Painel: Carreiras de Executivos Públicos e Experiências de Sistemas de Remuneração Baseada em Desempenho

Performance management program for executives

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Introduction

It is always a welcome opportunity for us to meet with colleagues from other jurisdictions to share our knowledge and experience so that we can learn from each other. A lot of emphasis is placed these days on ‘best practices’, but there is also merit in learning from one’s mistakes. Rarely can anything be directly imported from another country, yet the opportunity to discuss what has worked and what has failed in different circumstances and environments can be useful information as we all endeavour to implement policies and programs that we make public administration more effective in our respective countries.

My name is Marcia Clement and I am the Senior Director for Executive Management Policies in the Treasury Board Secretariat of Canada. The Treasury Board is a cabinet committee that acts as the employer for the Public Service of Canada. My colleague is Pierre de Blois, who is the Executive Director of the Association of Professional Executives of the Public Service of Canada. APEX, as it is known, is a voluntary organization that brings the interests of its members to the attention of the government. These interests often relate but are not limited to the terms and conditions of employment that apply to executives. APEX is not a union and does not negotiate with the Treasury Board. It is, however, a knowledgeable resource that is respected for its advice.

We thought that it would be interesting for you to receive a joint presentation so that you would understand not only how the Performance Management Program for Executives was developed and how it is being implemented, but also how we work together to further our joint interests, the attraction and retention of a highly skilled executive cadre.

The paper to be presented will describe and analyze recent initiatives in Canada Public Service oriented to improve managerial performance. There are 29 departments led by deputy ministers who are career civil servants and there are 3,600 directors, directors general, and assistant deputy ministers who report to the deputy ministers. As part of Human Resources Reform Plan, the "Performance Management Program in the Canadian Federal Public Service” was introduced to strength public service leadership capacity as priority for the Canadian government, specially by a performance management program for deputy ministers and executives, the most senior leaders in the Canadian public service.

This performance management program has as main objectives to encourage excellent performance by recognizing and rewarding the achievement of results that are linked to business plans and government objectives and the demonstration of leadership competencies, values and ethics; and to provide a framework within which a consistent and equitable approach to performance assessment can be
applied. At the end of the performance review cycle, deputy ministers and executives undertake a self-evaluation assessing achievements and performance feedback is obtained from a variety of sources. Salary increases and lump sum payment of at risk pay are based on the performance review.

In the public sector in Canada, the governments of Alberta, New Brunswick, the Northwest Territories and the Yukon currently offer performance-based compensation for senior management and managers. New Brunswick also provides for performance-based compensation in its collective agreements with about 25 per cent of its bargaining units. The Ontario Public Service also offers performance-based compensation for senior managers and offers pay-for-performance incentives to other management employees. But also employees not at the top of their salary range are eligible for increases based on their performance.

Those innovative experiences have to be considered in a framework where important factors such as the political agenda and public opinion influence performance, and are usually outside the control of the individual in the public service.

The ability of the Public Services new human resources management regime to respond to both internal and external forces will determine its success or failure of performance management programs and performance related pay systems in Canada. They will have succeeded if people are attracted to join or remain with the Public Service, given all of the other options available to them.

According to the results of the 2001 Symposium survey of APEX, that represents public executives in Canadian Government, public servants continue to be committed to their work. However, employees at all levels in Canada are increasingly impatient with the lack of progress towards substantive reform of how the Public Service operates.

Over the years, APEX has made numerous recommendations to the central agencies of government on executive compensation. APEX has long argued for a distinct human resources management regime for executives. Public Executives endorse the recognition of excellence and professionalism through provision of performance-based pay – both for individuals and teams – as part of their total compensation package. Executives are of the opinion that assessments within a performance management program should give as much weight to values-based behaviors as to the results achieved. Performance-based pay should also form part of the compensation package for a greater portion of public servants.

**History of Performance Based Pay for Executives**

Performance pay for executives was first introduced in the federal Public Service in 1981. Performance determined movement through the salary range but bonuses were only available to those who had already reached the maximum. Awards were based on over-all performance against general criteria. There were five levels of performance. Departments had performance pay budgets equal to 5% of their executive payroll that they could not exceed and a rule that no more than a third of executives could be considered Superior or Outstanding in any given year. These quotas were consistently criticized by AEPX as being too constraining.

The 1980s and early 90s were periods of high inflation when the Canadian government introduced restraint programs on government spending to reduce the pressure on the economy. Performance pay was one of the first things to be suspended. Subsequently, collective bargaining was suspended and
limited economic increases were imposed on all public servants, including executives. As the need for restraint increased, limited salary adjustments were replaced by wage freezes. The *Public Sector Compensation Restraint Act* was in place from 1992 to 1996.

As the government was about to exit from this significant period of restraint and return to collective bargaining with its unionized employees, APEX made representations to the government about the need to address executive compensation as well. The Association promoted the concept of an independent body advising the government about executive terms and conditions, including compensation. There had been such a committee prior to the restraint period but it had become moribund.

