

## Annex 3

# Second Report of the Prime Minister's Advisory Committee on the Public Service

## Pursuing a High Performance Public Service

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# Message from the Co-Chairs

The Advisory Committee on the Public Service is pleased to present to you, Prime Minister, this second annual report which provides our advice on the renewal and future development of the Public Service of Canada.

Our first report provided our preliminary analysis of the federal Public Service environment and initial observations on various Human Resources areas, such as recruitment, leadership development, performance management and governance.

In this report, we offer remarks and proposals on the Human Resources management framework and accountability structure, and on performance management. In addition, we have identified a number of issues we intend to examine in the future.

We appreciate your personal commitment to this endeavour and the support we have received from senior public servants. As the report says, we believe the Public Service plays an important role in positioning Canada in today's globalized economy. We look forward to continuing our work.

The Right Honourable  
Don Mazankowski

The Honourable  
Paul M. Tellier

## Part I: Setting the Context

### What has the Committee done over the last 12 months?

*Our Committee members are engaged in the development of the Public Service. We:*

- *have been in regular dialogue with the Prime Minister on the Committee's work through meetings and periodic reports*
- *worked closely with the Clerk of the Privy Council, Heads of Central Agencies, Agents of Parliament, and Deputies from line departments*
- *discussed issues with interested experts (e.g., the Advisory Committee on Senior Level Retention and Compensation)*
- *visited Regional Councils and met with various groups of public servants*
- *used our own networks to expand the pool of ideas.*

The Public Service, with 250,000 Canadians employed in 200 departments and agencies, is the largest and most complex enterprise in Canada. Federal public servants work in diverse areas that range from food inspection to public health to international security. They develop policies, provide advice to government and deliver services and programs directly to Canadians. The non-partisan and competent federal Public Service contributes to the future of Canada; no other organization is so

engaged in so many areas of Canadian life. Public servants are committed and proud to serve their fellow Canadians.

The world in which the federal Public Service operates has become more complex and in many ways more unpredictable over the last 15 years. This new environment is characterized by an aging population, a globalized economic landscape, ever-changing information and communications technologies, *the emergence of new, “horizontal” issues and changing public attitudes to government.*

The Public Service today must address a significant demographic challenge. For the first time, it has more employees over 45 than under, and it is facing the imminent retirement of a generation of valued employees. It must renew its workforce in the strongest labour market in over 35 years, with many public and private sector competitors for top-quality graduates from our universities and colleges. In this context, how can we ensure that Canada continues to have a strong and effective Public Service to help Canadians meet the important challenges facing the country in the years ahead?

## **A “High Performance” Public Service**

If the Public Service is to advise Ministers and deliver programs and services to the highest standards of excellence, it must be creative in its thinking, efficient in its work processes, effective in risk management, and fully accountable for its performance. These are the characteristics of a “high performance” Public Service.

*“One of the most important and enduring competitive advantages that a country can have today is a lean, efficient, honest civil service.”*

Thomas L. Friedman: *The Lexus and the Olive Tree*

To achieve these goals, the federal Public Service will require:

### **What is a “high performance” Public Service?**

A “high performance” Public Service:

- *has the encouragement and the ability to innovate*
- *is creative in its thinking, efficient in its processes, and has a culture of effective risk management*
- *demonstrates non-partisanship, excellence and pride in all facets of its work*
- *is structured to manage Human Resources effectively, enabling departments to deliver results for Canadians*
- *plans, measures and is accountable for its performance*
- *has the respect and support of Parliament and the public.*
- active and transparent recruitment practices based on sound planning
- strong leadership and a commitment to developing talent
- a clear regime for Human Resources governance and accountability
- rigorous performance management practices

## **Achievements**

On March 31, 2007, shortly after the Prime Minister announced the creation of our Committee, we published our first report: *Public Service Matters*.

In that document, we chose to focus our detailed comments on recruitment. The Public Service demographic imperatives provide an opportunity to recruit the best of the next generation of Canadians to the Public Service. They will infuse the institution with new ideas and energy to build on existing skills and talent.

