Here, while work has been done, we are not yet where we need to be.

Broadening the Ownership of Renewal

We are entering a new stage in the renewal of the public service, as we begin to see new ideas and initiatives emerging in departments and agencies, and from employee-driven networks of all types. Functional communities and professional groups, as well

as a number of regional councils, have shown energy and imagination in addressing the challenges facing their members.

Their initiatives and the many others like them around government are not “top-down” endeavours. Rather, they show how committed groups of public servants are taking action to renew their own professional communities. We should give full credit to all who are engaged in these sorts of worthwhile activities.

We will increase our focus on **functional communities**. To date, they have supported renewal through capacity building, with the identification of learning priorities and the development of long-term strategies to address specific challenges identified through demographic studies.

Several communities have also been working at simplifying human resources management processes by adopting generic approaches to job descriptions and competency profiles in support of better targeted development and more effective and efficient staffing and recruitment. For example:

- The Human Resources Council has collaborated with key partners in developing “PE” Group Generic Tools to be piloted in early-adopter departments.
- The IM/IT Community has developed IT generic organizational models, pre-classified work descriptions, and job competency profiles for implementation in departments and agencies and is developing an organization model and generic job descriptions in information management.

Other communities have developed and implemented tools for community engagement and information sharing. For example:

- The Science and Technology Community is developing and implementing a collaborative intranet site with community-wide wiki-discussion capability.

- The Communications Community created student networking cafes to provide venues for exchange between new or potential recruits and more experienced communicators in government.

The **national managers' community**, which includes approximately 50,000 public service employees in all public sector organizations and areas of specialization, has a key role to play in public service renewal. Its annual national conference in April 2008, included "e-polling" of almost 1,000 managers from across Canada on topics related to public service renewal. This was followed by extensive consultations across government to gather additional insight on priority areas for action which included:

- strengthening capacity for performance management;
- more systematic succession planning; and
- broadening employee engagement on public service renewal.

In pursuing work on these priority issues, the Managers' Community worked with other like-minded communities to explore opportunities for collaboration on public service renewal initiatives. This was aimed at putting in place the necessary tools and support to manage employee performance, support cross-community networking and engagement, and exchange ideas on renewal and best practices.

The **regional federal councils** are made up of senior federal officials in each province working under the chairmanship of a designated senior executive. A number of councils have been active in moving forward the agenda for public service renewal. Several have developed regional action plans for this purpose, and I expect they will take even more of a leadership role in renewal in coming years.

- The Quebec Regional Council has conducted a comprehensive review of departmental/agency integrated business and human resources plans to identify regional capabilities, needs and common issues, as well as best practices and tools.

- The Alberta and Pacific Federal Councils commissioned a study of labour market trends in Alberta and British Columbia to assess their possible impact on public service renewal efforts. The study informed their Public Service Renewal Action Plans.
- In fostering broad learning and engagement, the Nova Scotia Federal Council has encouraged inter-generational exchanges through varied activities and events.

I believe what is perhaps most encouraging about these initiatives, and the many to come, is that they demonstrate how public servants are showing imagination in working horizontally, in developing practical solutions and in learning from one another about how to strengthen their organizations.

III. Renewal in Challenging Times

Looking Ahead

Canadians recognize the essential contribution of the public service to addressing the difficult problems facing the country and to tackling global challenges. Public service renewal is about having a public service that can respond creatively to the complex challenges of today and tomorrow.

In recent years, many departments and agencies have been adding new skills and capacity; they have started to invest in training and retraining existing staff; they are reducing red tape and smoothing the delivery of grant and contribution programs; they are adopting new technologies for networked policy and program development; and, they are now tackling, in a much more rigorous way, the issue of performance management.

These changes speak to the renewal effort that is well underway and that will have to continue over the coming years. Public service renewal is motivated by inevitable demographic change and the imperative to re-equip the public service as a vital national institution for the complex and new challenges of the future. That is what we've been doing, and what we will continue to do.

Expectations of Managers and Employees

In this changing environment, it is important to be clear on the expectations that managers are entitled to have of their employees, and what employees are entitled to expect of their managers in return. I see this as a relationship of mutual obligation that carries with it specific responsibilities on each side.

Public servants, at all levels, share and are bound by the same *Code of Values and Ethics*. The most important of our shared obligations is, of course, to provide non-partisan and professional advice and support to the elected government of the day. This is the essential feature of the public service in our Westminster system of government, and it distinguishes us clearly from other democratic systems.

On this foundation, the values that define the public service must find daily expression in the workplace. Managers, at whatever level, have a duty:

- to treat those reporting to them with fairness and respect;
- to give employees clear direction and constructive feedback on performance;
- to work with employees in developing learning plans and in providing appropriate opportunities for professional development; and
- to consider their views.

For their part, every employee has a duty to their manager:

- to work diligently and produce work of high quality;
- to accept direction and deliver results that accord with that direction;
- to provide frank professional advice in support of the mission of the organization; and
- to make a constructive contribution to the workplace and the team.

Performance Management

The issue of performance management is all the more important today in a period when we are asking ever more from the public service. I noted above that employees have a right to effective management. They also have a right to know that if they perform well, this will be recognized, and if they (or their colleagues) perform poorly, problems will be addressed by managers. Meeting this fundamental expectation requires regular, open dialogue between managers and employees.

In my view, good performance management is as much a matter of fairness to people as it is of organizational effectiveness. This is why the more rigorous performance management regime first developed for deputy ministers will be implemented throughout the executive community. Deputy ministers will be asked to report on the steps they have taken to extend the new performance management regime to all executives in their organizations.

Going forward, we will need to take effective steps to expand our approach to performance management throughout the public service. If unaddressed, problems of poor performance damage morale as well as efficiency. Effective mechanisms for performance management are one of the best ways to equip the public service for sustained success as an institution and will benefit employees at all levels.

IV. Moving Ahead on Renewal: Priorities for 2009

Goals for the Medium Term

As public service renewal moves forward over the coming year, my deputy minister colleagues and I will be paying particular attention to the middle management community as the carriers of the “management ethos” in every department and agency, and therefore as a continuing focus for the renewal effort. Managers have a major influence on how employees see their jobs and on

their degree of commitment to departmental objectives. We want to continue an open, active dialogue with managers, and equip them with the tools to lead their organizations into the future.

In the coming years, I will be looking to deputies and agency heads to ensure that newly recruited public servants can benefit from the accumulated knowledge of their more experienced colleagues through more effective programs of knowledge management and knowledge transfer. This is another area where departments and agencies have much to learn from one another.

I am very conscious of the need to reach out to younger public servants and to new recruits through such events as the highly successful recruitment fairs launched in 2008. Indeed, I would encourage every senior manager to take the opportunity to be an active participant in the recruitment process. It's a great learning experience, and it invariably reinforces one's enthusiasm for a public service career choice.

Responding to the Prime Minister's Advisory Committee

The Third Report of the Prime Minister's Advisory Committee on the Public Service was released in February 2009. Its key recommendations are: the importance of designing and implementing a "whole-of-government" principles-based approach to risk management; the imperative of modernizing key internal systems such as the pay system; and maintaining a management focus on recruitment.

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

Third Report of the Prime Minister's Advisory Committee on the Public Service, February 2009

I appreciate the Advisory Committee's validation of the crucial importance of renewal, both to the public service and to Canadians. I also value the Committee's commitment to help ensure the federal public service remains a dynamic and adaptable institution, dedicated to serving Canadians with professionalism, non-partisanship and excellence.

Its recommendations, which we strongly embrace, will allow us to more effectively deliver on results and better adapt public services to the uncertain economic times confronting Canada. Risk management, and the innovation it can engender, will require us to accept more risk. It will also require public service managers, government, oversight bodies and the public to tolerate potential mistakes.

We need to urgently modernize our pay systems, which are decades out of date, but such investments are not without cost or without risk given the current state of the systems. We are also committed to continuing our external recruitment efforts over the coming year. We will report next year on progress on these timely and challenging recommendations.