**The Creation of the Advisory Committee on Senior Level Retention and Compensation**

The government accepted APEX’s advice and, in 1997, the Treasury Board President announced the creation of an Advisory Committee on Senior Level Retention and Compensation. The new Committee’s mandate, broader than that of its predecessor, is to:

- Provide independent advice and recommendations to the President of the Treasury Board concerning executives, deputy ministers and other Governor in Council appointees of the federal Public Service and public sector on:
  - developing a long term-strategy for the senior levels of the Public Service that will support the human resource management needs of the next decade;
  - compensation strategies and principles; and
  - overall management matters comprising among other things human resource policies and programs, terms and conditions of employment, classification and compensation issues including rates of pay, rewards and recognition.

The government felt that it was necessary to consider the full range of human resource issues that influence recruitment and retention, not just compensation. Recruitment and retention were matters of significant concern to both the government and APEX. The Public Service of Canada expanded dramatically in the late 1960s and early 70s. Restraint forced substantial downsizing and limitations on hiring. By the late 1990s a very high proportion of the leadership of the Public Service were approaching eligibility for retirement. Low morale and uncompetitive compensation created a significant short-term risk of further departures. A survey by APEX in 2001 found that overall, 40% of current executives plan to retire or leave in five years and 75% in 10 years and indicate a fairly high degree of certainty that they will follow through on their plans. Data indicate that significant turnover will occur at all EX levels\(^1\).

The Committee’s mandate extends beyond just executives in the Public Service to encompass also Deputy Ministers and other Governor in Council (GIC) (political or government appointees) appointees, as well as CEOs of Crown corporations. These individuals are recruited from inside and outside the Public Service but, unlike executives, are appointed ‘at pleasure’ or for a fixed term.

The Committee is made up of Chief Executive Officers of private sector corporations as well as representatives of labour and academia. The first Chairperson, 1997-2001, was

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\(^1\) Association of Professional executives of the Public Service of Canada, Executive Cadre Retention and Transition Planning Survey, October 2001
Lawrence F. Strong, CEO of Unilever Canada. The current chairperson is Carol Stephenson, CEO of Lucent Technologies Canada. Among the current members is Robert Brown, CEO, of Bombardier Inc.

As per its mandate, the Committee is an independent body that meets on average 3 or 4 times a year. My group in the Treasury Board Secretariat provides services to the Committee. Together with colleagues in the Privy Council Office, responsible for the Deputy Ministers, CEOs of Crown corporations and other GIC appointees, we provide data and research requested by the Committee and make arrangements for presentations to the Committee from experts or interested stakeholders. APEX has been a regular presenter to the Committee; it was, for example, the first to make a presentation to the new Committee.

The Committee has produced a total of five reports to date. When the Committee submits a report and recommendations to the Treasury Board President; the recommendations must go to the Treasury Board itself for approval. The Committee’s recommendations are also presented to the full Cabinet for information. Once this is done, the Committee Chairperson releases the report at a press conference and the Treasury Board Secretariat issues a press release indicating that the Treasury Board has accepted the Committee’s recommendations. Thus far, neither the Treasury Board President nor the Board has rejected any of the Committee’s recommendations.

**Present Performance-based Pay Program for Executives**

In its First Report, in 1998, the Advisory Committee recommended compensation principles and structures for Public Service executives. Recognizing its broader mandate, the Committee nevertheless believed that in the short-term at least, following the years of wage freezes, the most critical issue to address was compensation.

The compensation principles that the Committee recommended were that:

- the total compensation package for senior levels be quite distinct from that offered to unionized employees.
- the job rate, the fixed component of compensation that is paid for fully satisfactory performance, be adjusted at intervals using market comparisons of total compensation in the appropriate comparator groups.
- processes be put in place which, to the greatest extent possible, remove year-to-year administration of Public Service compensation from the political arena.
- the appropriate external comparison for total compensation comparability with the private and broader public/not-for-profit sectors is the EX01 level (the first level of the five levels of the Executive Group);
- the relationship between compensation of various levels be a proper reflection of the differences in responsibility.\(^2\)

Total compensation was defined as total cash, i.e. base salary and short-term incentives, and benefits and perquisites, e.g. life, health and dental insurance; pensions; leaves, etc.

The Committee also recommended that a significant portion of cash compensation should be ‘at-risk’ based on performance\(^3\). The fact that performance pay had been implemented only 7 of the 17 years it

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\(^2\) Advisory Committee On Senior Level Retention and Compensation, First Report, January 1998, p.20-21

\(^3\) Ibid, p.23
had technically been in place, led the Committee to stress that ‘at risk’ pay should be seen as an integral part of executive compensation, that could reasonably be expected by the majority of executives, albeit based on performance.

