



**HOUSE OF COMMONS
CANADA**

THE RIGHT PAY FOR VALUABLE EMPLOYEES

Report of the Standing Committee on Government Operations and Estimates

**Hon. Diane Marleau, MP
Chair**

MAY 2008

39th PARLIAMENT, 2nd SESSION

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THE STANDING COMMITTEE ON GOVERNMENT OPERATIONS AND ESTIMATES

has the honour to present its

THIRD REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied the Public Service Compensation System and the Community of Compensation Advisors and has agreed to report the following:

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THE RIGHT PAY FOR VALUABLE EMPLOYEES

Introduction

At a time when the federal government is facing major human resources challenges, its compensation system lacks the necessary resources to provide the services required to meet the expected standard.¹ In practical terms, this means that the government is having difficulty meeting the compensation and benefits needs of its employees and retirees in a timely manner. This problem is central to the mandate of the Standing Committee on Government Operations and Estimates, and the situation is worrisome enough to its members to report to Parliament on it.

The compensation system is a central aspect of human resources management. Prompt and reliable compensation services contribute to employee satisfaction and can be a decisive factor in making the public service an “employer of choice.” The compensation system is also at the crossroads of human resources management and financial management. In most departments, human resources costs account for the largest share of its operating expenses. Pensions and benefits can also have a great impact on the government’s balance sheet. In order to meet control objectives, reliable information from compensation services must therefore be obtained promptly.²

The Standing Committee on Government Operations and Estimates has shown an interest in the federal government’s compensation system for over 18 months. The Committee was first made aware of the problem through a large volume of mail sent to its Chair in the summer of 2006, and by repeated constituent requests for assistance made to the constituency offices of some committee members.

The most noticeable aspect of the problems with the federal government’s compensation system is certainly that some employees are not receiving pay cheques in a timely manner, or are receiving cheques made out in the wrong amount.

Through its work, the Committee has determined that the weaknesses in the compensation system can be traced to more complex issues than the issuing and distribution of cheques. The entire system requires prompt attention to address the many outstanding issues that are causing widespread frustration.

1 An investigation of federal departments presented to the Committee by the Treasury Board Secretariat on December 12, 2007, showed that 66% of departments and agencies meet the current standard of timeliness for issuing cheques to new employees and departing employees; 11% are over a week behind schedule and about 23% on average are over two weeks behind schedule. The results of a second, more detailed inquiry were not available when this report was prepared.

2 Price Waterhouse Study: “Review of the Compensation Function: A Case for Change.” Ottawa, March 31, 2000.

While the Standing Committee on Government Operations and Estimates has been assured by the government that the vast majority of compensation transactions proceed smoothly, significant problems persist, especially in the community of compensation advisors. Committee members noted the following comments.

I am an Industry Canada employee. I have been working at Statistics Canada since October 2006, and I still am. There are four of us helping them out. It is just chaos over there. Of course they're not talking about that in the newspapers, but they're so backlogged it is unbelievable. We are still answering e-mails that employees have sent to the compensation unit going back to 2006. We are doing pension estimates. We are doing elective service for people who want to buy back service. They are short-staffed.³

The Committee is calling on the government to provide immediate assistance to the compensation advisor community by establishing transitional measures. The Committee fully recognizes that complete resolution of the timely compensation problem will require the implementation of solutions over time. The Committee therefore recommends that the government immediately address the high turnover rate in the federal public service and the classification of compensation advisors, two problems that are at the root of the current situation.

1. Community of Compensation Advisors

All employees who provide services relating to compensation, insurance and retirement pension are known as compensation advisors. This occupational sub-group has about 2,100 members throughout the core public administration. Their average age is 45, just a year and a half above the average age in the core public administration as a whole.

According to the information obtained by the Committee, 55% of these 2,100 employees are at the AS-02 level, the level of most of the compensation advisors discussed in this report. The average annual salary of these advisors is \$51,700. Employees with supervisory duties are usually at the AS-04 level.

3 Diane Melançon, Co-Chair, Interdepartmental Compensation Consultants Committee. Evidence, Standing Committee on Government Operations and Estimates, February 5, 2008.