Objectives for 2009

As in the past, we will set specific objectives for senior executives in pursuing renewal efforts for 2009, grouped under familiar themes.

On **planning**, the November 2008 report of the Expert Panel on Integrated Business and Human Resources Planning sets the direction for how departments and agencies should be doing their business and human resources planning. It sets out practical steps to equip departments for progress in this area. The report also gives a clear idea of the success measures that will enable both employees and the central agencies to evaluate that progress.

In the coming year, deputy ministers will be asked to report on what they have done to give effect to the principles and lessons set out in the expert panel report. We will be looking for integrated plans that emphasize clarity, simplicity and a true business focus. We also want to see evidence that these plans are serving to guide the program work of the organization.

With respect to **recruitment**, we will ensure it continues in 2009-10, targeting the strategic human resource requirements of the public service when it comes to post-secondary recruitment. There will also be more efforts to recruit mid-career professionals who will bring new professional experiences to the workplace.

Our engagement in 2009 with universities and colleges through mechanisms such as the career fairs, will continue. This year, the focus will be on the implementation of a revised career fair model to support effective post-secondary recruitment with clear branding of the public service.

Achieving a fully **representative workforce** in the public service remains an important goal. Our objective is to create a public service workforce that is truly representative, at all levels, of the diversity of Canada's population. Many have argued that if we can make real progress with respect to gender representation, as we have, we can surely do the same for persons with disabilities, Aboriginal peoples and members of visible minority groups. We accept this challenge.

Development remains a core objective. For 2009, it will relate to the broad issue of leadership development. Deputies have paid considerable attention to this issue over the past year, and they have concluded that we need a new focus on learning opportunities in the workplace, on continuous learning programs for employees, and on the development of leaders skilled in line management. The new leadership development framework will serve as the foundational piece on which the full panoply of leadership development programs will be reassessed – from recruitment, to mid-career, to the most senior programs for executives.

There is also a need to make improvements in recognizing the place of Canada's two **official languages** in the workplace. This goes beyond representation of francophones and anglophones at all levels of the public service, where in fact we have been quite successful. Rather it means ensuring that we are operating a public service that uses and respects both official languages in the workplace and in services to the public.

Enabling infrastructure is about people as well as systems in providing excellence in advice and service. With the changes to human resources governance, accountability for the management of people now clearly rests with deputy ministers. Deputy ministers will be asked to report that they have put into effect a human resources management regime that acknowledges this responsibility at every stage of the human resources management process – from recruitment to staffing to learning, promotion and leadership development.

V. A Final Word

I began this report by acknowledging the extraordinary economic times in which we are living. Now, more than ever, a high performing public service is crucial to Canada and to Canadians. That is why public service renewal matters, regardless of the times.

Renewal is not something to be associated with a specific government, or a particular head of the public service. Rather, it is a challenge that we public servants must embrace as an enduring responsibility if we are to continue to be relevant to Canadians and their national government. Nor is public service renewal a time-limited initiative. Rather, it is a process of deliberate evolution and innovation that must continue, because no national institution can stay static and hope to succeed.

If there is a single key to the success of public service renewal, it is the personal engagement – the ideas and the commitment – of the 260,000 men and women across Canada and abroad who have made a career in the federal public service. As we move forward on renewal, it is important to have a shared understanding of what public service is about, and why it is important. Without that shared understanding and a sense of personal ownership, it will be more difficult to sustain the process of renewal into the future.

Renewal belongs to you. Indeed, many of the most important consequences of public service renewal will be seen in the workplace and where programs directly touch Canadians. Renewal will succeed because public servants see it as a path to a better workplace and better results for their organization.

I urge you, my fellow public servants, to take up the opportunity to make a difference in your organization. Canadians are counting on you.

Annex A: A Demographic Snapshot of the Federal Public Service: 2008

Introduction

This Annex builds on the extensive analysis presented in last year's report and focuses on key demographic elements of the federal public service.¹ This profile provides an update on the current workforce while building on historical comparisons back to 1983. Part I provides a snapshot of the public service as a whole, while Part II focuses more specifically on the executive cadre.

Demographic Profile of the Public Service of Canada (March 31, 2008)
<ul style="list-style-type: none">• 263,000 employees (251,000 in 1983)• 54.9% women (42% in 1983)• 41.2% of executives are women (less than 5% in 1983)• 60.1% of employees in the regions and 39.9% in the National Capital Region• 85.5% indeterminate employees; 9.5% term employees; 5% casuals and students• 70.6% declare English their first official language; 29.4% declare French• Average age 44 years (39 in 1983)• Average age of executives 50.4 years (48.7 in 1983)• Public service represents 0.8% of the Canadian population (1% in 1983)

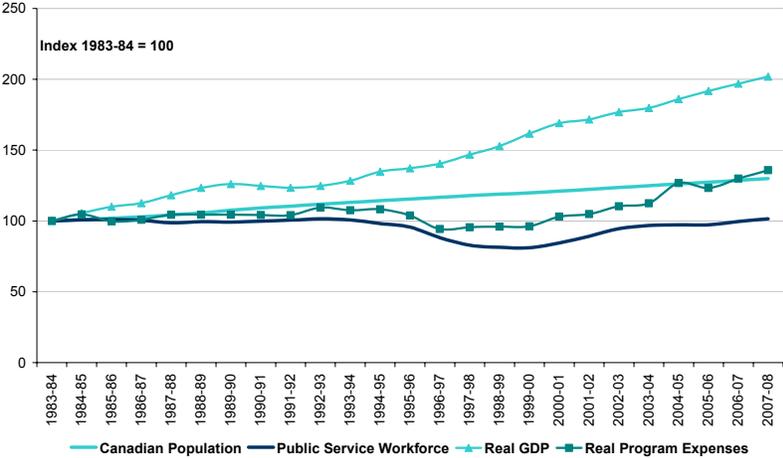
1. The "public service" refers to the core public administration (those departments and agencies for which the Treasury Board is the employer) and separate employers (principally the Canada Revenue Agency, the Parks Canada Agency, the Canadian Food Inspection Agency, and the National Research Council of Canada).

Part I – Demographic Profile of the Public Service

1. Context

The number of federal public servants in 2008 (263,000) is only slightly higher (4.8%) than in 1983 (251,000), while the Canadian population increased from 25.6 million to over 33.0 million, roughly 29% over the same period. Thus, as a proportion of the Canadian population, the public service decreased from 1.0% in 1983 to 0.8% in 2008. During this period, the real GDP doubled and total federal program spending in constant dollars increased by roughly 30%.

Figure 1: Trends in the Economy, Population, Federal Program Spending and the Size of the Federal Public Service, 1983-84 to 2007-08

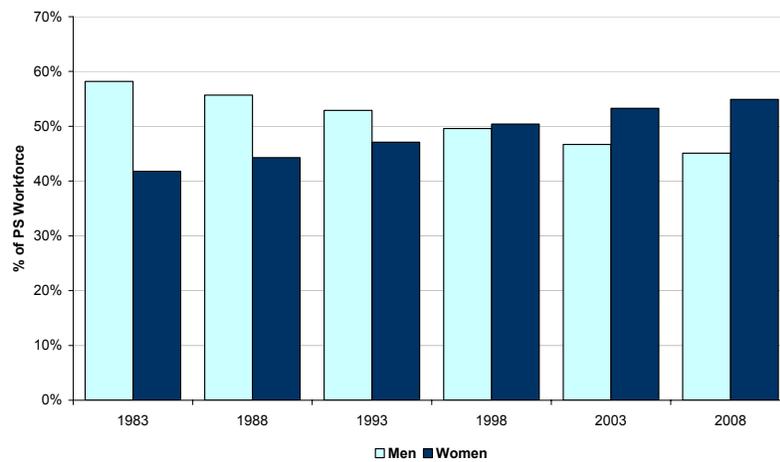


2. Public Service Diversity

a) Gender

The reversal in gender representation over the past 25 years remains one of the most significant changes in the public service. In 2008, women represent 54.9% of public servants (compared with 42% in 1983).

