



HOUSE OF COMMONS
CANADA

CHAPTER 2, “MODERNIZING HUMAN RESOURCE
MANAGEMENT,” OF THE SPRING 2010 REPORT
OF THE AUDITOR GENERAL OF CANADA

**Report of the Standing Committee on
Public Accounts**

Hon. Joseph Volpe, **MP**
Chair

FEBRUARY 2011

40th PARLIAMENT, 3rd SESSION



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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

TWENTY-SIXTH REPORT

Pursuant to its mandate under Standing Order 108(3)(g), the Committee has studied Chapter 2, “Modernizing Human Resource Management,” of the Spring 2010 Report of the Auditor General of Canada and has agreed to report the following:

INTRODUCTION

The federal government employs over 200,000 people in its departments and agencies, and the human resources investment in the public service is a significant portion of the government's annual expenditures. A robust human resources regime is one of the key components for Canadians to benefit from an efficient public service, made up of competent, productive, and satisfied staff. There have been long-standing concerns, however, that the federal government's human resource regime was cumbersome, complex, inflexible, and outdated, and roles and responsibilities were fragmented.

The *Public Service Modernization Act* (PSMA), introduced in 2003, represents the most significant reform of human resources management in the federal government since the 1960s. It came fully into force in 2005. The Act included or amended four pieces of legislation and was designed to transform the way the federal government hires, manages, and supports its employees. These four pieces of legislation are: *Public Service Labour Relations Act* (PSLRA), *Public Service Employment Act* (PSEA), *Canada School of Public Service Act*, and *Financial Administration Act* (FAA). The legislative changes put in place by the PSMA were expected to lead to more flexible approaches to hiring, clearer roles and accountability for human resource management, more constructive labour-management relations, and better integration of training and development for public service employees. In short, the intention of the PSMA was to put in place a modern institutional framework for managing human resources.

In an audit included in its April 2010 Report, the Office of the Auditor General (OAG), examined whether central human resource agencies and selected departments and agencies had implemented the requirements of the PSMA, including reporting on and assessing progress, and exercised their respective responsibilities.¹

As sound human resource management is critical to an effective public service, the House of Commons Standing Committee on Public Accounts (the Committee) held

¹ Auditor General of Canada, April 2010 Report, *Chapter 2—Modernizing Human Resource Management*.

a hearing on this audit on 19 October 2010.² From the OAG, the Committee met with: Sheila Fraser, Auditor General of Canada; Ronnie Campbell, Assistant Auditor General; and Marie Bergeron, Principal. From the Treasury Board of Canada Secretariat (TBS), the Committee met with: Michelle d'Auray, Secretary of the Treasury Board; Susan Cartwright, Senior Advisor, Legislative Review of the Public Service Modernization Act; and Ross MacLeod, Assistant Deputy Minister, Office of the Chief Human Resources Officer.

IMPLEMENTING LEGISLATIVE CHANGES

The OAG expected that key legislative changes brought in by the PSMA would have been implemented. The audit found that these changes had been put in place, though some difficulties in the legislation's application were encountered.

In the area of labour relations, new options are available to all organizations, such as consultative committees to resolve workplace issues and other mechanisms to resolve conflicts internally. In the area of staffing, departments and agencies are using the new staffing options, such as pre-qualified pools of candidates in the candidate selection and appointment process. In the area of training and development, the Canada School of Public Service now offers training to all public servants.

Central human resource agencies have exercised their new and revised responsibilities. TBS developed guidance and regulations to assist deputy heads. The Public Service Commission implemented a new oversight framework to monitor staffing. The Public Service Staff Relations Board adapted its procedures and practices to resolve bargaining disputes and workplace issues. The Public Service Staffing Tribunal was created to provide a recourse mechanism for internal staffing complaints. The Canada School of Public Service was established to improve common training opportunities for public servants.

² House of Commons Standing Committee on Public Accounts, 40th Parliament, 3rd Session, Meeting 27.

Deputy heads exercised their new and revised responsibilities. Additional human resource management responsibilities were transferred from central agencies and human resource professionals to deputy heads and line managers respectively.

There were some difficulties in the application of the PSMA. The Public Service Labour Relations Board had concerns about a lack of stable annual funding. According to the audit, “In particular, [the Board] noted how the lack of funding has hampered its internal capacity and its ability to conduct compensation surveys and data collection. The lack of stable funding has also contributed to the loss of collaborative opportunities.”³ The Advisory Board on Compensation Analysis and Research only operated from 2006 to December 2007. Some bargaining agents were unable to participate in labour management consultative committees, and some managers had difficulty understanding the new approach to merit-based appointments.

In 2003, the government changed the existing governance structure for human resource management by creating a new agency to oversee the implementation of the PSMA—the Public Service Human Resources Management Agency of Canada (PSHRMAC). This agency also shared TBS’ responsibilities for human resource management functions. However, this division of responsibilities led to concerns about fragmented roles and responsibilities, and a duplication of effort. In 2009, PSHRMAC was incorporated into TBS, and the Office of the Chief Human Resources Officer (OCHRO) was created to take over the human resources responsibilities of TBS and PSHRMAC. The OAG indicated that the OCHRO continues to refine its roles and responsibilities.⁴ Additionally, deputy heads told the OAG that they continue to have concerns about the roles, responsibilities, and organizational structure of human resource management and would like to see stability in this area.⁵

³ Chapter 2, paragraph 2.32.