We are pleased to observe that the Public Service has taken the issue of recruitment seriously. The Clerk of the Privy Council and individual Deputy Ministers have made specific commitments for action in the short term in relation to university and college recruitment, integrated business and Human Resources planning, talent management and succession planning.

### **Why is recruitment an urgent issue for the Public Service?**

*The Public Service needs to:*

- *compete for talent – the most competitive labour market in 35 years*
- *be a truly representative workforce – diversity of origins and perspectives*
- *expand and invest in the pool of leaders – ensure strong leaders are in place*
- *have the right skills and required specialized expertise in its workforce.*

For example, for 2007-2008 the objective has been to appoint at least 3,000 post-secondary graduates directly into permanent full-time positions. This will reduce the current reliance on casual, temporary and term hiring and better enable the Public Service to compete for talent. Departments and agencies are also required to have integrated business plans and implement talent management plans for all Assistant Deputy Ministers.

This is the right approach. However, we encourage the Clerk and senior Public Service leaders to push harder on these issues, to increase their personal involvement and to ensure recruitment approaches are competitive.

In addition, we have been impressed by the range of programs, both new and existing, for developing future leaders. We take particular interest in the new Advanced Leadership Program for senior officials.

We believe that an investment in leadership development will pay large dividends in terms of the future performance of the Public Service. We realize that linking recruitment to business needs requires time and effort from senior leaders. There is no doubt, however, that this is the way to proceed. Focused recruitment of full-time, indeterminate employees is essential to ensure departments and agencies continue to have the skills and expertise to fulfill their mandates over the longer term.

## Part II: Observations and Recommendations

Over the past 12 months, we explored the current environment and considered a broad range of thinking on the federal Public Service from outside government. We looked at opportunities for improvement based on our research and our respective experiences in the private sector.

In this context, the Committee has chosen to focus its observations and recommendations on two areas:

- **Human Resources governance and accountability structure** - the whole picture of institutional responsibilities and accountabilities in Public Service Human Resources management.
- **Performance management** - a key component of an effective human resource strategy to attract, develop and retain leaders.

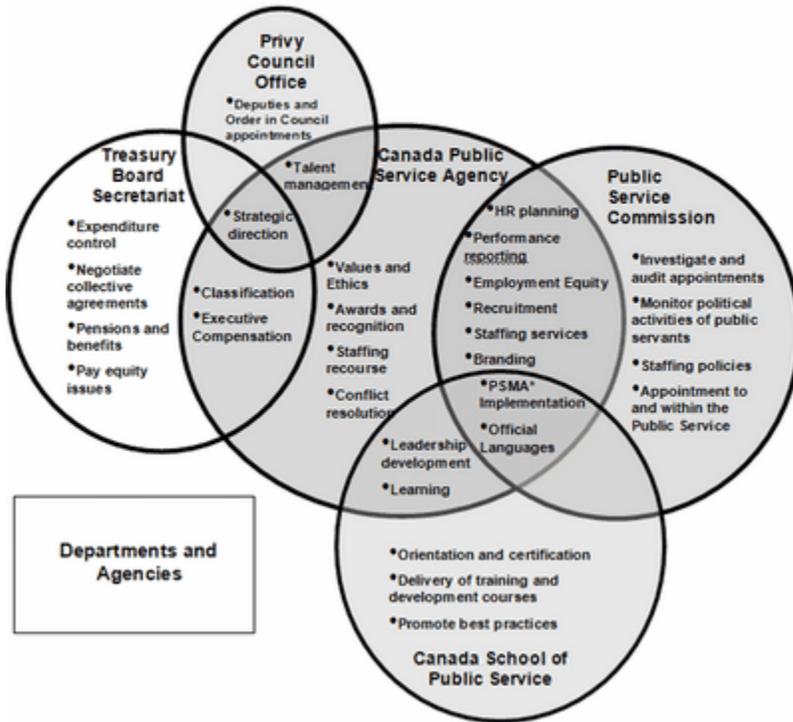
We spent a good deal of time researching and discussing these issues. In the following pages, we provide our observations and a set of recommendations that we believe will enable the federal Public Service to advise Ministers and deliver services to Canadians with a high standard of excellence.