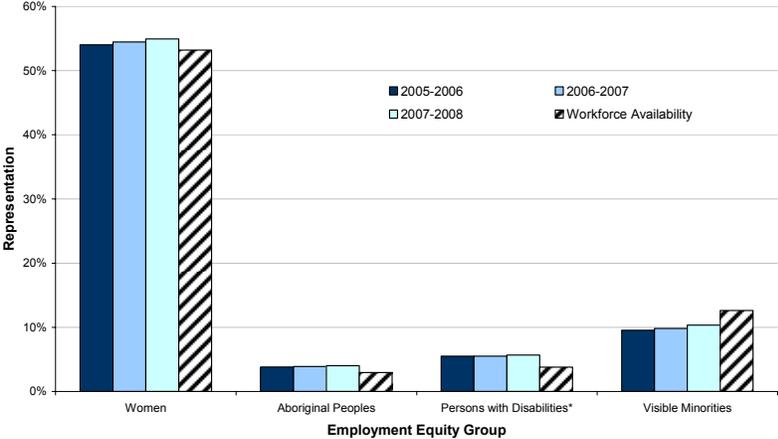
Figure 2: Proportion of Men and Women in the Public Service - Selected Years, 1983 to 2008



b) Employment Equity Groups

Between 2005 and 2008, overall levels of representation among the four employment equity (EE) groups rose slowly but steadily. In 2008, the number of employees in designated groups exceeded workforce availability in three of the four designated groups (women, Aboriginal peoples and persons with disabilities). The percentage of visible minorities in the public service rose to 10.3% in 2008, but it remains below workforce availability (12.6%).

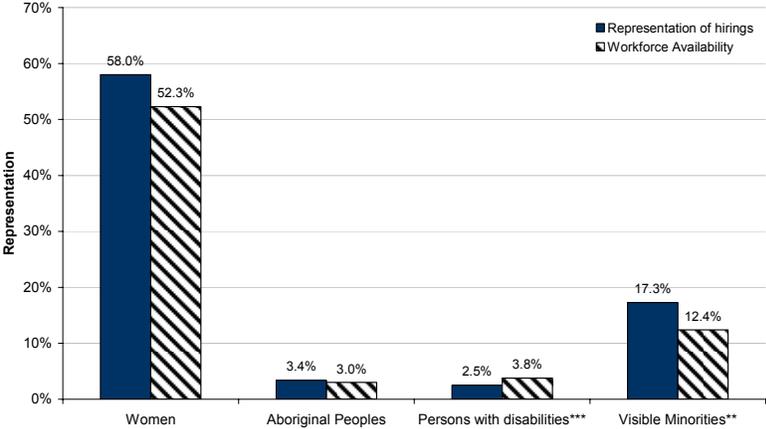
Figure 3: Representation of Employment Equity Groups in the Federal Public Service, 2005 to 2008, with Estimated Workforce Availability Based on the 2006 Census



* Workforce availability for persons with disabilities is an estimate based on information available at the time of production of the report.

Importantly, the number of new indeterminate hires and new terms of more than three months in 2007-08 exceeded workforce availability for three of the four employment equity groups (women, Aboriginal peoples and members of a visible minority). Women represented 58% of new hires, Aboriginal peoples 3.4% and visible minorities, an estimated 17.3%.

Figure 4: Employment Equity Group Representation Among New Indeterminate Hires and Terms Over Three Months in the Core Public Administration* - 2007-2008 Compared with Estimated Workforce Availability Based on 2006 Census



* Those departments and agencies for which the Treasury Board is the employer.

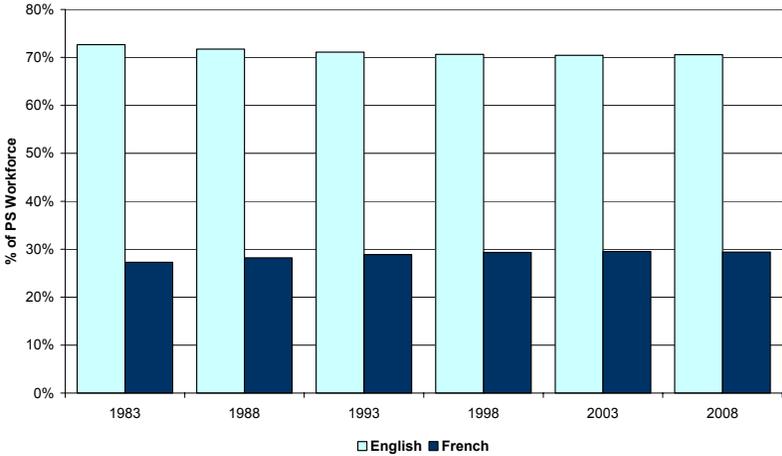
** The hiring rate for visible minorities is a Public Service Commission estimate based on applicant data, which covers roughly 70% of new indeterminate hires and new terms of more than three months.

*** Workforce availability for persons with disabilities is an estimate based on information available at the time of production of the report.

c) Language

The proportion of English and French speaking employees in the public service has remained relatively stable over the last 25 years. In 2008, 70.6% of federal employees indicated that English was their first official language. 29.4% of employees indicated that French was their first official language. This represents an increase of 2.1 percentage points, since 1983, of employees whose first official language was French.

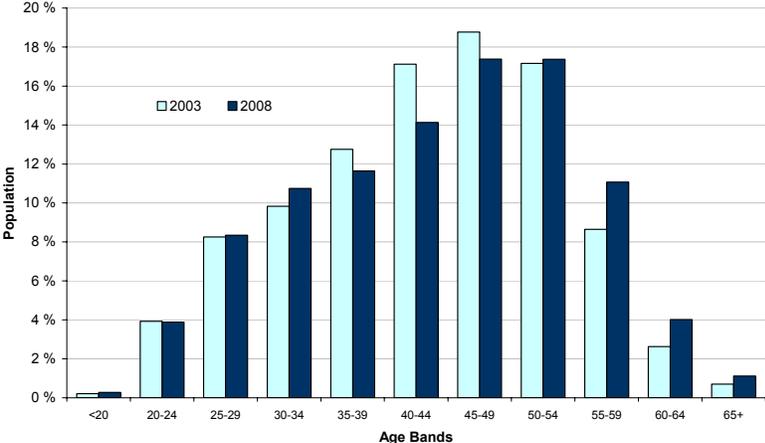
Figure 5: Official Languages Profile of the Public Service - Selected Years, 1983 to 2008



3. Age Profile of the Public Service

The shift in the public service’s age distribution is evident in Figure 6 below. In 2008, the average age of public servants was 44 years. Between 2003 and 2008, the share of employees 50 years of age or more increased by 4.5 percentage points to 33.6%, while the percentage of employees aged 35-49 dropped by 5.5 percentage points to 43.1%. Recruitment efforts over the past year point to a slight increase in the number of employees aged 25-34.

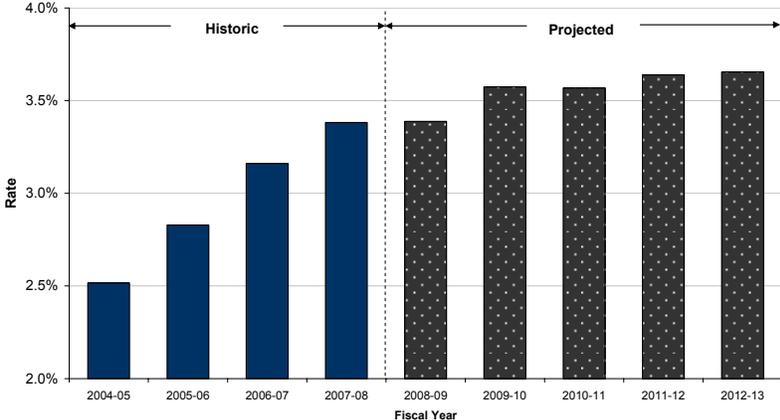
Figure 6 : Federal Public Service Population by Age Bands for 2003 and 2008



4. Retirements

Over the last four years, the public service retirement rate has increased from 2.5% in 2004-05 to 3.4% in 2007-08. Over the next three years, it is projected that these rates will increase somewhat, rising to 3.7% of the public service in 2012-13.