Pay Scales – Administrative Services Group (AS)
Annual compensation in dollars, as of June 21, 2006

	Minimum	Maximum
AS-1	43,302	48,430
AS-2	48,252	51,989
AS-3	51,718	55,724
AS-4	56,496	61,047
AS-5	67,446	72,919
AS-6	75,126	81,046
AS-7	79,080	90,420
AS-8	81,654	96,111

Source: Treasury Board Secretariat of Canada

2. Current Status

Due to a lack of detailed and accurate data, the Committee was not able in its work to fully define the scope of the problems relating to the delays and inaccuracies on public servants' pay cheques and various aspects of the compensation system. Nor was the Committee able to point to any specific service in the government as being responsible for them. The Committee had to rely on anecdotal information and partial data from the government and its employee representatives. Officials with the Treasury Board Secretariat indicated that this is partly because compensation information is not centralized and partly because the nature and scope of the problems vary among the many departments experiencing them.

That being said, the Committee has every reason to believe that things are improving as a result of the measures taken by the government and encourages the government to continue its efforts in this regard. Nevertheless, some of the most important issues still require attention and action from the government. The latest information received by the Committee indicates that some compensation units in the federal government are still backlogged on compensation files and that this could happen again given employees' heavy workload. Moreover, the public service is still having difficulty retaining employees, who are leaving for other federal public sector agencies for better pay. The Committee is therefore of the opinion that the government must address the roots of the problem, which can be grouped into three broad categories.

Uncompetitive Pay and Working Conditions

As for all employees, the working conditions and salaries of compensation advisors have a significant impact on their productivity and morale. They have an even greater impact on the recruitment and retention of new employees. The current difficulties in recruiting and retaining compensation advisors in the Public Service of Canada⁴ speak for themselves. Despite what the Canada Public Service Agency says, market signals show that the Public Service of Canada does not offer competitive working conditions for compensation specialists. The information gathered by the Committee points to a lack of competitiveness in the public service at two levels.

First of all, there is a wage gap within the federal public sector itself. Federal agencies that do not depend directly on Treasury Board pay compensation advisors better. According to Jill Ronan of the Interdepartmental Compensation Consultants Committee, some federal agencies, such as the Canadian Security Intelligence Service (CSIS), pay up to \$14,000 per year more than for a similar position in the public service. These agencies know that they have to offer better pay in order to attract the best candidates given the labour market conditions in Canada and especially in the National Capital Region.⁵

Secondly, the evidence heard suggests that compensation advisors' salaries are no longer commensurate with the competencies required. The level of responsibility, the complexity of their duties, the requirements of their positions and the intellectual effort involved are apparently not fully recognized or fairly compensated. Under these conditions, it is not surprising that the position of compensation advisor is no longer seen as an attractive career and that the candidates with the qualifications required for the job opt for other jobs instead, as one of the witnesses indicated to the Committee.

It used to be that compensation advisors could move from one department to another, based on anything from the job being closer to where they lived to their feeling that people were treated better at one job than another. Now fully trained compensation people are leaving; they're not going to compensation jobs in other departments. They're getting out and saying "I'm not going to do this job with this responsibility and this much pressure—given the complexity of the knowledge that's required—for this kind of money."⁶

4 The departments listed in Appendix I, the departments and agencies in Appendix IV, and the separate employers listed in Appendix V of the *Financial Administration Act*.

5 According to Statistics Canada's *Labour Force Survey*, the employment rate in Canada reached an unprecedented high of 63.9% in February 2008, and for the second month in a row, the unemployment rate remained unchanged at 5.8 %, its lowest level in 33 years. The unemployment rate in the Ottawa-Gatineau metropolitan area was 4.5%.

6 Michael Brandimore, Interdepartmental Compensation Consultants Committee. Evidence, Standing Committee on Government Operations and Estimates, June 7, 2007.

High Turnover Rate and Increased Workload

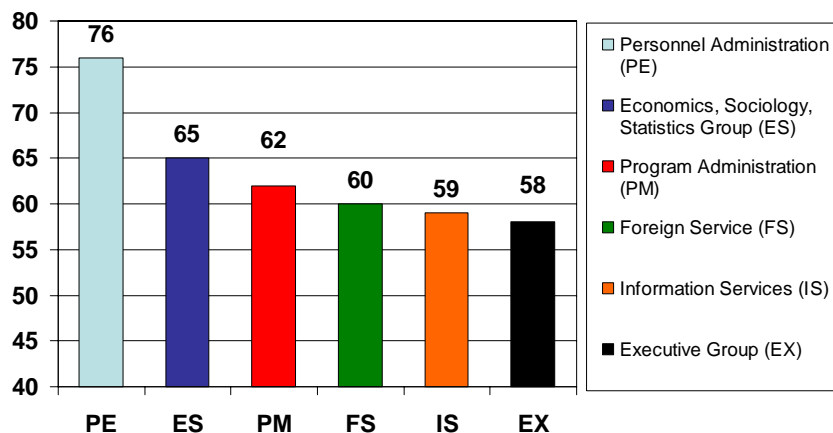
As indicated in the 2006-2007 Annual Report of the Public Service Commission (PSC), the total workforce turnover rate⁷ reached 40% in the federal public service, an increase over the rate in 2005-2006 (35%) and 2004-2005 (30%). In some occupational groups, departments and agencies, the rate was well over 50%.

