Managing downsizing in the public service: Lessons learned from the Program Review of the Government of Canada

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Overview of the presentation

- Program Review: A tale by the numbers
- A portfolio of early departure programs
- What worked well, what did not
- Consequences for workforce planning
- Consequences for maintaining HR capacity
- Impact on the labour force and the general economy
- Conclusions
Program Review…
Fiscal profile (1993-94)

- **Annual Deficit**: 
  - $42 billion (5% of GDP)

- **Debt**: 
  - $508 billion (70.2% of GDP)

- **Cost of servicing debt**: 
  - $38 billion (32.7% of budgetary revenues)

- **Total program spending**: 
  - $120 billion (16.6% of GDP)

- Canada loses its AAA rating (1995)

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HR profile (1994-95)

- **Number of employees in the core federal public service**:
  - Total: 225,000
  - Indeterminate: 195,000
  - Term and casual: 30,000

- **Profile**:
  - Number of executives: 3,300 (1.4%)
  - Average age: 41
  - Women: 47.8% (21% of executives)
  - Average salary: approximately $45,000

- **Overall cost of compensation**:
  - $20 billion (16.6% of total program spending)

- **Key restraint and other workforce measure over the last decade**: 10
Fiscal profile (1997-98)

- **Annual Surplus:**
  - $3.5 billion
- **Debt:**
  - $583.2 billion (68.1% of GDP)
- **Cost of servicing debt:**
  - $41.5 billion (28.1% of budgetary revenues)
- **Total program spending:**
  - $106 billion (12.4% of GDP)
- No strikes or major job actions
- Government re-elected with a majority (1997)

HR profile (1998-99)

- **Number of employees in the core federal public service:**
  - Total: 186,000 (-17%)
  - Indeterminate: 156,000
  - Term and casual: 30,000
- **Profile of those who departed:**
  - More men than women
  - More Anglophones than Francophones
  - More younger than older
  - More regional than National Capital
  - Most affected occupations groups: engineering and scientific support (20%); educators (31%); general services (34%); general labour (29%); secretarial (29%); executives (16%)
- **Overall cost of compensation:**
  - $15 billion (14% of program spending)
- **Cost of departure programs (over 3 years):**
  - Total $4.2 billion (total salary savings: $8.4 billion)
A portfolio of …

early departure programs

Sources: Office of the Auditor General, Treasury Board Secretariat of Canada
An assessment …. in retrospect

What made it a success?

1. Targeted but flexible programs, which evolved in light of new information
2. Strong support at highest levels of the government and public service
3. Detailed and practical information provided to managers and to employees
4. Effective management-union committees to manage the workforce reductions
5. Management framework to guide the use of early departure programs and to assist with the cost/benefit analysis

What were our mistakes?

1. Highly-trained technical staff were encouraged to leave rather than transferred to other areas where they were needed
2. The early departure package was more generous than was needed to encourage staff to leave
3. Too many young professionals left, compounding the systemic problem of the aging of the workforce
4. Not enough attention was paid to the stress of being a “survivor”
5. Not enough monitoring was done of the increased use of contractual support in the aftermath of the downsizing
Consequences for … workforce planning

• The Paradox of Planning:
  – Workforce planning must precede the program reforms; yet workforce requirements can be known only after the reforms are implemented

• Reliability of assumptions diminishes significantly during periods of reform:
  – Future plans are based primarily on past performance and behaviour, which often change significantly and unpredictably in periods of major reform

• Synchronizing timeframes is a major challenge:
  – Most major HR downsizing (and upsizing) requires between 18 and 24 months; most major program reforms require between 12 and 18 months
Consequences for ... maintaining capacity

• The merciless laws of supply and demand:
  – The more specialized and technical the staff, the more likely they are to take advantage of early departure programs (and the harder they are to replace)

• Distribution of capacity:
  – Often the biggest challenge is re-distributing capacity from where it is under utilized to where it is in short supply after the reforms

• Even effective early departure programs are blunt instruments:
  – It is very difficult to target programs sufficiently to ensure critical capacity is maintained where it is needed most during and after the reforms; other HR objectives (representativeness; gender equity; bilingualism; etc) are even more difficult to accommodate
Impact on the labour force ...

- The downsizing of the public service followed a period of strong economic growth
  - GDP grew by 4.25% in 1994,
  - 433,000 new jobs had been created, resulting in a 1.7% drop in unemployment rate, and
  - The inflation rate was low, at 1.5%

- In this context, the overall effect on the labour force and economy was generally positive:
  - An influx of highly-skilled and well-trained workers
  - Helped reduce pressures for wage inflation in “hot” labour market
  - Relatively-even regional distribution of affected government workers

- In the period following the downsizing, the federal government itself become an actor in the labour market
  - In 1995 term and causal employees made up 11% of the public service; by 2000 the number had risen to 18%
Conclusions

• Although natural attrition rates will help with “downsizing”, they are not sufficient on their own
  – 17,000 left the federal public service without a “package (1995-1998)

• It is important to remember that staff are both the “agents” of the reform and the “object” of the reform:
  – Reform fatigue hits quicker and harder than expected
  – Middle-managers shoulder the heaviest burden

• There is an extraordinary tendency to “revert to form” after a major reform:
  – By 2003, the size of the public service was essentially the same as it was in 1995 (when military personnel are excluded)
  – For the combined core public service and separate employer domains, total salaries:
    • fell from $9.1 billion in 1990–91 to
    • $8.2 billion in 1997–98, and then rose by 50% to
    • around $12.4 billion in 2002–03.
  – However, when measured against the Canadian population, the share of Federal government employment was significantly below pre-Program Review levels (even when military personnel are included)
Key sources