Figure 7: Historic and Projected Retirement Rates* for Federal Public Servants 2004-05 to 2012-13

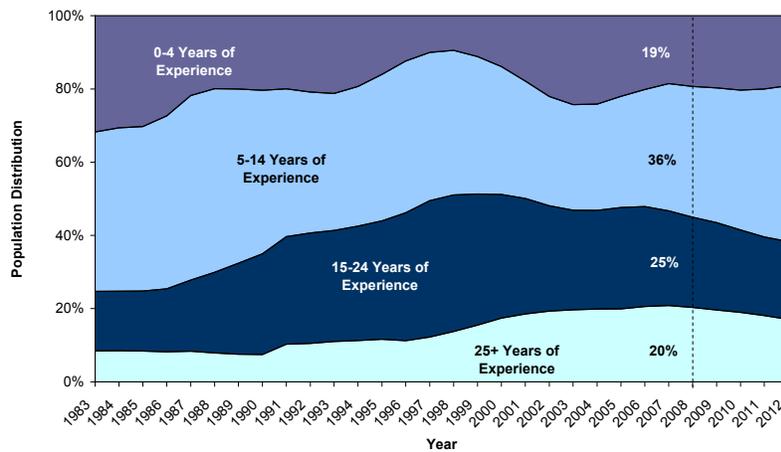


* Projections are based on a stable population scenario.

5. Public Service Years of Experience

Today, the percentage of employees with 0-4 years of experience is just shy of one fifth of the public service (19.3% in 2008), reflecting the focus on recruitment in recent years. This should rise slightly with sustained recruitment on the part of the public service. The demographic aging of the public service is evident in the reduction of employees with 25+ years of experience.

Figure 8: Years of Experience in the Public Service
1983 to 2012



Part II – Demographic Profile of Executives

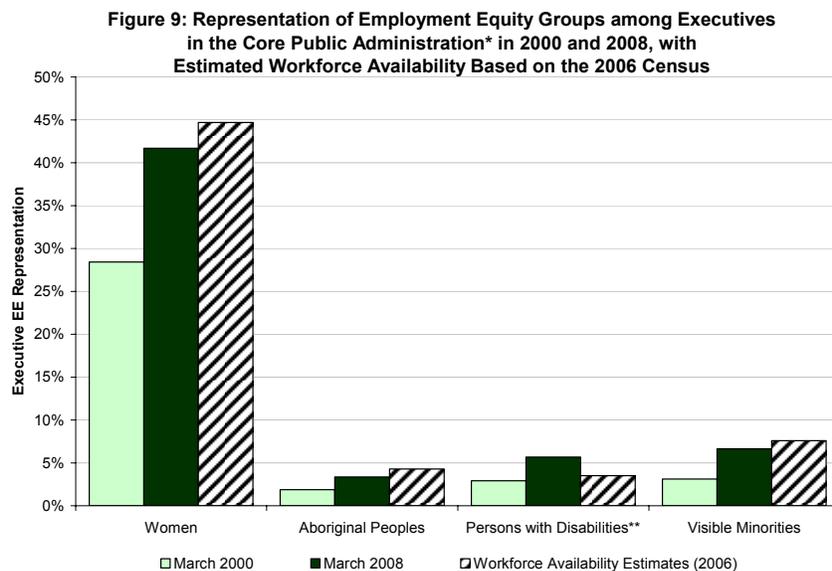
1. Population Size of the Executive Group

As of March 31, 2008, there were 6,182 executives in the public service. This represents 2.3% of total public service employment levels.

2. Executive Diversity

a) Employment Equity Groups

Between 2000 and 2008, representation levels among women in the executive cadre rose significantly. Women now occupy 42% of all executive positions in the federal public service (versus 28% in 2000). Levels of representation at the executive level for all other designated groups also increased steadily over the same time period. However, with the exception of representation of persons with disabilities, representation of all groups in the executive cadre is still below workforce availability.



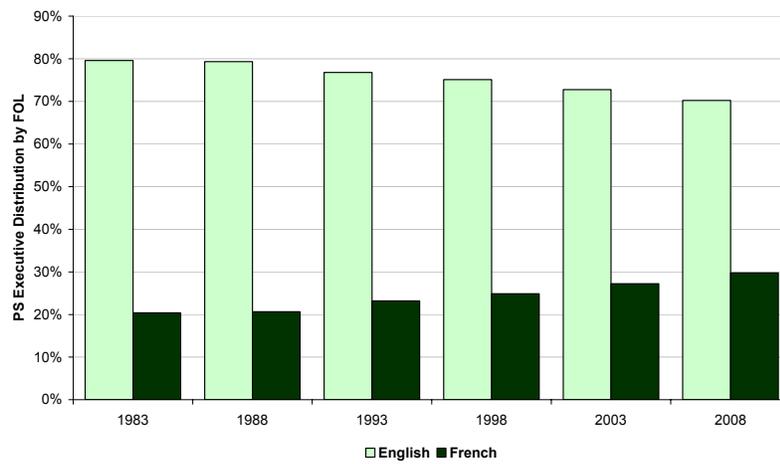
* Those departments and agencies for which the Treasury Board is the employer.

** Workforce availability for persons with disabilities is an estimate based on information available at the time of production of the report.

b) Language

The proportion of executives declaring French as their first official language has increased significantly from 21% in 1983 to almost 30% in 2008.

Figure 10: Proportion of Public Service Executives by First Official Language - Selected Years, 1983 to 2008



3. Age of Executives

The average age of executives was 48 years in 1987. In 2008, it was 50.4 years. The shift in the age distribution of executives is more pronounced than in the rest of the public service. At senior levels (EX 04 and EX 05), the rise in the average age was even more pronounced.

Figure 11 : Federal Public Service Executive Population Distribution by Age Bands for 2003 and 2008

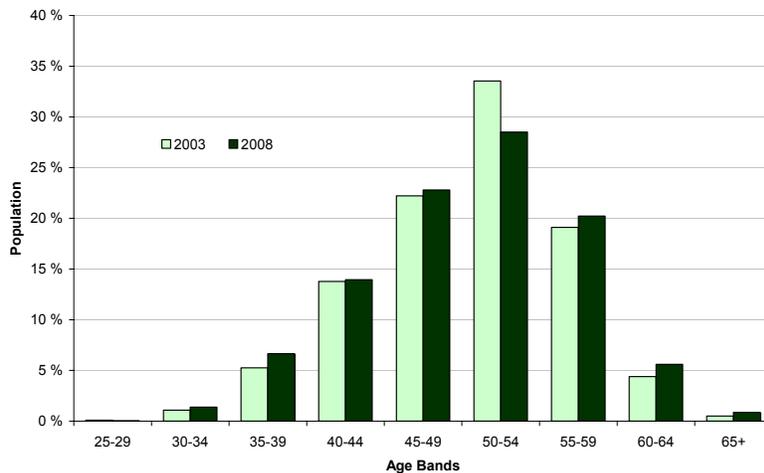
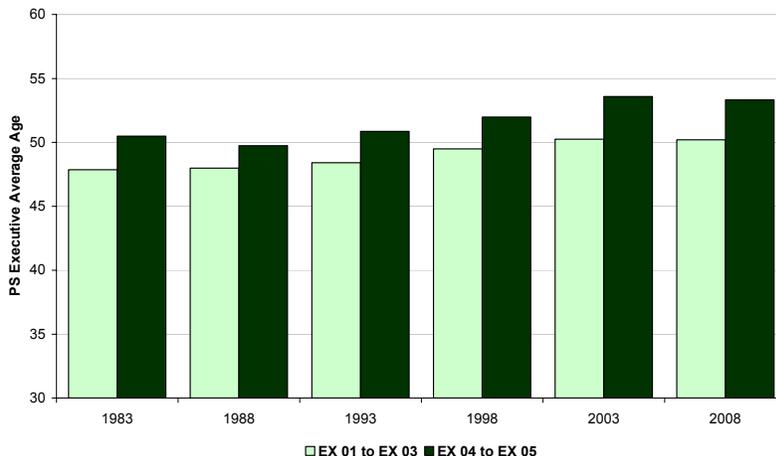


Figure 12: Average Age of Public Service Executives and Assistant Deputy Ministers - Selected Years, 1983 to 2008



Annex B: Human Resources Governance Changes

Context

As the country faces increasingly complex global problems and economic uncertainty, the need to ensure that the federal public service remains a professional, non-partisan organization, able to tackle new challenges in new ways, only increases. The public service must continue to be able to attract and retain strong employees, while ensuring that they are managed in an effective manner to support excellence in public service.

