

Public Sector Reform in Small Departments and Agencies in Canada

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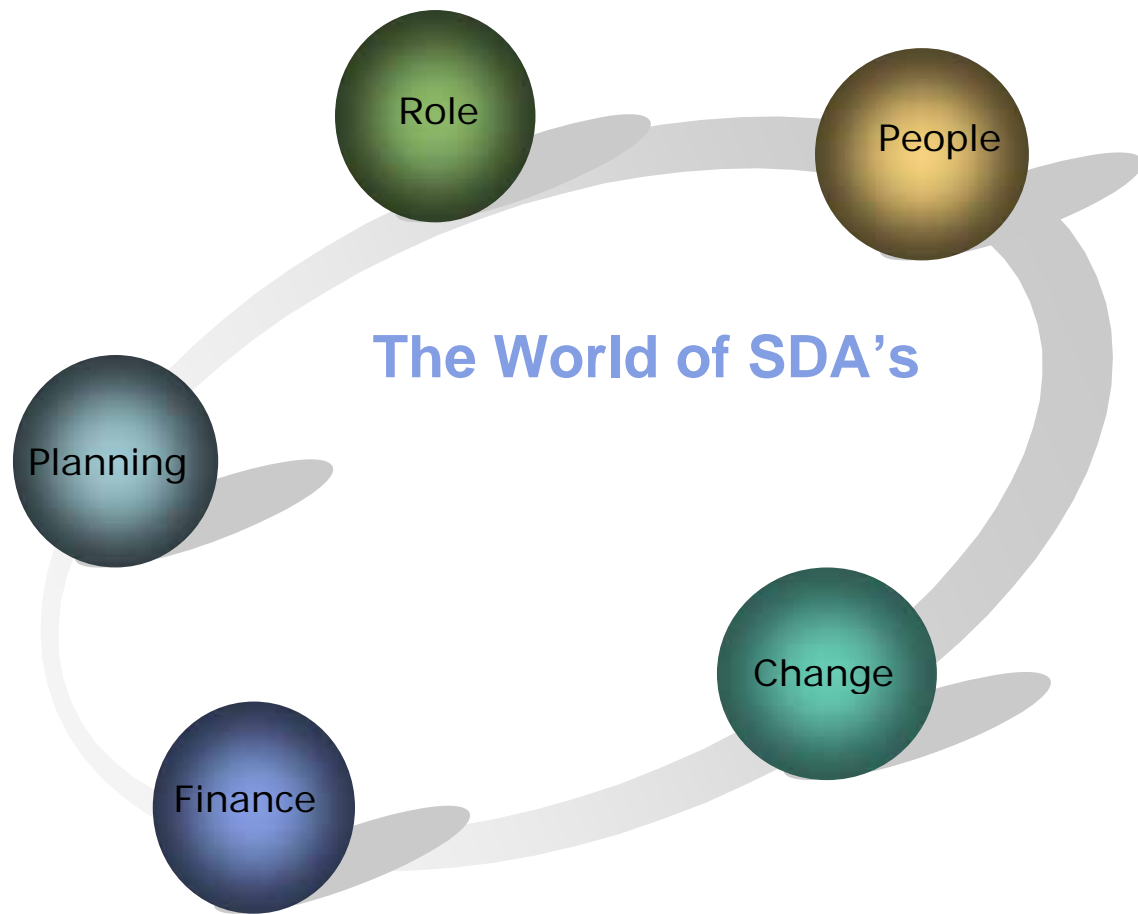
There are over 65 small departments and agencies (SDA) in Canada with less than 300 full time employees; many of which have an annual budget of less than \$25 million CAN.ⁱ Each small organization is expected to implement public sectors reforms and build sustainability at the same rate as their larger counterparts: same deadlines, reporting requirements, legislation and expected results. Unsurprisingly, their experiences have contributed in more ways than one to our understanding of public sector reforms.

The Public Service Modernization Act (PSMA) 2003 which brought with it a series of human resources management reforms offers the perfect setting to observe SDA's as they planned and implemented requirements set out in new legislation – and provide an opportunity to better understand the plights of this very industrious and inspiring community within the Canadian Public Service.

While there is a lot of variation in the characteristics of small agencies, there are several distinguishing organizational elements that influence their capacity to respond to requirements of a public sector reform. These have been divided into five categories: role, people, finance, planning and change.

ROLE

From their very inception, SDA's are differentiated from other Government departments. Central to their raison d'être is the need to keep their activities substantively independent from ongoing governmental departmental operations as well as the political machinery of government. In order to preserve this independent and unimpeded role as decision-maker SDA's must act cautiously when selecting and forging new relationships. Widely considered alternate service delivery options are often fraught with caution since they risk hindering roles and results. According to a Treasury Board Report on the Capacity Assessment of 10 Small Agencies, most have administrative partnerships or arrangements in place either to share accommodation services and/or to outsource some corporate services to other government departments or the private sector.ⁱⁱ Nevertheless, such decisions are carefully studied before implementation and religiously monitored thereafter.