The compensation structure recommended by the Advisory Committee (see Illustration 1 below) is based on total compensation comparability at the EX01 level, including the potential to earn up to 10% of base salary in ‘at risk’ pay. There is a 15% range between the minimum base salary and the job rate or maximum salary. There is a 12% differential in job rates for each level, except at the EX04 level and the DM02 level, which represent more significant career steps, where the difference is 15%. Note that the Deputy Ministers (DMs) are a continuation of the executive range since they are generally career public servants recruited internally even if they are appointed at pleasure once becoming DMs. The amount of ‘at-risk’ pay also increases with higher levels, from 10% at the EX01 level to potentially 25% of base salary at the DM04 level.

Illustration 1

<table>
<thead>
<tr>
<th></th>
<th>Current Job Rates $000</th>
<th>Differential between Levels</th>
<th>‘At-risk’ Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>EX01</td>
<td>99.7</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>EX02</td>
<td>111.7</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>EX03</td>
<td>125.0</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>EX04</td>
<td>143.7</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>EX05</td>
<td>160.9</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>DM1</td>
<td>180.1</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>DM2</td>
<td>207.1</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>DM3</td>
<td>232.0</td>
<td>12%</td>
<td>20%</td>
</tr>
<tr>
<td>DM4</td>
<td>259.9</td>
<td>12%</td>
<td>25%</td>
</tr>
</tbody>
</table>

The Committee recommended the development of a performance pay program that would measure performance against agreed targets and the achievement of business plans. The framework was to ensure an appropriate balance between long-and short-term results, and between softer measures of values and rigorous measures of achievement.

The Treasury Board Secretariat developed the Performance Management Program (PMP) for Executives that was introduced with the 1999-2000 performance cycle with the help of a working committee that included not only a number of departments of various sizes with differing mandates, but also included a representative of APEX. The Secretariat wanted to ensure that not only was the program well designed and feasible to implement across a Public Service that is very complex and decentralized, but that it would also be seen by the executive community as fair and reasonable and thus would have their support. APEX provided not only sound and knowledgeable advice, being
professional public administrators, but also an important reality check speaking on behalf of executives

The PMP requires that all executives have performance agreements based on Public Service wide priorities identified by the Clerk of the Privy Council, the head of the Public Service, as well as departmental plans and priorities. Executives must identify Ongoing Commitments, the normal functions and duties of their positions, and Key Commitments that are their priority objectives for the fiscal year. Commitments are intended to be relatively few in number and include specific performance measures against which achievement can be assessed.

Commitments should cascade from the Deputy Minister down through departmental executive levels because PMP is intended as an organizational performance management tool as much as a performance pay system. By cascading commitments, accountabilities are clear and complete across the organization.

Performance agreements are to be developed early in the performance cycle and signed by both the executive and their immediate supervisor. They are intended to be kept current through regular reviews both of the commitments themselves and performance to date. At the end of the cycle, performance is to be assessed in terms of the achievement of commitments, based on the performance measures, as well as in terms of the leadership competencies of the Public Service of Canada. By factoring in leadership competencies, performance is intended to be assessed not only by objective achievements but also by the manner in which they were achieved.

There is a 3 point rating scale in relation to the achievement of commitments: Did Not Meet; Succeeded; and Surpassed. Each commitment is to be rated. Overall achievement of Ongoing Commitments and Key Commitments are also to be rated, separately, in addition to overall performance.

In order to move through the salary range, executives must rate Succeeded or better overall in relation to their Ongoing Commitments. Normally the increment is approximately 5% so that most executives would be expected to reach the job rate in about 3 years. Executives who do not meet their Ongoing Commitments are not eligible for ‘at-risk’ pay, nor do they receive any economic adjustment.

To be eligible for ‘at-risk’ pay, executives must have Succeeded or better in the achievement of their Key Commitments. However, the amount of ‘at-risk’ pay that is awarded is based on the overall assessment of performance, that considers performance related to both Ongoing and Key Commitments.

Unlike the earlier performance pay program, executives can receive both an in-range increase and an ‘at-risk’ performance award for the same year. In other words, under the new program, they don’t have to have reached the salary maximum to earn performance pay.

In keeping with the decentralized nature of the Public Service of Canada, effort was made in the development of the Program to give departments maximum flexibility within an overall framework. Thus, there are no specific percentage awards in relation to ratings. In fact, a number of departments have modified the rating scale somewhat to reflect different degrees of performance by adding pluses and minuses to the Succeeded and Surpassed ratings.

Departments are funded centrally for 7% of their executive payroll for performance awards but may spend more if performance warrants and funding is available within the department’s own budget. The
central budgetary allocation is based on a normal distribution of performance ratings and takes into account higher maximum potential awards for EX04s and above. Although the Treasury Board Secretariat has issued rating distribution guidelines, it is possible that overall the cost of awards in particular organizations may exceed 7% overall. This is acceptable but must be funded from departmental resources.

When the PMP was introduced, the Treasury Board Secretariat and APEX undertook joint information sessions across the country, meeting individual executives at ‘townhall’ meetings arranged by the Association.