Effective management of human resources is critical to achieving public service excellence. Recognizing this, the Prime Minister's Advisory Committee on the Public Service has focused on management issues. In its February 2008 report, the Committee noted that the existing human resources governance regime is "overly complex, with multiple players and a resulting burden of duplicative and often unnecessary rules". The Committee strongly recommended changes in the human resources governance structure to make it simpler, more streamlined and more coherent.

In response to the recommendations of the Prime Minister's Advisory Committee, my 15th Annual Report to the Prime Minister agreed with their diagnosis and recommended three steps to guide a restructuring of human resources governance and accountability. First, there should be no ambiguity about deputy ministers having primary responsibility and accountability for managing their employees. Second, central human resources agencies should only undertake those roles that must be carried out corporately, and the overlaps and unclear accountabilities among these agencies needed to be sorted out. Third, implementation of this realignment of roles and responsibilities would permit a shift of resources from these central agencies to departments.

Consequently, a restructuring of the governance of human resources management in the public service was set as a key priority in the 2008-09 Public Service Renewal Action Plan. At the same time, the Treasury Board Secretariat initiated a horizontal strategic review to determine whether investments in human resources management activities by the central agencies were effective and efficient, and to ensure that roles and responsibilities for human resources management were properly aligned.

As well, a Deputy Minister Committee on Human Resources Governance was established in April 2008 to provide recommendations on how specifically to redesign human resources governance and to provide external advice to the Treasury Board regarding the horizontal strategic review.

Changes in Human Resources Governance

On February 6, 2009, the Prime Minister announced changes in the structure of how we manage human resources in the Public Service of Canada. The Prime Minister noted that these changes follow from the recommendations of the Prime Minister's Advisory Committee on the Public Service.

These changes will simplify, streamline and improve our management of human resources. First and foremost, deputy ministers, who are now responsible for leading the achievement of business goals, will have the primary responsibility for human resources management as well. The new human resources management structure will achieve this by providing deputy ministers, their management teams and human resources professionals with the clear responsibility to manage their people fully and effectively, and the flexibility to do so.

Second, effective March 2, 2009, the Canada Public Service Agency and the parts of the Treasury Board Secretariat that deal with pensions and benefits, labour relations and compensation were consolidated into a new Office of the Chief Human Resources Officer. It is housed within the Treasury Board Secretariat, similar to the Office of the Comptroller General.

These changes will result in better delivery of policies and services and more effective human resources management by:

- enabling deputy ministers to take effective responsibility for human resources management in their own departments; and
- simplifying and streamlining the roles of central human resources agencies.

As part of these changes, the central agencies will now focus only on those activities that must be carried out corporately:

- The Chief Human Resources Officer (CHRO) will represent the Government of Canada as the “employer” on human resources issues and provide strategic leadership on human resources management. The CHRO will chair a restructured Human Resources Management Advisory Committee, will become the chair of the Canada School of Public Service Board of Governors, and will provide leadership to the human resources community.
- The Office of the Chief Human Resources Officer will be responsible for all aspects of compensation including pensions and benefits, labour relations and compensation operations. It will now develop broad framework policies with clear indicators of performance, conduct analysis of basic data on the public service and support cohesive senior leadership development.
- The Canada School of Public Service will focus solely on learning and leadership development services to the public service and will no longer have a policy role.
- Support for the Prime Minister’s Advisory Committee on the Public Service, and the Deputy Minister Committee on Public Service Renewal will be consolidated in the Privy Council Office.

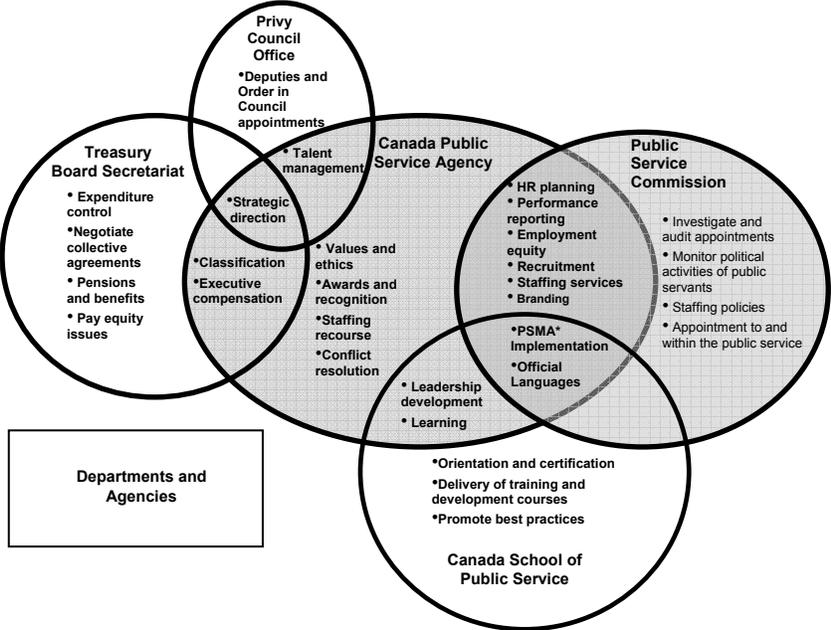
As a result of these governance changes and the strategic review of functions in the central human resources agencies, there will be a reallocation of resources to assist small departments and agencies in implementing their new responsibilities. There will also be some savings from this reduction of overlap and duplication.

There is no change in the mandate of the Public Service Commission, which will continue its role as guardian of merit and non-partisanship in the Public Service of Canada. Similarly, there are no changes in the mandates of the Public Service Staffing Tribunal and the Public Service Labour Relations Board.

To recognize the primary responsibility of deputies for human resources management, a fundamental rethinking was required of the central human resources agencies' approach to their roles and how they were organized to meet those roles. Our conclusion was that the central agencies must be unified and streamlined, modest in size and committed to providing guidance and frameworks that are enabling.

The previous human resources structure and the new one are illustrated below.