⁴ Ibid., paragraph 2.44.

⁵ Ibid., paragraphs 2.41 and 2.45.

The guidance and direction provided by central agencies is important in assisting deputy heads understand their responsibilities and ensuring consistency in human resource management across the public service. However, the committee notes that changing the governance structure for human resource management three times over the past seven years may have created confusion over roles and responsibilities, as well as losing time and effort to adjusting to the new structure, rather than fulfilling core duties. In fact, the Secretary of the Treasury Board told the Committee that one of the reasons for the delays in producing the annual report on people management, discussed below, was “a lot of organizational change.”⁶ Given the continuing concerns of deputy heads, the Committee believes that more needs to be done to ensure that there is a clear, stable governance structure for human resource management in the federal government. The Committee recommends:

RECOMMENDATION 1

That the Treasury Board of Canada Secretariat clearly define the roles and responsibilities of the Office of the Chief Human Resources Officer, and communicate this to the Public Accounts Committee by 29 April 2011.

REPORTING TO PARLIAMENT ON HUMAN RESOURCE MANAGEMENT

Legislation requires annual reporting to Parliament on human resource management matters. The audit found that the President of the Treasury Board of Canada, the Public Service Commission, the Public Service Labour Relations Board, and the Public Service Staffing Tribunal complied with legislative requirements and submitted annual reports to Parliament regarding their activities. However, the audit also found that TBS had been slow in releasing its annual report on human resource management in the public service and progress in implementing changes resulting from the PSMA.⁷ Legislation requires that the annual reports be tabled “as soon as possible after the end of each fiscal year,”⁸ but the reports for the 2005-06 and 2006-07 fiscal years were tabled two years following the end of the fiscal year they covered.

⁶ Meeting 27, 11:30.

⁷ Chapter 2, paragraph 2.59.

⁸ *Public Service Employment Act* (2003, c. 22, ss. 12, 13), section 28.

The OAG recommended that TBS should ensure that it provides more timely information to Parliament, and TBS agreed.⁹ However, TBS did not indicate in its response or in its action plan how it would make the reports more timely or what “more timely” meant. During the hearing, the Committee was told that the 2008-09 report would be tabled sometime in November 2010,¹⁰ but that is at least 20 months after the end of the fiscal year it covers. The Secretary of the Treasury Board told the Committee that her organization tends to focus on reports that have specific legislative deadlines, such as the annual reports on official languages and employment equity, and then work on the people management report to Parliament.¹¹ It is not clear why it is not possible to work on multiple reports at the same time, or why an ambiguously worded statute would permit reports to be tabled two years after the year they cover.

Furthermore, the Auditor General told the Committee that a reasonable timeline would be, “no more than a year and preferably, less than a year after the year end.”¹² While the Committee agrees that this would be better than the current situation, ultimately TBS needs to set its own timeline. The Secretary assured the Committee that, “We have taken the steps, now that the organization has stabilized, to put in a system of more timely reporting, and we should be seeing an improvement in that regard.”¹³ TBS’s action plan indicates that, “the timeframe between end of fiscal year to tabling date in Parliament will be shortened.” The Committee appreciates that steps have been taken and that the timeline will be shortened, but it would like greater specificity, as it is not clear what steps have been taken or what the timeline will be shortened to. This detail should have been included in the action plan. As it was not included, the Committee recommends:

⁹ Chapter 2, paragraph 2.60.

¹⁰ Meeting 27, 12:35.

¹¹ Meeting 27, 11:30.

¹² Ibid.

¹³ Ibid.

RECOMMENDATION 2

That the Treasury Board of Canada Secretariat clearly state what actions it will take to shorten the timeline for the tabling in Parliament of its annual report on human resource management, and that the Secretariat set a specific timeline for tabling.

INDICATORS TO MEASURE PROGRESS

In a 2005 audit, the OAG concluded that the government needed to clearly define the outcomes it expected from the legislative reform brought about by the PSEA, and monitor and report on progress. TBS and the former PSHRMAC committed to developing indicators, measures, and data sources to enable them to determine progress. Reporting provides information to enable Parliament to assess and influence the nature and pace of change introduced by the legislation, and ensure that change is in line with the objectives of the legislation. Reporting is also vital for the required five year review.

However, the audit found that initial reporting focused mainly on the activities carried out to implement the legislative requirements and not results. The Public Service Commission had reported on some of the outcomes that resulted from the change in staffing regime under the PSEA, but the reports prepared by TBS lacked sufficiently complete information on the interim achievements of the legislation. Furthermore, TBS had changed its measurement indicators from year to year, and there were not any indicators that assess the overall state of labour-management relations, the effectiveness of the new recourse mechanisms in dealing with labour relations issues, and the links between human resource planning and staffing. This limits the ability to identify trends and evaluate the impact of the legislative changes, and thereby does not provide Parliament with important information to allow it to play its oversight role.