The Treasury Board Secretariat requests reports about ratings and payments under PMP in June following completion of the annual cycle. Illustration 3 shows the overall distribution by rating for the 3 years that the program has been in place.

These results have been shared regularly with the Advisory Committee which has expressed concern, shared by the Secretariat, that departments are not doing a good enough job at the bottom end of the performance spectrum, identifying poor or marginal performers. Although there has been some media criticism and some concern by the Committee regarding the overall proportion of executives receiving some amount of ‘at-risk’ performance pay, the Conference Board of Canada found that the private sector experience was the same.

In 2000, APEX included a review of the 1999-2000 performance pay exercise as part of its summer 2000 consultations with executives, as one full cycle had then been completed.

Most executives had seen improvements, e.g. more sharing and cascading of commitments in most departments, although there were still some departments where executives had not seen their superiors’ agreements and sharing of agreements was consistently not happening early enough. The commitment setting exercise was generally seen as useful.

However, timing was cited as a problem, many executives having their agreements signed off in September, already significantly into the performance cycle. The comment was made that executives were choosing key objectives they knew they could meet or, since the cycle was so delayed, that they already had met. Some executives indicated that they were writing their own agreements, and some were being signed off, with little or no discussion with their supervisor.

Some executives commented that agreements were top heavy with high level objectives. Many, especially in regions, were concerned that the Public Service seemed to have shifted its priorities from service delivery to policy development. APEX recommended that efforts be made to ensure that the same weight is given to Key Commitments across work functions (policy and operations) and locations (regions and headquarters).

Concern was expressed about a lack of clarity between the ratings. Other criticisms included a lack of recognition of teamwork; that it is difficult to capture the efforts and contributions of a team in a system based on individual commitments.

There was a view that limits on funds for ‘at risk’ pay had led to quotas effectively being reinstated in their departments.

Early in 2002, the Secretariat hired the consulting firm Deloitte and Touche LLP to develop an
evaluation framework for the Program and to assess the status of its implementation based on the latest results, which were for the 2000-2001 performance cycle. The Secretariat wanted a consistent framework and an initial baseline to evaluate the effectiveness of the PMP on an ongoing basis. It was also interested in identifying areas and opportunities for improvement while the Program was still in its evolutionary phase.

Using the Program’s key objectives as a basis, Deloitte and Touche summarized the PMP critical success factors, as follows:

- **Process Effectiveness**
  - Ensuring that individual commitments are aligned with departmental plans and priorities, the Clerk's priorities and public service leadership competencies.
  - Having a consistent and equitable approach to determining ratings.
  - Effectively administering the performance management process itself.
  - Having high stakeholder awareness of the program.

- **Results Achieved**
  - Calibrating individual and department performance ratings.
  - Ensuring that there is a clear relationship between ratings and variable pay.
  - Using the outputs of the process to identify and recognize top talent.
  - Linking the program to other key HR applications.

The table below illustrates the evaluation elements that were developed as part of the recommended framework and which were used for assessing the current state of PMP implementation.
Illustration

<table>
<thead>
<tr>
<th>Evaluation Dimension</th>
<th>Program Critical Success Factor</th>
<th>Evaluation Elements</th>
</tr>
</thead>
</table>
|                      | 1. Alignment of Individual Commitments with Departmental Plans, the Clerk's Priorities and Public Service Leadership Competencies | A. Degree of alignment between individual ongoing/key commitments and department plans and the Clerk's priorities  
B. Degree to which the individual’s ongoing/key commitments reflect PS leadership competencies  
C. Degree of alignment between an individual’s ongoing/key commitments and those of his/her supervisor |
|                      | 2. Consistent and Equitable Approach to Determining Ratings | A. Existence of mechanisms to ensure internal consistency in determining ratings  
B. Distribution of ratings |
|                      | 3. Effective Administration of the Performance Management Process | A. Timeliness of completion of performance agreements and periodic/year-end reviews  
B. Quality of commitments and measures expressed in performance agreements  
C. Participant and stakeholder satisfaction with the process  
D. Degree to which EX positions have current job descriptions/profiles/accountabilities |
|                      | 4. Stakeholder Awareness of Program | A. Provision of communication and education surrounding PMP for Executives  
B. Level of participant awareness re: program components and strategic intent of the program |
|                      | 5. Calibration between Individual and Departmental Performance Ratings | A. Degree of alignment between department performance and department’s overall EX ratings |
|                      | 6. Clear Relationship between Ratings and Variable Pay | A. Correlation between key commitment ratings and “at-risk” payout |
|                      | 7. Top Talent Identification and Recognition | A. Average percentage payout for “surpassed” performers relative to average percentage payout for “succeeded” performers |
|                      | 8. Links to Other HR Applications | A. Degree of linkage to HR applications (e.g. training and development, succession planning, etc.)  
B. Degree to which documented evidence of personal improvement activities is reflected in performance agreements |

Deloitte and Touche undertook a quality review in 8 departments, chosen to represent a mix of size, configuration (centralized vs. regional) and mandate (policy vs. operational). Their detailed findings are attached as Appendix A.
Many of Deloitte and Touche’s findings were not dissimilar to those expressed to APEX during their summer 2000 consultations.