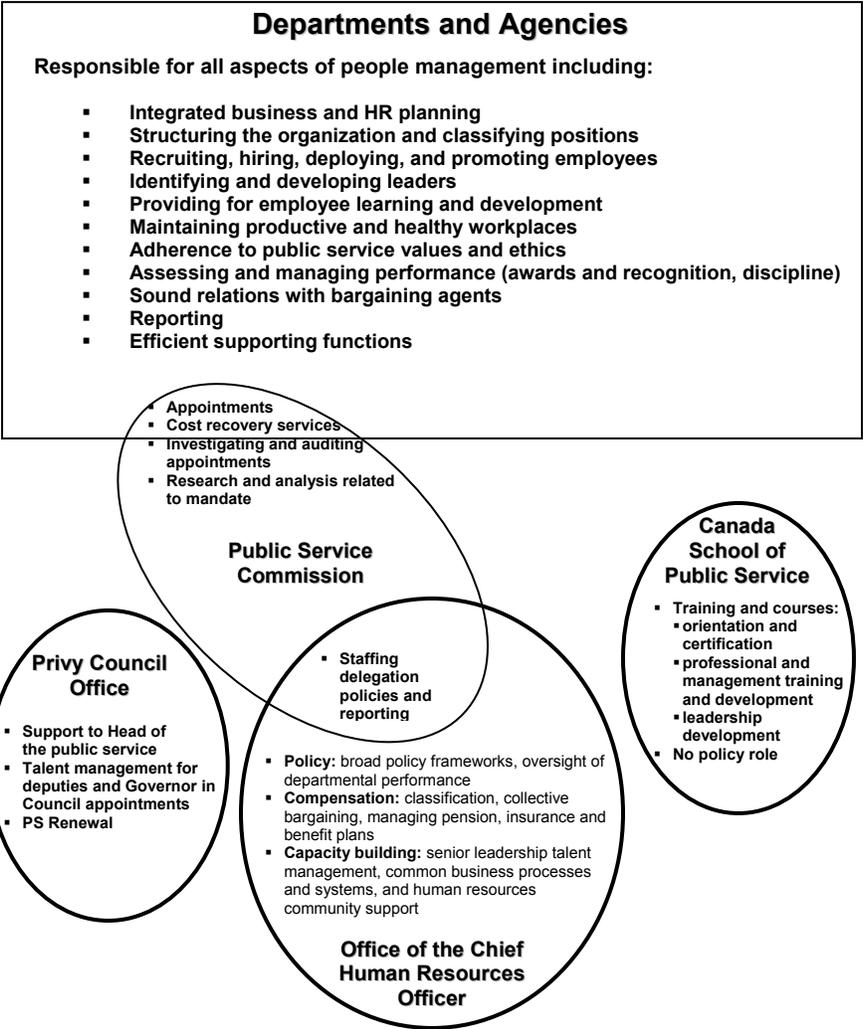
Previous Human Resources Governance Structure



* PSMA: Public Service Modernization Act

The human resources governance changes will make the Public Service of Canada more effective by streamlining the way we do business and putting accountability for managing human resources in the hands of deputy ministers. It is an essential element of renewal. All employees, managers and human resources professionals must see human resources management as the key business enabler that it is.

New Human Resources Governance Structure



Annex C: Results from the Public Service Renewal 2008-09 Action Plan

This Annex summarizes progress on key 2008-09 Public Service Renewal commitments as reported by 36 departments and agencies for the year ending March 31, 2009. These commitments are organized under the four Renewal priority areas and were published in the 2008-09 Action Plan in June 2008.

Planning

Last year departments and agencies produced plans that linked human resources plans to business goals. The quality varied, given these organizations' diverse experience with integrated planning.

Planning

The foundation for shaping the public service workforce we need is a clear understanding of the skills and knowledge required to meet departments' business objectives now and into the future.

This year:

2008-09 PS Renewal Commitments	Progress and Results
<p>Each deputy head will update the department's integrated business and human resources plan, including identifying progress against the 2007-08 plan. Each updated plan will include a strategy for the recruitment, development and advancement of visible minorities, as well as Aboriginal people and persons with disabilities, setting out how to achieve representation at all levels that reflects their workforce availability.</p>	<ul style="list-style-type: none"> <li data-bbox="850 1188 1266 1297">● 35/36 departments/agencies updated their integrated business and human resources plans. <li data-bbox="850 1325 1266 1486">● 34/36 updated plans include a strategy for the recruitment, development, and advancement of visible minorities, Aboriginal peoples and persons with disabilities.

Legend



Commitment completed



Significant progress demonstrated



Some progress demonstrated

2008-09 PS Renewal Commitments	Progress and Results
<ul style="list-style-type: none"> A panel of experienced external and internal executives will review the plans and identify the best practices by November 2008. 	 The expert panel reviewed departmental plans; the Report of the Expert Panel on Integrated Business and Human Resources Planning in the Federal Public Service provided advice to deputies and highlighted best practices.

Recruitment

We need to hire the right graduates and experienced workers to meet our varied work demands, as much as possible through direct recruitment into permanent jobs. Last year, we hired at least 4,000 recent university or college graduates, greatly exceeding our target of 3,000. A strong emphasis was also placed on personal involvement of senior public servants at recruitment initiatives to strengthen our public service brand and to share who we are and what we do.

Recruitment

Recruiting and retaining the best possible talent for the public service is indispensable to our long-term capacity to serve Canadians with excellence. We must reflect Canada's diversity in such recruitment.

This year:

2008-09 PS Renewal Commitments	Progress and Results
<p>By the end of March 2009, deputy heads will make offers to at least 4,000 post-secondary graduates for indeterminate positions.</p> <ul style="list-style-type: none"> • To accelerate closing the gap in representation of visible minority Canadians in the public service, overall recruitment in this area will exceed workforce availability. • New recruits will have an orientation and learning plan to facilitate their effectiveness in the public service, including consideration of measures to strengthen second official language skills early in their career. <p>We will strengthen our public service brand, capturing in a compelling way who we are and what we do. Specifically:</p> <ul style="list-style-type: none"> • During 2008-09, the Canada Public Service Agency (CPSA), in cooperation with the Public Service Commission (PSC) and departments, will pilot a new public service-wide approach to career fairs at no fewer than four universities across Canada. Managers will be equipped to make conditional job offers on the spot for suitable candidates. 	<ul style="list-style-type: none">  Deputy heads report that more than 4,200 post-secondary graduates have been appointed or offered appointments directly to indeterminate positions.  Deputy heads report that more than 550 of these 4,200 graduates have self-identified as visible minority Canadians.  All new entrants attend orientation offered by the Canada School of Public Service. In addition 28/36 departments/agencies have provided orientation specific to their organization. 32/36 departments/agencies have a more rigorous approach in place to ensure all employees have learning plans.  Four pilot career fairs took place in Halifax, Victoria, Waterloo and Sherbrooke. In total: <ul style="list-style-type: none"> • over 35 federal organizations participated in the initiative; • more than 5,000 students and alumni attended the pilot fairs and supporting events; and • more than 175 conditional job offers were made.

2008-09 PS Renewal Commitments	Progress and Results
<ul style="list-style-type: none"> By March 2009, the CPSA and the PSC, in cooperation with departments, will develop a plan for a job-seeker friendly website. By the end of 2009 interested Canadians will be able to apply for any job open to external candidates through this website. 	 A plan has been developed. In the first phase, a new website design has been launched on the existing site. It is available at: http://jobs-emplois.gc.ca/ .

Employee Development

Last year most departments and agencies ensured that at least 90 percent of their employees had learning plans. Groundwork was laid to establish a strong and rigorous performance management system starting with deputy heads and associate deputy ministers and expanding it to the entire executive cadre.

Employee Development	<p><i>The development of public servants at all levels as leaders, managers and empowered employees is central to a high performance institution. Careful attention to managing talent and performance is also required.</i></p>
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This year:

2008-09 PS Renewal Commitments	Progress and Results
Leadership and Development	
Deputy heads will ensure that by March 2009 discussions have occurred between supervisors and their employees regarding performance, career development and related learning needs. Learning plans will be updated as a result, building on the implementation of last year's plans.	 32/36 departments/agencies have met this commitment or are "on track".

2008-09 PS Renewal Commitments	Progress and Results
<p>Deputy heads will expand talent management to their entire executive cadre by March 2009, building on the ADM Talent Management approach. The CPSA will provide by September 2008 a common framework and tools for deputy heads to use.</p> <p>We will intensify our support for leadership development at all levels. Specifically:</p> <ul style="list-style-type: none"> • By January 2009, a second group of at least 25 promising senior leaders will undertake the Advanced Leadership Program. • As a special developmental opportunity for future leaders, 150 new employees selected from across the public service will prepare by June 2009, under the Privy Council Office's sponsorship, an assessment of the principal challenges facing Canada in 2017 and their implications for the public service. 	<ul style="list-style-type: none"> ● 35/36 departments/agencies have met this commitment or are "on-track". ☑ CPSA provided deputy heads with common executive talent management tools and supplementary materials. ☑ A second cohort of 27 participants started in fall 2008 and will graduate in May 2009. Since it began in January 2008, the Advanced Leadership Program has had 52 participants. ☑ Three working conferences have taken place, and using web 2.0 tools, participants have identified a series of policy challenges. The final phase of work, culminating in June 2009, will focus on identifying implications for the public service.