Not counting lateral transfers and demotions and assuming that these people, although in a new position, already have that level of experience, the staff movement rate falls to 24%. This is still higher though than in 2006-2005 (23%) and in 2005-2004 (18%).

A staff movement rate well above 24% was also noted in many occupational groups and organizations, as seen in Figure 1. The turnover rate in the Personnel Administration Group (PE) and the Economics, Sociology, Statistics Group (ES) are especially high, at 76% and 65% respectively.

Figure 1

Staff movement rates (percentage) in the Public Service of Canada by occupational group in 2006-2007



Source: Public Service Commission of Canada, "Initial Scoping Report for the Study on Mobility of Public Servants" and the Library of Parliament.

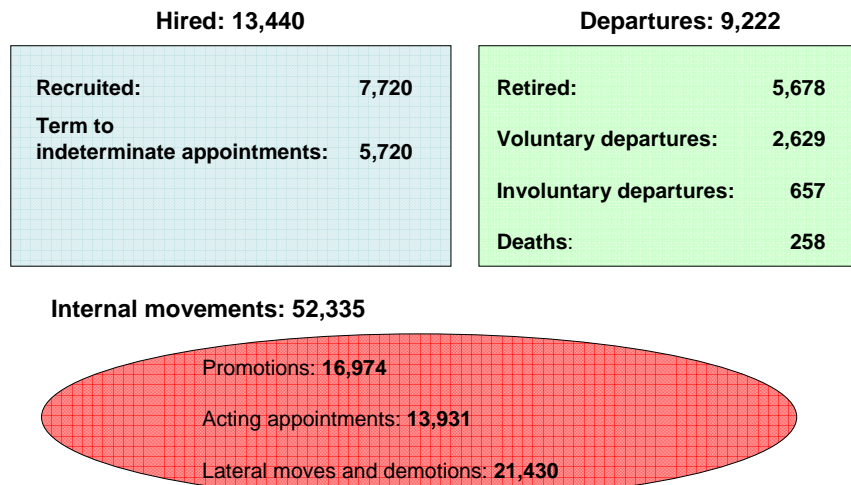
⁷ The employee turnover rate is the percentage of the workforce that departed during a given period.

The high mobility of federal public servants has become a real burden for departmental human resources services. Each transfer, promotion, parental leave or leave for language training generates extra work for human resources professionals. In addition, the wave of retiring baby boomers is significantly increasing turnover. When senior public servants retire, whether they are managers or professionals, the repercussions extend far beyond recruitment.

Each departure creates a chain reaction: it gives other public servants the opportunity to acquire different work experience or to take on a more senior position. This results in a general increase in staff movements in the permanent workforce. As seen in Figure 2, 9,222 indeterminate employees left the public service in 2006-2007, and there were 52,335 internal staff changes.

Figure 2

Appointments and departures contributing to movements among indeterminate staff, 2006-2007



Source: Public Service Commission of Canada, "Initial Scoping Report for the Study on Mobility of Public Servants" and the Library of Parliament.

Finally, as the Public Service Commission of Canada points out in its *Initial Scoping Report for the Study on Mobility of Public Servants*, there is also an increase in staff movements in the labour market as a whole, from which the public sector recruits the most promising candidates. In some regions, such as Alberta and British Columbia, the unemployment rate is lower than the national average, and staff turnover rates have increased as a result of voluntary departures.

The Committee also looked briefly at the relationship between the staff turnover rate and the geographic distribution of federal jobs. Some members of the Committee

suggested that the high turnover rate might be related to the concentration of federal employees in large urban centres as opposed to rural regions. Unfortunately, the available data (by province only) does not provide a sufficient basis for a thorough analysis of the staff turnover rate in the public service in relation to geography. The Committee is nevertheless pleased to note that the research the Public Service Commission is preparing to undertake will soon fill this gap in the statistics. The Committee intends to examine the detailed study to be published in the fall of 2008.