### Human Resources Governance and Accountability Structure

In the federal Public Service, four Central Agencies (Canada Public Service Agency, Canada School of Public Service, Treasury Board Secretariat and Privy Council Office) and one independent agency (Public Service Commission) are responsible for the various dimensions of Human Resources management. They carry leadership responsibility for recruiting, staffing, developing, paying and managing public servants.

In addition, the Human Resources management regime of the Public Service, unlike those in the private sector, is subject to extensive external oversight by Parliamentary committees as well as by the Auditor General and other independent agents of Parliament.

— KEY INSTITUTIONAL PLAYERS —



\*PSMA: *Public Service Modernization Act*

This chart shows that the Human Resources governance structure is overly complex, with multiple players and a resulting burden of duplicative and often unnecessary rules. This complexity slows down every internal process and prevents efficient Human Resources operations across the Public Service.

In government, it is Deputy Ministers and Agency Heads who are the managers of people. The principal role of Central Agencies should be to establish expectations and to provide policy frameworks and guidance to departments and agencies, without the heavy hand of excessive control.

***How long does it take to staff an indeterminate position in the federal Public Service?***

*The internal staffing process is comprised of six main steps:*

- *preparation and planning*
- *advertising*
- *screening of applications*
- *assessment and selection*
- *notification of results and recourse rights*
- *appointment*

*Three to four agencies may be involved at different stages (in some cases more than once).*

*The process can take, on average, 22.4 weeks. Factors including the area of selection, number of applicants, linguistic and security requirements may all affect the time it takes to fill a position<sup>\*</sup>.*

We realize that organizational change is never easy. Yet in the present circumstance we believe it essential. We have four recommendations for change affecting the governance regime for Human Resources management that we believe can serve as the foundation for the further evolution of the system in ways that will benefit managers and employees alike.

- First, Deputy Ministers should be clearly recognized as having primary responsibility and accountability for Human Resources management. They have line authority over programs and services; they should have lead responsibility for managing the people who deliver them.
- Second, there should be a single, smaller Central Agency to support the leadership responsibility of departments and agencies on Human Resources management. Such an agency would be mandated to ensure the integrity and the effectiveness of the Human Resources management system in the government.
- Third, immediate steps should be taken to simplify and integrate data collection and systems for both planning and reporting on people management, across the Central Agencies.

This will better enable departments and agencies to carry out their distinct responsibilities, while reducing cost and complexity, and making information more accessible to Parliament and Canadians.

- Fourth, we believe it essential to reaffirm responsibility of the Public Service Commission for safeguarding merit in appointments and the non-partisan character of the federal Public Service.

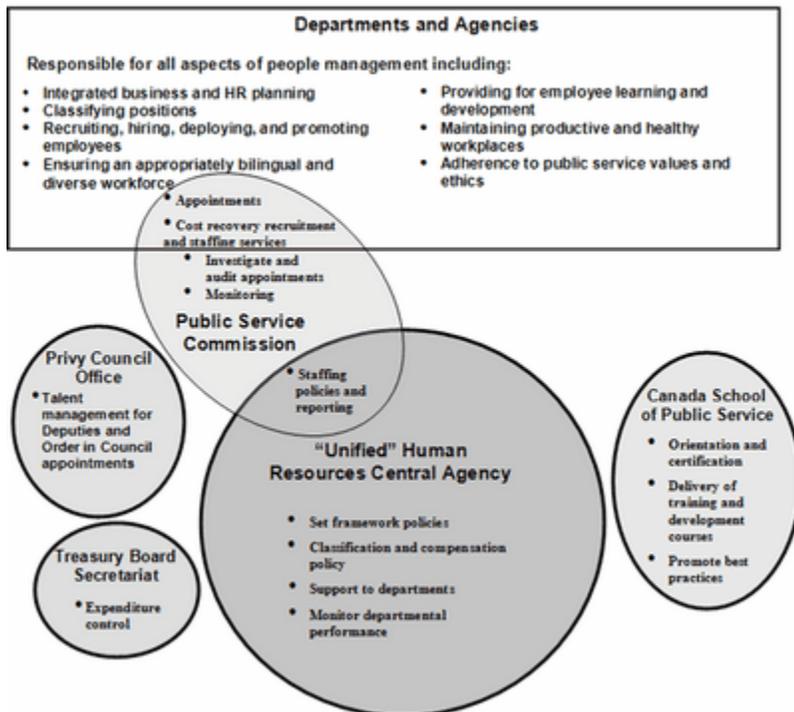
Recruitment and related services provided by the Commission to departments should be operated on a fully cost-recovered basis, with appropriate involvement by Deputy Ministers in the governance of those services.