2008-09 PS Renewal Commitments	Progress and Results
<ul style="list-style-type: none"> By March 2009, the CPSA, in collaboration with the Canada School of Public Service, will strengthen our management development programs. We will ensure that tools such as the Career Assignment Program and the Accelerated Executive Development Program are effective in supporting the timely preparation of the next generation of public service leaders. 	<ul style="list-style-type: none">  A Leadership Development Framework has been developed. Work is underway to align tools and programs with the framework.
Managing Performance	
<p>Building on the new rigorous system being applied to the performance management of deputies, deputy heads will:</p> <ul style="list-style-type: none"> Institute and apply a comparably rigorous approach in their departments. All executives will have clear, assessable commitments in place by July 2008 and will receive mid-year feedback on progress by the end of November 2008. Specific action plans will be developed and implemented to address all performance issues. Implement the revised Performance Management Program for eligible excluded or unrepresented employees by March 2009. 	<ul style="list-style-type: none">  31/36 departments/agencies have met this commitment or are "on track".  The program was introduced in April 2008, with 2008/09 serving as a transition year for departments/agencies to fully implement. <p>Three departments (DND, INAC and CPSA) are piloting supporting tools and processes, which will be made available to all departments by April 2009.</p>

Enabling Infrastructure

Last year, we made modest progress on improving our human resources infrastructure, focusing on reducing the wait times for access to second language oral testing and in developing a tool to transfer employee records rapidly as employees change departments, expanding the use of “fast-track” staffing, and developing generic job descriptions to facilitate classification for key occupational groups.

Enabling Infrastructure

We need to strengthen the tools and systems that support management in the public service – neither our tools nor our systems are efficient, let alone best-in-class.

This year:

2008-09 PS Renewal Commitments	Progress and Results
Governance	
Responsibility for human resources management in the public service will be clarified and simplified this year as recommended in March 2008 by the Prime Minister's Advisory Committee on the Public Service.	 The Prime Minister announced a new human resources governance structure effective March 2, 2009.

2008-09 PS Renewal Commitments	Progress and Results
Effectiveness	
<p>The Treasury Board Secretariat (TBS) will begin to reduce the “web of rules” constraining the effective delivery of services and advice, as follows:</p> <ul style="list-style-type: none"> • TBS will put into effect by October 2008 a new Policy on Transfer Payments that reduces central oversight on high-performing departments in the delivery of grants and contributions; and • TBS will work with the six departments that deliver over 50 percent of grants and contributions spending to reduce by March 2009 their clients’ administrative and reporting burden by at least 10 percent. <p>By March 2009, TBS will rescind an additional 30 Treasury Board policies (for a total of 86 out of 136 policies to be rescinded).</p>	<ul style="list-style-type: none">  The new Policy on Transfer Payments is in effect and will reduce the number of submissions by departments to TB ministers by 10 percent (80 fewer) per year.  The six “Vanguard” departments/agencies (Human Resources and Skills Development, Indian and Northern Affairs, Health Canada, Canadian Heritage, Canada Economic Development for Quebec Regions, and the Canadian International Development Agency) have taken specific actions to reduce the administrative and reporting burden by 10 percent for clients.  TBS is “on track” to rescind 30 policies.

2008-09 PS Renewal Commitments	Progress and Results
Benchmarking	
<p>By November 2008, PCO, in consultation with the Deputy Minister Committee on Public Service Renewal, will set out the key indicators to be used for central tracking of the state of the public service and people management within it.</p> <p>CPSA, through Statistics Canada, will administer the fourth Public Service Employee Survey to all employees, with results reported by March 2009.</p> <ul style="list-style-type: none"> In addition, by March 2009 the CPSA, working with Statistics Canada, will finalize development of an on-line survey to measure employee engagement that will be administered annually starting in 2009-10. <p>By March 2009, consistent with being primarily responsible for people management in their departments, deputy heads will establish departmental service standards for key human resources services, including staffing, classification and employee pay, and communicate these to their employees.</p>	<p> New performance and status indicators are ready for implementation on April 1, 2009.</p> <p> The Public Service Employee Survey was administered in the fall of 2008. Results will be made available in May 2009.</p> <p> The Annual Employee Survey will be ready to administer online in 2010.</p> <p> 26/36 departments/agencies have met this commitment or are "on track".</p>

Annex D: Integrated Business and Human Resources Planning

Context

In the 2007-08 Public Service Renewal Action Plan, we made integrated business and human resources planning a core priority. A well-articulated integrated plan was identified as a powerful tool for ensuring that we have the right people with the right skills to achieve our business goals. Deputy ministers were asked to distribute their integrated plans to employees and to put them on their websites by March 2008. While all departments have posted their plans, this was the first year that integrated plans were required and, understandably, the quality varied greatly.

To build on this experience, as part of the 2008-09 Action Plan, deputy ministers were asked to update their integrated plans, to report on progress against the plans, and to build in a strategy for improving the representation of employment equity groups at all levels. To improve the capacity for integrated planning across the public service, we committed that “a panel of experienced external and internal executives will review the plans and identify the best practices by November 2008.”

As a result, the Expert Panel on Integrated Business and Human Resources Planning was established in October 2008. This panel brought together six prominent leaders who have served as senior executives in the federal and provincial governments and the private sector. They reviewed the 2007-08 integrated plans prepared by departments and agencies, reported their observations and recommendations, and identified useful practices.

Results of the Expert Panel

The panel underscored that meaningful integrated planning must start with top level management in the department articulating the department’s business goals and the integrated strategies to

achieve them. The panel also emphasized the critical role that line managers have to play in implementing integrated plans.

In reviewing the integrated plans and the insights elicited from managers and planners, the panel observed great variety, from exemplary practices to far less developed and fragmented approaches. In effect, there are many opportunities for improvement.

Our environment is complex. The panel advised, therefore, that for integrated planning to be successful, it must be simple to apply, to understand and to sustain. Improving the quality of integrated planning will require a greater focus on rigour, concreteness, and clarity of the link between business goals and the human skills and capacity needed to achieve them. When this link is clear, it is easier to identify gaps in the current workforce. Where gaps exist, there are three possible approaches to closing them: redesign the work, develop new capacity in existing staff or hire additional people. Striking a balance among the approaches and designing how to execute it is the essence of integrated planning.

Recommendations of the Expert Panel

The panel's report is available at www.pco-bcp.gc.ca. In its report, the panel makes four recommendations for advancing integrated planning across the public service:

1. There should be top level affirmation of the importance of integrated planning in shaping a full range of choices for delivering on key business goals.
2. Deputy ministers should drive integrated planning and model integrative behaviours.
3. "Best practice" efforts to do integrated planning well should be disseminated and shared.
4. The central agencies should support and facilitate good planning.

The panel also identified several “winning conditions” for achieving a sound overall standard for integrated planning in the public service. Finally, the report highlights the need for focused attention on improving integrated planning, as opposed to auditing the process over the next 12 to 24 months.

Conclusion

Making real progress on integrated planning across the public service continues to be a pillar of sustainable renewal. Moving forward on the panel’s pragmatic recommendations will be a priority for departments in 2009-10.

Annex E: The Deputy Minister Performance Evaluation Model

Objective

A key element of effective management in large organizations is rigorous processes for objective-setting and performance evaluation for senior executives. In 2006-07, as part of our public service renewal priorities, we focused on a major restructuring of our approach to senior level performance evaluation in the federal public service. Our goal was to put in place a best-in-class performance evaluation and feedback system. To realize this goal, a fundamentally revised system for deputy ministers and associate deputy ministers was finalized for the 2007-08 performance management year. It is now being extended to all executive levels beginning in 2008-09.