Outdated Technological Infrastructure and Ineffective Processes⁸

During its deliberations, the Committee was surprised to learn that compensation advisors in the various departments still perform transactions using systems that were developed about 40 years ago. Various members of the Committee were dismayed that the government is so far behind in its technology.

The federal government has, for a number of years, been aware that it must replace outdated and costly compensation and pension systems.⁹ Modernization has been delayed by various budgetary, technological and operational factors.

Under the current decentralized service delivery model, the government relies a great deal on the knowledge and experience of the compensation advisors working for about 145 departments, Crown corporations, agencies and separate employers. The government maintains that this service delivery model is too fragmented and spread out, reduces its ability to eliminate significant duplication of effort and losses in efficiency, and offers limited flexibility to enhance existing service methods. Moreover, the government recognizes that the pressures on the system will increase in the coming years with the growing number of retiring public servants. While the pension workload will increase, many employees who currently provide these services will also be retiring.

Finally, system maintenance is also difficult, limiting the government's ability to provide modern services to participants, departments, agencies and managers.

Appearing before the Committee on December 12, 2007, Canada Public Service Agency officials also acknowledged the duplication of effort in data entry by departments, problems with government-wide data reliability and disparities in service levels. They also

8 Compensation Annual Report 2006/2007, Public Works and Government Services Canada. <http://www.tpsgc-pwgsc.gc.ca/remuneration/annual/annual-report06-07-e.html#4>.

9 Two comparative studies on compensation services conducted in 2005-2006 showed that PWGSC had the poorest performance as regards costs (four times higher than the reference median), quality and efficiency (40% below reference) and processing time (60% below reference). PWGSC 2006-2007 Departmental Performance Report, page 41.

acknowledged problems related to the complexity of collective agreements and the enmeshment of the applicable regulations.

3. Government Action Plan

In view of the shortcomings in its operational processes and the age of its technological infrastructure, the government developed an action plan to upgrade the compensation system.

The government's objective is to provide competitive compensation and pension services that are consistent with industry best practices by making greater use of self-service and call centres for the provision of services and informed advice.

This action plan has two main components, which include a series of short and long-term initiatives. The action plan was presented to the Committee briefly on December 12, 2007.

Strengthening the Community of Compensation Advisors

The first component of the government action plan pertains to strengthening the community of compensation advisors by improving human resources planning, recruitment and training. The main priorities are attracting and retaining qualified employees in order to renew and maintain a strong community; offering a common training and professional development program; and formalizing the transfer and acquisition of knowledge and competencies.

On December 12, 2007, Monique Boudrias, Executive Vice-President, Canada Public Service Agency, informed the Committee that the government action plan for recruitment includes the hiring of at least 100 compensation advisors in 2007-2008. The government indicated that it has hired 109 new compensation advisors thus far, 49 through the collective staffing initiative to increase capacity, and 60 through the recruitment campaign managed at the department level by Public Works and Government Services Canada (PWGSC).

Training for compensation advisors lasts 18 to 24 months. New employees receive on-the-job training through courses given by the Public Service Commission. This means it takes about two years for a new employee to be promoted from AS-1 to AS-2. Generally speaking, compensation advisors reach full competency after five years.¹⁰

10 Jill Ronan, Chair, Interdepartmental Compensation Consultants Committee. Evidence, Standing Committee on Government Operations and Estimates, February 5, 2008.

The Committee was concerned that a hundred or so compensation advisors¹¹ will be retiring in the next five years. Employee representatives maintain this is a conservative estimate, which jeopardizes the objectives of strengthening capacity and transferring knowledge and competencies.

Modernization of Technological Infrastructure

The second component of the action plan pertains to technology infrastructure and is known as the Compensation Modernization Initiative. This major initiative will modernize procedures, resulting in greater automation and reduced human resources requirements. The initiative will also lead to the greater centralization/specialization of resources and the harmonization of practices and procedures. The action plan's objective is to modernize the compensation advisor's tool box in order to enhance the quality of compensation and benefits services, including pensions.

Short and Medium-term Initiatives

From what the Committee has learned, the government action plan for the short and medium-term includes three initiatives,¹² to be headed up by the Canada Public Service Agency.

The first is a complete review of all activities related to compensation and benefits processes in order to simplify and rationalize them. A rationalized and simplified compensation and benefits process would improve the service offered. The second initiative involves establishing a compensation interface. This would be an electronic bridge for the automatic transfer of compensation data to PWGSC's centralized system from the existing systems in the various departments. This would simplify the work of compensation advisors. Finally, the third initiative is to implement an electronic pay card, eliminating the need for the paper pay cards that are still used in most departments. This more modern tool would also enhance the quality of compensation and benefits services.