Carefully conserving this independent and impartial or “balanced” office is a recognized preoccupation for small agencies.ⁱⁱⁱ The potential risk of damaging a clients’ perception requires a constant line of sight between the SDA, its clients and its stakeholders.^{iv} Small departments with judicial and quasi judicial mandates are textbook examples of this. For example, the SDA responsible for judicial affairs – including the selection and compensation of judges - must retain administrative independence in order to uphold the integrity of the judicial system and maintain a clear dividing line between the executive, the legislative and judicial roles of government.

In recognition of the unique role and limited resources of SDA’s, several communities of interests have emerged over the years within the Canadian Public Service. For example, The Group of Heads of Federal Agencies is an informal network comprising the chief executive officers (Governor in Council appointees) of over 130 federal agencies, boards, commissions, tribunals and Crown corporations. Serving as a collective voice for the agency they engage in discussions with central agencies and other branches of the federal public service on questions of broader government policy initiatives.^v

The Small Agency Administrators' Network (SAAN) is another such community of interest. Their mission is to provide opportunities for the sharing of information and practices as well as to discuss issues of common concern; and, to provide a common voice to Central and Common Service Agencies in respect to small agency issues.^{vi}

Functional communities of interests have also emerged. The Small Agencies Finance Action Group (SAFAG) is an organization created to provide advice and assistance to small departments and agencies in the development and application of financial policies, standards and practices.^{vii} The Heads of Information Technology (HoIT) and the Personnel Advisory Group (PAG) are also organizations that reflect the need for small agencies to share experiences and effect change that will align with their mandates.^{viii}

PEOPLE

It might be a bit cliché, but what makes an organization succeed is its people – and this statement has even greater significance in a small organization where resources are few. Hence, great care is taken to recruit and retain employees in SDA's. If it were possible to run an experiment of assigning the same mandate and amount of funding to two distinct organizations it is likely that the results achieved would be dramatically different because of the people assembled. If this is a reasonable assumption, then it is not difficult to understand the impact a single vacancy or a poor performer in a small organization.

Building from a premise that one of a few carries greater impact than one out of many, SDA's find themselves in highly unsettling positions whenever an employee submits a resignation. Five employees or 10% resigning from an organization with 50 employees can be significantly more disconcerting to management than the same 5 employees or .1% resigning from an organization with 5,000 employees. Similarly, expectations relative to employment equity require careful monitoring as a single resignation could upset the diversity equilibrium reached by a small organization. The loss of corporate knowledge and functional or leadership competencies can also be greater for small organizations: partly because there are fewer leaders and specialty competencies to back fill and partly because attracting and retaining candidates with the skills required to work in small agencies can be challenging.

Fewer lateral and horizontal levels in the organization structure give birth to corporate positions with multiple responsibilities, accountabilities, skills and numerous working relationships or networks. The ability to provide high-end services is not always an option because of the limited number of employees with the required in-depth knowledge or specialized competencies and the cost of alternate or complimentary systems and resources. In allocating resources and making decisions to fund positions, \

SDA's are constantly being pulled between the need to cover a variety of tasks and the need to build specialized internal competencies. As such, most SDA's corporate staff functions rely greatly on generalists in human resources, financial management, etc. to obtain the wide array of essential services that each function typically provides larger departments. SDA's often find it extremely difficult to find

people competent in several of the service areas within a corporate staff function. For example, to find a full working level human resources generalist with labour relations, compensation and staffing competencies with the ability to administer the Official Languages Act, the Employment Equity Act, the performance management process and the human resources information system is no small feat.

Although generalist positions within corporate staff functions provide employees with a wider breath of experiences, it does limit the acquisition of knowledge depth. The volume of work is simply not able to sustain it and employees with interests in gaining such knowledge normally move on to larger departments. Employees occupying generalist positions may also find it difficult to cope with the heavy workloads emerging from multiple demands, service areas and deadlines. For SDA's this can lead to a particularly weak – if not exhausted - spare or reserve capacity to appropriately respond to demands brought on by a public sector reform.

Conversely, line programs within SDA's are more likely to require specialists in very narrow but in-depth area of knowledge. Finding qualified people to replace someone who investigates aircraft fatalities, or responds to harassment grievances in highly specialized organizations, or who only administers pay for judges requires a great deal of planning and foresight. The need to plan carefully is compounded exponentially when the SDA only retains one specialty position to fulfill a critical line program function of the organization.