In general, Deloitte and Touche found that the program is well designed and that implementation is about what would expect from a new program in its relative infancy. They found that implementation varied in nature and quality between departments, due in part to the flexibilities inherent in the PMP framework, but also as a result of differing departmental cultures. They concluded that some of the PMP’s problems and challenges are not unlike those experienced by similar programs in other large organizations (including their own!).

On the positive side, Deloitte and Touche found that processes were quite well embedded, particularly assessments and review committees, and that executives were aware of the program’s components and strategic intent. ‘Many interviewees noted that the program is a vast improvement over the previous performance management program in place in the federal government (e.g. in terms of the structure, transparency, constructiveness, and recognition for the process in general).’ The consultants concluded that commitments were generally cascading within organizations, although the relationship to corporate and departmental priorities and supervisor’s commitments could be made more explicit.

In terms of areas for improvement, two stood out in particular: the need to improve the quality of commitments and performance measures; and to clarify the rating scale in light of concerns about the ratings distribution at the lower end of the rating scale. The consultants noted that despite this, there is still a feeling among some executives ‘that the TBS guidelines for ratings distribution in essence ‘predetermine ratings and compensation’. Still others view the Program as an on-going administration documentation process that is frequently confrontational, as opposed to being developmental and quality management driven.

A significant gap identified by Deloitte and Touche is that ‘the performance reports currently produced by departments/agencies do not result in tangible and objective assessment of the departments’/agencies’ results that could be used to align and calibrate with EX ratings and compensation.’

The Treasury Board Secretariat is in the process of developing an action plan to follow-up on the consultants’ report. The plan will emphasize the strategic evolution of the Program: modifying it only to see it as a management tool to ensure quality performance of organizations and individuals.

There is no doubt that APEX will be key participant in discussions and communications with respect to the future of the Performance Management Program for Executives.

Reforming Human Resources Management in Canada: The APEX Perspective

As the national association for federal Public Service executives, APEX has always believed that human resources management issues are at the centre of its mandate to promote professionalism and management excellence. It has created working committees which have researched and debated the issues. It has regularly consulted the Public Service executive community to solicit members’ views.

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1 Deloitte and Touche, Program Monitoring: PMP for Executives, Summary Presentation, p.11
2 Ibid
4 For more information on the Association’s mandate and activities, visit our Web site at www.apex.gc.ca
APEX has then communicated the range of executives’ preoccupations to the central agencies of government, offering constructive suggestions for change.

In mid-2001, APEX was asked by the Task Force on Modernizing Human Resources Management to conduct a series of consultations with public servants across the country. The Task Force wanted to know what people thought about the values, staffing and recourse systems and the labour relations model that should form part of a modernized Public Service.

The Association met with close to 850 public servants from coast to coast to coast. Its observations from those sessions were submitted to the Task Force in early October 2001. At the same time, APEX decided that it should also table a summary of its own positions on human resources management and the modernization initiative. This text describes the key elements of the Association’s work in this field over the past several years.

Executives wear two hats. They are employees, with expectations about how they will be hired, treated, compensated, developed, promoted or released. At the same time, they manage others, and are concerned about the working environment and working conditions provided for their staff. They want to see more efficient human resources management systems, along with clear, straightforward policies.

After years of research and consultation, the Association’s position can be summed up very briefly: only meaningful, profound change in the management of people will enable the Public Service of Canada to remain relevant and effective for the 21st century.

APEX sounds one very strong warning note. There is serious doubt that the capacity currently exists within the Public Service to deliver on the objectives of HR reform. After years of cuts, we are short on the HR expertise and the money to plan and implement new systems. The Association therefore urges the Government not to proceed with the reform initiative unless it intends to resource the effort appropriately, with new hiring, information, training and the right technology.

It has become clear that our current human resources management system no longer works. Attempts at efficiency and flexibility are confounded by the accumulated weight of decades of precedent. The true purpose of sound values and principles such as merit has often been lost in a risk-averse regime. Only legislative reform will produce change significant enough to correct the problems. Finally, in order to avoid the same type of situation recurring in the future, new legislation must be written so as to allow for regular review and amendment of its provisions, as necessary. The ability of the Public Service’s new human resources management regime to respond to both internal and external forces will determine its success or failure. We will have succeeded if people are attracted to join or remain with the Public Service, given all of the other options available to them. We will know we are on the right track if citizens and clients tell us they are satisfied with how we serve them.

The kind of reform that is needed is pervasive and profound, and encompasses the entire institution. It is imperative that action be taken to effect these reforms as quickly as possible.