- Finally, we endorse the continuing role of the Privy Council Office in supporting the Clerk as Head of the Public Service, and in advising the Prime Minister on policy and operational issues.

Over time, the Prime Minister and his officials may wish to consider formalizing these and similar changes to Human Resources governance and mandates through appropriate legislation. However, given the pressing need to equip departments and agencies to address the challenges of renewal, we would argue for moving quickly on these relatively straightforward measures for change.

Implementing our recommendations would result in a more coherent Human Resources governance structure, with markedly less overlap in roles and responsibilities, as presented in the graphic on the next page.

## — PROPOSED NEW HUMAN RESOURCES GOVERNANCE AND ACCOUNTABILITY STRUCTURE —



N.B.: Subject to same current oversight

## Performance Management

### An example of improving performance at Passport Canada

1. *Passport Canada modernized its infrastructure and achieved significant results:*

- *Increased production by 39% in 2007 in response to high demand for passports, while maintaining very high levels of client satisfaction*
- *Hired 1,200 new recruits in 9 months*
- *Added 67 points of service where Canadians can apply for passports in person.*

2. *Passport Canada streamlined the passport renewal process by:*

- *Eliminating the need to resubmit proof of citizenship and supporting documentation*
- *Decreasing waiting time and reducing line-ups at 33 Passport Canada walk-in offices.*

As the largest employer in Canada, the federal Public Service should have an effective performance management regime for all its employees. Rigorous performance management enables the alignment of skills and talents with the top priorities of the organization, and allows managers to deal with the full

spectrum of performance (i.e. excellent, good, average and poor). Well implemented, performance management drives excellence and helps improve organizational results.

We were pleased to see that the Clerk of the Privy Council has instituted a more structured and rigorous performance assessment regime for Deputy Ministers and Associates, one that appears to be more in line with private sector practices.

As we have noted, the Clerk has identified specific commitments with regard to:

- integrated business and Human Resources planning
- post-secondary recruitment
- talent management plans for Assistant Deputy Ministers, and
- changes to the Public Service performance management system that will see executives and managers formally assessed on “people management.”

We were also impressed by the practices we saw in place in some departments. For example, we heard from departments that have implemented robust performance management programs with a business planning and monitoring process, and training and support tools for managers. Central Agencies have also developed tools (e.g., implementation of the Performance Management Program) for evaluating executives, departments and agencies.

### ***What can be done to improve performance management in the Public Service?***

- *Set measurable objectives*
- *Communicate objectives to employees*
- *Reward excellent performance*
- *Improve average performance*
- *Deal with poor performers*
- *Provide tools and training to managers.*

These performance management processes (planning, monitoring, developing, rewarding) are important. However, what really matters are the results achieved. Good performance management should aid in retention, development and productivity. The process must, above all, drive the achievement of results for Canadians.

Notwithstanding progress to date, the Committee feels more can be done:

- First, the criteria against which employee performance is assessed must be clearly communicated if managers are to provide frank and objective feedback about performance.

In addition, clarity about the weight being given to the results expected (“what” is achieved) and the approaches taken to achieve the expected results (“how” it is achieved) is also necessary. While we have seen some excellent practices in place, the Public Service should push forward to establish objectives that are, to the extent possible, measurable.

More generally, performance management in the Public Service should also recognize and reward “good people management” as an essential element of a manager's commitments.