Long standing position classification practices and accepted standards in interdepartmental relativities have sometimes produced positions with lower classifications in smaller government agencies, which tend to affect employee job satisfaction and turnover rates. Networking to promote the organization and scan for potential candidates is an unending task and a highly valued management skill within SDA's. The limited career paths and developmental opportunities within SDA's have also been linked to employee migration. These and other recruitment challenges have brought about a greater reliance on the contingent workforce thereby producing a higher per unit service cost in comparison to larger organizations with in-house capacities.

Nevertheless, with a smaller structure there is also an innate organizational agility that facilitate the creation of high performance working relationships. For example employee surveys are often replaced by more informal processes and an intrinsic capacity to build a common knowledge base. It follows that the ability to address workforce issues before they become problematic is one of the qualities of an SDA. Their ability to respond rapidly to employees, stakeholders or clients often makes them ideal candidates for pilot projects where they can apply experiential approaches and provide valuable lessons learned for larger departments.

Employee development is critical to SDA's. Consulting and Audit Canada has acknowledged that SDA's need to find solutions other than formal training in order to meet performance expectations.^{ix} With the large number of projected retirements identified by recent demographic studies, many SDA's are bracing for tumultuous times ahead as they become progressively more at risk of carrying large number of vacancies for longer periods of time.

To address growing needs for succession planning and knowledge transfer there is a requirement to find innovative approaches that continuously integrate on-the-job learning experiences every day for every employee. (e.g. tools, templates, technology, mentoring, coaching) Self development involving such activities as journaling, research projects, networking, self-assessments, e-learning, self-help books, and more, provides SDA's with a way of learning for employees that is non-intrusive, low cost and progressive. Experiential learning is also highly valued by these organizations, especially when learners can produce results that contribute to improvements in the management and performance of the SDA. A well stocked of self management skills is truly an indispensable prerequisite for every employee contemplating employment with an SDA

FINANCE

Most managers need to identify resource requirements to implement the changes brought on by a public sector reform. Although financial resources are often the most "accounted" and more popular indicator of a performance measurement system, it frequently suffers from lack of attention during times of change. The stresses on the workforce and the lack of resources required to make the change are often underestimated – and in most cases the smaller the organization, the greater the impact.

Generally, there is less flexibility within small organizations to address financial pressures resulting from change. There is less opportunity for SDA's to benefit from budget "slippage" and the impact of mounting financial pressures are normally greater. There is also less capacity within an SDA to prepare business cases and documents so as to obtain additional resources from Central Agencies. It is also more difficult for smaller organizations to take advantage of economies of scale. For example, smaller organizations often do not have the large operational demands to justify the recruitment of full time labour relations or classification specialists.

Opportunities to reallocate funds to address implementation shortfalls are significantly reduced in smaller organizations. The complex and time-consuming nature of many reforms, such as the PSMA are often assumed by existing staff, causing unwieldy workplace, workload and workforce conflicts and inefficiencies.

Information technology systems are often owned and controlled by the SDA and are considered to be less complex and cumbersome than that of a larger organization. For example, processing time may be minimized, the amount of data may be easier to manage or the access to information may be easier or faster. In reference to a reform, this can contribute to a better turnaround time, delivery method, quality and outcome. However, SDA's often find it particularly difficult to arrange for competent back up expertise in system administration, report generation and data entry when regular incumbents are reassigned to reform activities.

Costs to modify or upgrade systems to meet reform requirements are generally more difficult to absorb within smaller budgets and are frequently tougher to justify to external funding agencies. As such, once all other options have exhausted, an SDA will devote significant time conducting cost benefit analysis and studying the long term impact of new technology on people and budgets before finalizing the desired outcome – and even at that it may well take several years before securing the competencies and operational resources required to implement the technology solution or upgrade due to unwieldy budgetary approvals and procurement processes, shortage of management capacities, turnover in leadership or competing priorities.

CHANGE

Although effort is made to build implementation strategies that add the greatest value at the lowest cost, ensure compliance and minimize disruptions to business lines, there is considerably less infrastructure within SDA's to support public administration reforms. New central agency expectations and legislative requirements can quickly overwhelm existing capacities. The Canada Public Service Agency recognized this lack of resource capacity during the implementation of the Public Service Modernization Act. As such dedicated support, guidance and interventions were provided in the form of training needs assessments, policy development and co-ordination, operational support services, planning and management consulting services and action learning and experiential training workshops. Even though the organizational distance between the executive level and the front lines within an SDA promote mutual ownership and alignment for change, start-up support and expertise was required to set implementation in motion.^x

It is worthy of noting that opportunities to provide input to legislative reforms and modernization initiatives amongst SDA's are frequently limited due to insufficient resources, lack of expertise or conflicting priorities. SDA's are often limited in their ability to participate in a wide range of inter-departmental/agency committees and policy formulation activities. As such, SDA's often limit their participation to events and consultations that carry the highest significance or impact on SDA operations or defer to colleagues in other SDA's. Inter-departmental communities representing SDA interests such as

PAG and SAAN have often been instrumental in providing context, solutions and assistance to small agencies that are unable to provide input to policy or their implementation.