11 Data provided by Treasury Board and the Canada Public Service Agency.

12 Gilles Carpentier, Vice-President, Strategic Infrastructure, Organization and Classification Sector, Canada Public Service Agency. Evidence, Standing Committee on Government Operations and Estimates, December 12, 2007.

Government of Canada Pension Modernization Project (GCPMP)

In the summer of 2007, the government announced an investment of \$246 million over five years to transform the administration of pensions. The investment will cover the latest computerized systems, new and powerful commercial pension management software programs, and a major reworking of current pension procedures.

The Government of Canada Pension Modernization Project (GCPMP) reached the end of the project definition phase in June 2007, after final approval of the project by Treasury Board. Information posted on the PWGSC Web site¹³ indicates that the various implementation phases for the project, which will last four and a half years, are scheduled to be completed in December 2011. As the common service provider for multiple pension plans for the Government of Canada and its employees, PWGSC is in charge of the project. Due to the fact that there is more than one federal pension plan, that PWGSC has a different responsibility depending on the system. At present, the GCPMP includes only the modernization of the pension system used to administer the Public Service Pension Plan (PSPP), for which PWGSC has exclusive responsibility. The new pension solution makes it possible to manage multiple pension plans, so other systems can be migrated in the future. For instance, it is expected that the Canadian Forces Pension Plan will be incorporated into the new solution.

Ultimately PWGSC expects to be able to provide value-added services to its clients, including self-service and online options; greater operational effectiveness (automation, simplified processes and management controls); and a transparent flow of information.

Centralization of Pension Services Delivery Project (CPSDP)¹⁴

The Centralization of Pension Services Delivery Project¹⁵ seeks to improve and centralize pension services¹⁶ so they can be offered directly to the employees of departments, Crown corporations, agencies and separate federal employers who contribute to the Public Service Pension Plan (PSPP).

13 For further information on this initiative go to: <http://www.pwgsc.gc.ca/remuneration/modern/mod-toc-e.html>.

14 <http://tpsgc.gc.ca/remuneration/psdp/psdp-toc-f.html>.

15 The centralization project will include the provision of pension services for all federal public servants from Shediac, New Brunswick, drawing on the centre of expertise in that region.

16 According to public information posted on the PWGSC Web site, completion of the project is scheduled for March 2009.

Under the new model, contributors will interact directly with the plan administrator through various options for pension activities. The role of compensation advisors in pension administration will be gradually changed as reworked operating procedures are implemented during the transition period. Their role could eventually be limited to data capture for starting, changing and stopping employee contributions in departments' and agencies' pay services provider systems.

Under the new model, pension experts will provide advisory services to contributors and respond to their requests for information through PWGSC's pension services centre (PSC). Files will be processed by the PSC, which will apply mechanisms to ensure the accuracy and consistency of advice and services provided to contributors. After a more in-depth study, it is also possible that some pension services (e.g. pre-retirement courses and advice in person) could be offered by the satellite offices of PWGSC's centre of expertise.

As much as possible, contributors will be offered self-service mechanisms (on the Internet for instance) for information requests and for operational procedures.

The pension plan administrator will communicate proactively with contributors to inform them of changes to the plan that could affect their contributions and/or benefits.

Compensation Services and Systems Modernization Project

The Compensation Services and Systems Modernization Project will update PWGSC's current compensation administration operating processes and systems through a commercial pay management solution. This modern solution will resolve problems relating to operational viability, offer greater flexibility, improve functionality including the consistent integration of the Government of Canada's compensation and human resources management systems, and provide operational savings through the self-service model.

According to the information obtained from PWGSC representatives,¹⁷ Treasury Board Secretariat is currently reviewing the project, and all the necessary project authorizations should be forthcoming. In the meantime, PWGSC will continue to work on the project in order to identify the best solutions.

Once the new system is in operation, managers will be able to enter their transactions directly rather than having to go through the compensation advisors, as they do now. These transactions will be transmitted to the compensation system and processed immediately.

17 Renée Jolicoeur, Assistant Deputy Minister, Accounting, Banking and Compensation Branch, Public Works and Government Services Canada. Evidence, Standing Committee on Government Operations and Estimates, December 12, 2007.