- Second, performance management must address the full spectrum of performance: excellent, good, average and poor. Managers must have the ability not only to help good performers to become excellent but also to support average performers to become good.
- Third, managers must deal effectively with poor performers. The Public Service has not been good at this and needs to become better. Dealing with poor performance is as important as dealing with excellence, because poor performers reduce the productivity of the organization and have a negative impact on motivation, retention and recruitment. Too often managers prefer to ignore poor performers even though this may have severe consequences for the capacity of the organization to deliver results.
- Fourth, every effort should be made to increase recruitment at both post-secondary and more senior levels and to continue to invest in rigorous programs for leadership development.
- Finally, while recognizing the demographic realities that necessitate movement at senior levels, the Public Service should try to ensure that senior leaders stay longer in their jobs. Deputy Ministers and Associate Deputy Ministers need to build the knowledge required to run complex organizations. They need time to implement measures they have initiated and to recruit and develop the future leaders of their organizations.

In summary, while we believe the Public Service is good at assessing people's work, it needs to invest more in setting objectives up front and in improving the management of performance across the spectrum.

## **Recommendations**

The Committee's job is to:

- provide its assessment of Human Resources management practices in the federal Public Service
- question current practices and identify pressing issues
- serve as a sounding board for senior Public Service leaders
- make observations and recommendations that will contribute to future development of the Public Service.

On this basis, the Committee recommends that:

## **Human Resources Governance and Accountability Structure**

1. Authority and accountability for Human Resources management in the Public Service should be primarily the responsibility of Deputy Ministers.
2. There should be a single, smaller Central Agency supporting and overseeing departmental leadership on Human Resources management. This Agency should be focused on functions that require “enterprise-wide” approaches and policies.
3. Steps should be taken to simplify and integrate data collection and systems for both planning and reporting on people management, across the Central Agencies.

4. The essential responsibility of the Public Service Commission for safeguarding merit in appointments and the non-partisan character of the Public Service should be reaffirmed. Recruitment and related services provided by the Commission to departments should be fully cost-recovered, with appropriate involvement by Deputy Ministers in the governance of those services.

## **Performance Management**

1. All managers in the Public Service should invest more time in setting objectives at the beginning of each assessment period. They should implement measurable objectives against which all employees' performance can be evaluated.
2. The “mid-year performance review” should become routine (not ad hoc) across the Public Service to ensure that effective performance management is ongoing, and to maximize opportunities for improvement.
3. Public Service managers should get the necessary tools, training and support from Central Agencies and their superiors to properly address the full spectrum of performance, especially in dealing with poor performers.
4. The Public Service should explicitly evaluate and recognize people management skills.
5. Talent management programs for Assistant Deputy Ministers should be pursued and expanded to the whole executive group.
6. As much as possible, Deputy Ministers and Associate Deputy Ministers should remain longer in their positions in order to maximize the overall performance of departments.

## **Part III: Conclusion**

### **What Next?**

In our first report, we focused on the issue of recruitment, and over the ensuing 12 months, we have begun to see results. The recommendations set out in our second report are intended to build a foundation for further progress in the effective management of Human Resources in the Public Service.

In the coming months, the Committee intends to explore issues such as:

- concrete plans for reducing the “web of rules” that affect the Human Resources management regime, as well as the broader rules across the Public Service, with a view to encouraging a workplace culture of intelligent risk management and innovation
- benchmarking Canada's Public Service against those of our global competitors
- ways to make the federal Public Service more attractive as a career
- the importance of having a Public Service workforce that draws on a diversity of origins, cultures, ideas, experiences and perspectives from all regions of Canada
- the need for the federal Public Service to be connected to the values, realities and priorities of all Canadians and its institutions.

These areas of inquiry will set our future agenda. In this report, we offer our advice to support the Prime Minister and the Clerk of the Privy Council on the renewal and future development of the Public Service of Canada. The Committee looks forward to continuing its work.

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\* Based on a Statistical Study by the Public Service Commission of Canada: *Time to Staff in the Federal Public Service – May 2006*. (Does not reflect all the benefits of the *Public Service Modernization Act* - all the Act components came into force in December 2005.)

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