Why is this so important? Clarity of objectives, rigour in evaluation of how well these objectives are achieved, specific accountability for results, and clear and respectful feedback are the core elements of an effective performance management system. Such a system not only enhances the management capacity of any organization, but it particularly strengthens the ability of large, complex organizations to focus on common corporate objectives and, for the Public Service of Canada, it sends a clear signal about the accountability of our senior executives and the importance we place on results.

Context

Best practice in performance objective-setting and evaluation has evolved considerably in recent years. Informality has increasingly given way to formality; subjective measurement of objectives and results has become more quantitative and specific; and ad hoc, conversational feedback has shifted to structured feedback systems and interactive discussions with executives on objectives and results.

Given this, we felt a fundamental restructuring of the performance management and evaluation system for executives was required as a core element of public service renewal, beginning with deputy ministers and associate deputy ministers. In the Public Service of Canada, a performance management system already existed for deputy ministers and associate deputy ministers (approximately 85), assistant deputy ministers (approximately 400), and other executive levels (approximately 5,800). The revised system is intended to provide clearer signals and incentives to senior executives for results, promote corporate priority-setting and ensure clearer feedback and executive learning.

At the heart of our strengthened performance system are two elements: a performance agreement, which embodies a clear statement of concrete objectives for the year; and a performance evaluation process relative to that performance agreement, which is rigorous, quantitative and transparent. The performance agreement is a mutual understanding of what is expected during the performance period; for deputy ministers, their agreement is with the Clerk of the Privy Council, for associate deputy ministers, theirs is with their deputy minister. The commitments in the performance agreement, accompanied by performance measures, reflect the organization's priority areas of focus for the year, as well as corporate and leadership objectives. The commitments must be result-oriented, measurable and challenging, but achievable within the executive's span of influence and control.

For each performance agreement, there are three basic categories of commitments:

- **Policy/Program Results:** These commitments are consistent with organizational business plans and broader government objectives as set out in the deputy minister's mandate letter and in the business plans for the department/agency.
- **Management Results:** The management expectations are set out in the Management Accountability Framework (MAF) from the Treasury Board Secretariat and serve as benchmarks for expected management performance of all senior leaders, including their management of human resources.

- **Leadership Results:** These commitments reflect the expected demonstration of key leadership competencies for all senior leaders, including values and ethics, strategic thinking, engagement, and commitment to management excellence.

The evaluation process equally needs to be rigorous and credible, providing a comprehensive and objective picture of the performance of each deputy minister and associate deputy minister relative to their performance agreement, and the context in which they operated during the year. There are four basic elements of the restructured evaluation process:

- **Self-Appraisal:** Deputy ministers are required to evaluate their own performance against the objectives and performance measures set out in their performance agreement. In addition, a retired deputy minister has been engaged to meet individual deputy ministers to discuss their self-appraisal, seek the views of selected colleagues, and provide this perspective on each deputy minister and associate deputy minister to the peer review committee (see below).
- **Management Assessments:** Management Accountability Framework assessments are provided by the Treasury Board Secretariat for each deputy minister and are the mainstay of evaluating management performance in departments/agencies. These structured assessments provide a qualitative and quantitative evaluation of the management of each organization including whether MAF measures have improved, deteriorated or stayed the same compared with the previous year. These are supplemented by the views of the Official Languages Commission, the Human Rights Commission, the Public Service Commission and the Privy Council Office on their areas of intersection with each organization. Evaluation of human resources management will be strengthened by an annual, on-line survey of employees due to begin in 2010.

- **Peer Review:** A Committee of Senior Officials, composed of deputy ministers and chaired by the Clerk of the Privy Council, reviews all evaluation input and provides its own comments on the individual performance of all deputy ministers and associate deputy ministers. The committee is charged with collectively arriving at both the performance evaluation rating and the narrative feedback to be provided to each individual. These evaluation ratings are then recommended to the Prime Minister.
- **Feedback:** Following this peer review, the Clerk and Associate Secretary meet with all deputy ministers to provide structured, 45-minute feedback on their evaluations, with a clear identification of strengths and weaknesses and suggestions for learning. The Associate Secretary provides similar feedback to all associate deputy ministers.

The Results

A sound performance management program relies on its ability to clearly identify and reward results, both individual and corporate, through “at-risk” performance pay. As in the private sector, it would be expected that most executives would receive some at-risk pay. However, in line with best practices in the private sector, the Advisory Committee on Senior Level Retention and Compensation has recommended that no more than 20 percent of the public service executive cadre be eligible for a bonus payment in any given year, that at least 5 percent receive no at-risk pay at all, and that the rest receive some at-risk pay according to their evaluation rating. This recommendation has been incorporated into the strengthened executive performance management system.

As the table below indicates, the performance management system for deputy ministers and associate deputy ministers has certainly achieved this distribution of evaluation ratings for the last several years. This is a reflection of the increased rigour and integrity in the assessment process, as well as the reservation of the bonus rating for truly outstanding performance.

Year	Deputy Ministers and Associate Deputy Ministers	At-Risk Pay			Bonus
		No At-Risk Pay	Partial At-Risk Pay	Maximum At-Risk Pay	
2005-06	77	7.8%	62.4%	23.3%	6.5%
2006-07	78	9.0%	55.1%	26.9%	9.0%
2007-08	85	7.1%	52.9%	30.6%	9.4%

Conclusion

Major structural changes have been implemented to strengthen the performance management system for deputy ministers and associate deputy ministers. These changes have significantly improved rigour and transparency and, in so doing, the integrity of the senior executive performance management system. Furthermore, it has also made the performance management system a more effective tool for achieving corporate objectives and encouraging executive responsibility and accountability.

Annex F: Report of the Prime Minister’s Advisory Committee on the Public Service

MESSAGE FROM THE CO-CHAIRS

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

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

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

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

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

The Right Honourable
Donald F. Mazankowski

The Honourable
Paul M. Tellier

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PART I: SETTING THE CONTEXT

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

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

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

Speech from the Throne – November 2008

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

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

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

Committee Mandate – November 2006

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

Finally, we are calling for a Public Service that:

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

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

PART II: TAKING STOCK

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

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

HUMAN RESOURCES GOVERNANCE

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

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

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

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

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

PERFORMANCE MANAGEMENT

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

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

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

RECRUITMENT

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

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

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

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

PART III: OBSERVATIONS AND RECOMMENDATIONS

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

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

MOVING TOWARD A RISK MANAGEMENT APPROACH

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

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

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

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

Auditor General of Canada – May 9, 2006

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

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

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

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

It will:

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

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

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

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

“Let the managers manage.”

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

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

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

Treasury Board Action Plan includes initiatives that will:

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

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

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

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

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

An effective risk management approach should:

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

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

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

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

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

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

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

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

This results in:

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

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

RECOMMENDATIONS

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

1. A "whole of government" principles-based approach to risk management must be taken to empower the Public Service to focus on results.
 - Senior leaders and elected officials should be prepared to take informed risks to expedite decision making and action on identified priorities in order to deliver results to Canadians.

They should also support public servants by acknowledging that there are potential risks inherent in managing complex issues.
 - Central agencies should reduce their oversight on high-performing departments (i.e., those with a proven track record of managing resources and risk effectively).
 - Departments and agencies should be challenged to take decisive measures to address their own "web of rules."

Action needs to occur on all these fronts concurrently to demonstrate visible change and momentum.
2. A program for renewing systems and technology in the Public Service should be established. The modernization of the pay system should be a top priority.
3. Public Service renewal, including a continued program of new entry recruitment, should remain a top management priority especially in these difficult economic times.

PART IV: CONCLUSION

WHAT NEXT?

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

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

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

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

*The Right Honourable Donald F. Mazankowski, P.C., O.C.,
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The Honourable Paul M. Tellier, P.C., C.C., Q.C.

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*Barbara Stymiest, F.C.A., Chief Operating Officer,
Royal Bank of Canada*

*L. R. Wilson, O.C., Chairman of the Board, CAE Inc.,
Chancellor, McMaster University*

Sheila Weatherill, C.M.

*Dr. Indira V. Samarasekera, O.C., President and
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