Public servants have their own informal ratings guide on how well or poorly the organization manages its human resources. They hold the system up to the light of Public Service values and make judgments. They measure their employer against other organizations in the private, voluntary and public sectors. Since human resources management is common to all organizations, there are many models in the public and non-profit sectors which can serve as yardsticks.

How do they evaluate the employer’s performance? They look at:

- **values and ethics**..... Are they a living, integral part of behavior, decisions and reward systems?
• **leadership**..... What is the tone from the top, as demonstrated in both action and language?
• **people**..... Do peers, superiors and subordinates have the right competencies and are they appropriately rewarded?
• **performance measurement**..... Are the right indicators being used? Is team work assessed?
• **risk management**..... Do executives have latitude to take and manage appropriate risk?
• **stewardship**..... Are the appropriate controls in place and is performance rigorously evaluated?
• **accountability**..... Is there emphasis on due diligence, rather than on a set of rules and regulations which do not permit individual decision-making?

Much has been written about the need to incorporate clear and well-understood values\(^8\) into the workplace. Public servants and citizens alike need to be able to see that we....

.... act with **respect**, **integrity**, propriety and impartiality
.... **put the public interest first**
.... achieve results of high quality and good value (**excellence**)
.... show individual leadership and take **personal responsibility**
.... value people and their **diversity**
.... **innovate** and learn
.... demonstrate **professionalism**
.... practice **transparency** and communicate openly with colleagues and clients

Executives believe that a values-based system cannot become a reality unless the message and the model of the values come from the very highest level of the Public Service. While it is crucial that the community of deputy ministers make plain their commitment, it is also important that **parliamentarians act in accordance with the same set of values as public servants**. Unless our political representatives have an appreciation of the values that underpin our activities, there will continue to be misunderstanding and tension between the bureaucratic and political levels.

Many public servants think the Public Service has work to do in order to be truly values-based. For example, the 2001 **APEX EX Retention and Transition Survey** showed that 1 in 4 respondents did not find the most recent staffing process they had participated in to be fair or transparent. This lack of confidence is a serious issue that needs be addressed in any HR reform effort. **If managers do not believe the system to be fundamentally fair, they will find ways to circumvent it**, thus further eroding its credibility.

Further, APEX has learned through its consultations that public servants do not have complete confidence that all appointments are values-based. It is a self-evident truth that if we **hire and promote people who possess the values we seek**, we will have taken a giant step toward creation of the kind of organization we want. Appointments that seem to run counter to our values create deep wells of cynicism among public servants at all levels.

Public servants expect their employer to behave according to certain values and principles in other areas as well. They want the Public Service to demonstrate **basic courtesy and respect** and to ensure a **reasonable workload**, with **rewards** (monetary and intangible) commensurate with performance. The employer must provide timely, clear information and ensure reasonable employee involvement in decisions. It must offer a **safe system of work** (e.g. properly managed risk, harassment-free, non-violent) in a **good physical and psycho-social environment**. That means re-thinking decisions to cram employees into little cubicles to save on space. It means ensuring that there is an atmosphere in which

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\(^8\) Highlighted items are those values which were also identified during the APEX summer 2001 consultations on HR reform.
collegiality and teamwork can flourish.

There has been plenty of sound research produced over the past five years which addresses the quality of work life in the Public Service. The studies include the APEX 1997 Health Study, the 1999 Public Service Survey, the 1999 Duxbury report *Building a World-Class Workforce*, and the Committee of Senior Officials (COSO) sub-committee reports of 2000. Over and over, the research says the same thing: we must provide employees at all levels with reasonable decision latitude; they must perceive that they are treated fairly; and the workplace must be free of discrimination and harassment. The conclusions of these studies must not be ignored in the present efforts to reform our institution. If what we learned through this research is not taken into account as part of the HR modernization initiative, the organization will lose the confidence of its employees.

APEX’s expectation of HR Modernization is that it create a modern, results-oriented, flexible and values-driven human resources management regime that attracts, retains and develops public sector talent that will serve Canadians in the knowledge economy. The executive cadre of the federal Public Service must lead the delivery of programs and services that produce results for Canadians. To deliver leadership excellence, the Association has consistently stated that the executive cadre requires a distinct human resources management regime that supports them in their special leadership roles. It must recognize that particular kinds of expectations are placed on them and that they have very different working conditions from unionized employees.

Executives are likely to be most satisfied and productive when they can acquire the knowledge and breadth of experience they need, obtain systematic, advanced professional development, enjoy challenging and fulfilling assignments and have clear avenues of career progression. APEX believes that the best way to meet executive expectations in these respects is to have a strategic human resources regime that balances executives’ responsibility for their own careers with centralized support.