It stands to reason that large formal structures are usually not necessary or warranted in small agencies.^{xi} Nevertheless, SDA's are usually expected to establish additional capacities in the form of processes, structures and systems to satisfy government reforms. (e.g. accountability frameworks, internal policies, additional reporting capacities, management competencies). Tailoring implementation to existing capacities is a major challenge for SDA's. Central Agencies and SDA's must continuously work together to manage and agree on each other's expectations.

According to results of a Treasury Board Secretariat survey, the small agency community is required to prepare and submit approximately 43 external reports (24 financial-related reports, 10 HR-related reports, and 9 planning/performance-related reports), excluding other ad hoc requests from Treasury Board or any other Central Agency.^{xii} Although small agencies recognize the importance of demonstrating accountability, there are mounting pressures to report more, more often. This complexity of reporting requirements is taxing to SDA's administration. Central agency reporting and monitoring requirements should commensurate with the risks inherent in smaller organizations to ease reporting requirements. These and other challenges are central to discussions on the sustainability of reforms within the small agency community.

PLANNING

Strategic and operational planning is critical to driving focused change within government. However the task is often fraught with caution and laced with sensitive implications for an organization that must mobilize a large percentage of its workforce to implement a reform, as is sometimes the case within SDA's. Such situations can significantly limit the SDA's ability to meet operational requirements and can add significant weight to the organization's "overhead" or staff programs - something that has been inherently recognized as proportionately heavier in smaller federal departments than in a larger departments. In the end, the administrative structure required to implement a reform should not outweigh its benefit. Instead implementation should commensurate with the resource capacity of the organization.

SDA's often rely on simple low cost planning processes to support a reform. The proximity of the hierarchical and geographic location of employees within SDA's and the high degree of lateral integration usually bring about planning processes that are low-key, intuitive and easy to track. For example, in some small departments the planning process has over time been institutionalized into informal daily interactions and relationships amongst managers and executives. More formal planning processes are often times initiated by external requirements to obtain funds or approvals. It is duly noted that planning capacities within small agencies vary as much as their mandates. Acknowledging these differences is important to reform implementation.

This section would not be complete without a few general observations about communication within SDA's. Although there are fewer "sub-cultures" in SDA's, the smaller, flatter and centralized hierarchy can produce very healthy grapevines - especially where too many gaps of information exists. Employee grapevines are quicker, more concentrated and difficult to contain or deflect. Conversely, managers in small agencies often state that organizational values are more or less disseminated by "osmosis" as opposed to extensive communication or change management activities.^{xiii} It has been noted that it is generally easier in SDA's to introduce and integrate a common language for reform – something that is seen as an effective way to facilitate and mobilize action for change.

CONCLUSION

The organizational elements raised in this document represent a collection of observations that acknowledges the complexities of public sector reform across small departments and agencies. While there will always be lessons to be learned about reforming a public sector, taking note of the challenges encountered by this large community of small organizations can contribute greatly to the planning and implementation of future public sector reforms.



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ⁱ Small Agencies. Treasury Board of Canada Secretariat. October 3, 2003. http://www.tbs-sct.gc.ca/cmo_mfc/resources2/SA_PO/smallagencies_e.asp

ⁱⁱ Treasury Board Secretariat. Content Analysis of Comptrollership Capacity Assessment Reports from the first 10 Small Agencies pg. 29

ⁱⁱⁱ Consulting and Audit Canada. An Integrated Risk Management Framework for Small Agencies. March 2004. pg 13

^{iv} *ibid*

^v Government of Canada. Community of Federal Agencies http://www.cso-cpo.gc.ca/hfa-cof/whoweare_e.html

^{vi} Government of Canada. Community of Small Organizations http://www.cso-cpo.gc.ca/saan-rapho/menu_e.html

^{vii} Government of Canada Community of Small Organizations http://www.cso-cpo.gc.ca/safag-gafpo/menu_e.html

^{viii} Government of Canada Community of Small Organizations http://www.cso-cpo.gc.ca/menu_e.html

^{ix} Consulting and Audit Canada. An Integrated Risk Management Framework for Small Agencies Version 1.1 March 2004 pg iii

^x *Ibid.*

^{xi} Consulting and Audit Canada. An Integrated Risk Management Framework for Small Agencies Version 1.1 March 2004 pg iii

^{xii} Transportation Safety Board and Canadian Environmental Assessment Agency, Integrating Performance Information Reporting: A Modern Comptrollership Project. May 31, 200 http://www.cso-cpo.gc.ca/mm-mm/externalreporting_e.html3

^{xiii} Treasury Board Secretariat. Content Analysis of Comptrollership Capacity Assessment Reports from the first 10 Small Agencies pg. 26