The OAG recommended that TBS improve its reports to Parliament by reporting on whether the changes to human resource management have achieved the results intended by the legislation.¹⁴ TBS agreed and indicated that changes to human

¹⁴ Chapter 2, paragraph 2.60.

resource management will be measured through the final Strategic Investment Framework evaluation report and as part of the Management Accountability Framework (MAF) process. However, it is not clear what changes TBS intends to make in order to provide Parliament with more complete information that would indicate whether the changes to human resource management have achieved the results intended. TBS' action plan refers to the completion of the evaluation, the OCHRO's people management scorecard, and the MAF cycle, but makes no mention of reporting to Parliament.

For example, one of the goals of the PSMA was to streamline the staffing process and make it more flexible. This was to be achieved, in part, by adopting a new merit-based appointment system whereby departments can hire a candidate who meets the essential qualifications instead of the highest-ranking candidate. Yet, the Public Service Commission found that it took an average of 23.5 weeks to staff a position compared with 22.8 weeks before the PSMA was implemented.¹⁵ The Secretary did say that the time to staff a position has recently come down, albeit marginally.¹⁶ She said that it has taken time for people to become familiar and comfortable with exercising the new flexibilities.

This is the kind of issue that should be reported on and discussed in TBS' reports to Parliament on human resource management, because it indicates whether or not the legislated changes are having their intended results or whether further changes may be needed. The Secretary told the Committee that:

We did not necessarily create performance indicators that are directly linked to the Public Service Modernization Act or to all the elements of the legislation. However, we have performance indicators for a wide range of elements, so that we can have a good idea of how the public service is performing. For instance, we have performance indicators for staffing, official languages, job equity, comprehensive planning, employee performance management and training. We compile performance indicators on an annual basis, so that we have to deal with components of the Public Service Modernization Act. We acknowledge that we did not

¹⁵ Ibid., paragraph 2.38.

¹⁶ Meeting 27, 11:30.

necessarily put all that together so that we could ask ourselves whether we had really met all the objectives of the legislation. With regard to public service management, there are indicators that allow us to have a look at performance in the field of human resources management.¹⁷

Despite the Secretary's acknowledgement that they did not have indicators to assess whether all the objectives of the legislation have been met, there does not seem to be any indication, either in TBS' responses to the OAG's recommendation, its action plan, or statements before the Committee, that TBS will improve its indicators and the information reported to Parliament.

The Auditor General explained that appropriate indicators of progress are important because there have been numerous attempts to reform human resource management in the public service that have not been successful. The government agreed in 2005 to put in place indicators, but five years later, there is still not a complete set of indicators. She said:

We are concerned that with this legislative review that is coming, government needs to be able to tell parliamentarians what is working, what is not working, and how they are going to track the success or not of this legislation over time. ... We see that the things required under the legislation have been put in place, but are they getting the results that were intended? That is really what is the base, I think, of our recommendations in this report. We agree there are some indicators. We just think they need to be more comprehensive.¹⁸

The Committee agrees, and believes that TBS needs to provide greater clarity of how it will improve indicators, and hence its reporting to Parliament. The Committee recommends:

RECOMMENDATION 3

That the Treasury Board of Canada Secretariat clearly specify what steps it will take to ensure that it has a complete set of performance indicators to track and report on the results of changes to human resource management in the federal government.

¹⁷ Ibid., 11:50.

¹⁸ Meeting 27, 12:15.

CONCLUSION

The PSMA brought about a number of significant changes to the human resource management regime in the federal government. The audit found that while there were a few implementation difficulties, for the most part the changes required by the PSMA were put in place. However, the Committee notes that the human resource governance regime put in place by TBS has shifted several times over the past several years, and believes that greater clarity needs to be given to the roles and responsibilities of the new OCHRO. Additionally, the audit found weaknesses in the timeliness and information included in the annual reports prepared by TBS on human resource management. It was not clear to the Committee, though, what steps TBS was taking to address these concerns. The Committee believes that TBS needs to set a timeline for the tabling of its reports and needs to include a more complete set of indicators on whether changes to human resource management are having their intended results.

APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<u>40th Parliament, 3rd Session</u>		
Office of the Auditor General of Canada	2010/10/19	27
Marie Bergeron, Principal		
Ronnie Campbell, Assistant Auditor General		
Sheila Fraser, Auditor General of Canada		
Treasury Board Secretariat		
Susan Cartwright, Senior Advisor, Legislative Review of the Public Service Modernization Act		
Michelle d'Auray, Secretary of the Treasury Board of Canada		
Ross MacLeod, Assistant Deputy Minister, Office of the Chief Human Resources Officer, Governance Planning and Policy Sector		

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings (40th Parliament, 3rd Session: [Meetings Nos. 27 and 39](#)) is tabled.

Respectfully submitted,

Hon. Joseph Volpe, M.P.

Chair