Although compensation is not under review as part of the current HR Modernization initiative, working conditions such as salary and benefits are clearly integral to the success of any human resources management regime. Over the years, APEX has made numerous recommendations to the central agencies of government on executive compensation. The great majority of our proposals have been reflected in the three reports of the Advisory Committee on Senior Level Retention and Compensation (the Strong Committee). APEX continues to press for full implementation of the Committee’s recommendations.

APEX has long argued for a distinct human resources management regime for executives. Central to this vision is a more imaginative and flexible total compensation package (salary and benefits) which reflects the working conditions of the executive cadre. Such a package would neither deter current employees from becoming executives nor penalize those who do. It would be competitive with the total compensation package being offered by organizations in the private and broader public sectors, which also seek to attract and retain executive-level talent.

This distinct executive compensation package should be administered by a branch of a Ministry of the Public Service, which would be responsible for all executive programs. EXs endorse the recognition of excellence and professionalism through provision of performance-based pay both for individuals and teams as part of their total compensation package. Executives are of the opinion that assessments within a performance management program should give as much weight to values-based behaviours as to the results achieved; i.e. that the .how. is as important as the .what.. They agree that performance-based pay should also form part of the compensation package for a greater portion of public servants.
Flexibility should also be the hallmark of any executive compensation regime. Executives have consistently maintained their interest in having a flexible “cafeteria-style” benefits package. Such a package should allow choices from a substantially-increased range of benefits including, for example, coverage of alternative medical treatments, membership fees in sports/health facilities, travel packages, and payment of professional membership fees.

Creation of an HR management regime which is built on values of trust, transparency and respect would have a significant positive influence on the tone of labour-management relations. The tangible result would be faster, simpler processes and a reduction in the use of costly and burdensome recourse systems.

APEX believes it is important to distinguish between the relationship that national unions have with the employer, and that which local union representatives have with managers and executives in the work place. APEX envisages an environment in which most labour-management issues are aired at the departmental and local levels. Executives believe that talking to the union at the departmental or local level about HR strategies and policies would be infinitely more effective than the current top down approach on both sides.

APEX agrees that departments should receive the greatest possible delegated authority for appointments. We cannot therefore support the Fryer recommendation that the staffing system be co-developed by the National Joint Council (NJC). In fact, we are confident that in a values-based system, fewer issues would have to be steered to the NJC. With most authorities under a new HR regime going to deputy heads\(^9\), APEX believes that the role of the NJC would undergo significant alteration. The volume of contacts between the Employer and the national unions would also be reduced, while the level of employee involvement in decision-making would rise.

The Association supports a two-tiered system of labour management relations. Collective agreements would continue to be negotiated by the employer with the various public service unions. These agreements would cover all issues of a universal nature: salaries, key benefits, the work week, and so on. Departments and agencies would set policies which affect the work environment of their employees. For example, the length of the work week is set by the collective agreement. However, defining and setting the conditions for the compensation of overtime could appropriately be handled by departments, in order to better reflect their particular work environment. Similarly, major leave provisions such as annual/sick leave could be negotiated nationally, while leave for family reasons could be left to departmental authorities to set. The parameters for these provisions would be established cooperatively with local employee representatives.

Managers and executives will have to be better trained and supported to meet these new responsibilities and challenges, as should shop stewards and local union representatives. The public servants we consulted this summer believe that all employees should be properly evaluated on their performance. Many younger public servants in particular have become discouraged about pursuing a career in the public service because there is little recognition of the different levels of contribution by individual employees.

APEX therefore recommends that the performance of employees at all levels bear a direct relationship to monetary rewards and opportunities for advancement. Without moving to a full

\(^9\) Including most administrative authorities such as travel, parking, hospitality, etc.
performance pay system like that in place for executives, there should be some form of at-risk pay for middle managers and professionals. Measures appropriate to the circumstances can also be taken for other employees. Those who have performed well should have access to individual or team bonuses, interesting assignments and so on. Those who do not meet expectations or who fail to live up to public service values should be denied salary increases, whether in the form of annual increments or even negotiated settlements.

We must simplify the mechanisms whereby employees can be removed from a position when their performance is inadequate or when they fail to meet the test of public service values. The young public servants we met this summer feel particularly strongly about this issue. They believe that under- or non-performing employees should be retrained, re-assigned, demoted or dismissed, in that order. They also say that the process must be less complicated and to that end, APEX proposes that recourse in these situations be defined more restrictively than at present.

The Public Service will only succeed in changing the climate of labour-management relations if it can create a values-based HR regime and an environment of trust and respect. Attitudes on both sides will have to change radically. The focus will have to shift. Stronger emphasis must be placed on creating a more efficient public service, populated by employees who work and are managed based on values.

In the preceding paragraphs, APEX has laid out the essential building blocks for a more modern and effective human resources management regime for the Public Service. The final step is to determine what sort of governance structure would enable the new system to work efficiently. This is an extremely difficult and controversial task. Within the Association’s own Board of Directors there are several different and strongly held views on the best approach. However, APEX wishes to propose a series of principles which should underpin a new governance structure. Indeed, intrinsic to APEX’s proposals on values, staffing, compensation, recourse and labour management relations set out in this report are a number of principles which we will repeat below.

First, APEX supports the continuing non-partisanship of the senior Public Service. Canadians expect impartial, equitable service. They have more confidence that a non-partisan Public Service will deliver it. A neutral Public Service provides value-added to the democratic process through the offering of professional and non-partisan advice to the government in power. The periodic disruptions that would result from politicization of the Public Service could be detrimental to the delivery of Government programs and to the provision of the high quality services Canadians expect. In the long run, the Public Service is better served by having a professional, non-partisan management cadre which has been trained to run highly complex organizations.

To guarantee the continuing impartiality of the senior Public Service, we must have a strong parliamentary agency which ensures oversight of merit. It would have no direct operational role. The agency would recommend corrective measures to departments. But would have no executive authority. It would report to Parliament on the performance of individual departments and the Public Service as a whole. Its other roles would include development of policy guidelines related to merit, promotion of the merit principle and acting as a repository of best practices in this regard.

APEX believes that responsibility for executive staffing should be assigned in keeping with the same principles as apply to staffing of other employees. That is, that authorities should be delegated to deputy heads. A robust oversight function, housed in an independent parliamentary agency, should be sufficient to protect the non-partisan nature of the Public Service.
However, the Association suggests that the oversight agency approve **proposed appointments to the executive group from organizations which are outside the scope of its mandate.** In order to enhance executive mobility throughout the larger public service, APEX therefore encourages public service organizations with separate employer status to ask the parliamentary agency to act as overseer of merit for their organizations.

APEX believes that there should be the **greatest possible delegation to deputy heads** of human resources management authorities, including staffing and labour relations responsibilities. **This must be done in such a way as to protect them from undue political interference.**

There should be **one central organization - a Bureau of Human Resources Management - which is responsible for overall human resource management activities.** If the Public Service is to demonstrate that HR management is a priority, this entity must be headed by a deputy minister who reports to the President of the Treasury Board.

Executive management services are currently very fragmented. In order to facilitate better planning and a form of collective management for the executive cadre, this new organization should contain a **branch under whose roof all executive programs and services would be brought together.** This would include services currently located at the Public Service Commission which would not be part of the mandate of the parliamentary agency noted above, as well as those programs currently with the Treasury Board Secretariat and The Leadership Network which would not be delegated to departments.

As noted earlier, there should be a common regime for managing the executive group. **APEX suggests that an advisory committee of deputy heads be mandated to oversee a modified form of collective management.** This committee would develop a common vision for the executive group, promote mobility across the system, and ensure that better planning and development tools and programs are available to departments.

**Learning functions**. including development of an integrated strategy for learning and delivery of learning/training activities, should be grouped together separately from the human resources management organization. Responsibility for management development programs could also be part of this organization’s mandate.

To the greatest extent possible, **recourse issues should be handled informally and internally** to the department. If they can not be settled in that process, then they should be referred to a redefined PSSRB.

**Making Reform a Reality**

APEX supports the drive to effect fundamental change as quickly as possible. However, we urge the Government **not to proceed with the reform initiative unless it intends to resource the effort appropriately**, with the right expertise, information, training and technology. APEX agrees wholeheartedly with the Human Resource Council, which states that reform will be successful if “adequate, realistic resources, technology and training (are) provided to HR practitioners and managers during the transition and implementation”. The ability of small departments and agencies to adapt must also be carefully considered; they should be strongly encouraged to share certain common services, such as finance, administration and human resources.

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10 In its recent Position Paper on Modernizing HR Management.
The essential building blocks of reform are new legislation, a new governance model, up-front financial support and commitment by the Government and sustained commitment by the senior levels of the bureaucracy. The Government must develop a clear, staged action plan, whose success is based on the broad commitment and involvement of employees. APEX suggests that the Public Service should make it possible for executives, managers and employees who cannot support reform with conviction and energy to bow out gracefully.

Biographic notes

Pierre de Blois is presently Executive Director of the Association of Professional Executives of the Public Service of Canada (APEX), and has held that position since January 1993. His major contribution has been to set APEX on the path of advocacy, changing its major functions to surveying the thoughts and feelings of executives on major issues of concern and presenting these findings and solutions to central agencies and Cabinet Ministers.

He joined the federal public service with the Department of Communications in 1972 after graduating from the University of Ottawa with a degree in history and political science. Before joining APEX, he spent twelve years at the Office of the Commissioner of Official Languages, where he was hired as an advisor to the Commissioner, became Chief of Personnel, Director of Corporate Services, later Director of the Communications Branch and finally, Director General of Regional Operations and outreach.

Ottawa-born and raised, Pierre has always been involved in the community, active with neighborhood citizens' planning groups, starting up and presiding the Festival franco-ontarien, working on education and heritage issues, the United Way and now sitting on the board of the Ottawa Hospital.

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