4. Employee Classification: a Longstanding Union-management Issue

For a number of years, compensation advisors in the Public Service of Canada have complained that their classification no longer reflects the complexity of their work. They argue that the changes made to their classification¹⁸ have not kept pace with the changes to programs and statutory instruments. The complexity of files and the number of regulations and statutory provisions involved in their work supports this claim. More than ever, new competencies are required of compensation advisors. They maintain that this gap between the complexity of their duties and their pay goes a long way in explaining the high turnover rate and recruitment problems that have been noted for some time.

The government does not share this viewpoint entirely. Appearing before the Committee, government officials stated that there has been no significant change in the work of compensation advisors since 2000. Moreover, a classification grievance was filed and settled in 2003, confirming their classification at the AS-02 level. An interdepartmental grievance committee examined their work throughout the public service and confirmed that it is at the AS-02 level¹⁹.

The Committee recognizes that the classification of compensation advisors is a pressing problem, but noted significant differences of opinion between the government and employee representatives. In response to the sense of urgency among compensation advisors, the government has put forward two arguments against the “reclassification” of compensation advisors: the agreement it concluded with the union on the planned reform of the entire Program and Administrative Services Group (PA), and the impact that changes in technology and service delivery will have on the position descriptions of compensation advisors.

Government Classification Reform Project

The government has for some time acknowledged²⁰ that the classification standards used for the nine former groups comprising the PA group (including the AS group) are among the most outdated standards in the public services. They do not measure various responsibilities and competencies required in a modern workplace. Over the years, this has led to inconsistencies in measuring this type of work.

18 The classification standard for the Administrative Services (AS) group, which currently includes these positions, was established in about 1965, as part of the first series of classification standards for public service collective agreements. Compensation and benefits advisors have been “reclassified” three times, from CR-04 to CR-05 in 1989, from CR-05 to AS-01 in 1997, and from AS-01 to AS-02 in 2000.

19 Monique Boudrias, Executive Vice-President, Canada Public Service Agency, Evidence, Standing Committee on Government Operations and Estimates, December 12, 2007.

20 Fact Sheet: Initial Candidates for the Classification Reform. Canada Public Service Agency, 2002. http://www.psagency-agencefp.gc.ca/Classification/GeneralInfo/FactSheetCand_f.asp.

The government maintains that its plan to reform the entire Program and Administrative Services Group (PA) would resolve the AS classification problem. The government argues that by eliminating distinctions among positions, the classification reform will reduce the number of classification and staffing operations for an occupational group that currently accounts for close to half the public service. This would allow managers to focus more of their energy on achieving results.

Appearing before the Committee, representatives of compensation advisors maintained that it is unacceptable that the employer should present the classification reform of the PA group as the solution to the classification of AS compensation advisors²¹. Compensation advisors are demanding a separate classification, maintaining that it is a mistake for them to be included in the generic AS group.

The employer initially announced an agreement on the review of the PA classification group on May 8, 2000. Six years later, in April 2006, the Public Service Alliance of Canada, Treasury Board and the Public Service Human Resources Management Agency of Canada agreed to issue a joint statement indicating their intention to review the classification of the PA group. More specifically, this agreement provided for a first phase lasting six to eight months during which the parties' representatives would meet to establish a process and time lines for the development of a new standard for the PA group. The first phase has yet to take place.

In submitting its report at the end of the roundtable on AS classification issues, the Public Service Alliance of Canada (PSAC) informed the government that it no longer agreed with the principle that the compensation advisors' group should wait for the classification of the entire PA group to be resolved. The union recommended the immediate "reclassification" of compensation advisors to the AS-4 level.

Impact of Technological and Organizational Change

As indicated above, anticipated technological changes and the thorough reworking of the compensation services delivery model will have a definite impact on the roles and duties of compensation advisors. The government has thus decided to delay its response to the classification issue as it does not know when these changes will occur.

21 Jill Ronan, Chair, Interdepartmental Compensation Consultants Committee. Evidence, Standing Committee on Government Operations and Estimates, February 5, 2008.

This position is a source of concern to the compensation advisors, who maintain that the new technological and service delivery models pertain to their workload rather than to the complexity of their duties, and that workload is not a factor in the current classification system.

But one of the impediments to the reclassification, of course, has been service delivery models. It appears that instead of reclassifying the expertise we have, a way of circumventing that is to come up with how we deliver our service.²²

Although managers and employees can make transactions, compensation advisors have to check their accuracy before the compensation system issues payments. Moreover, the modernization of the retirement pension system represents about 18% of compensation advisors' current duties. The compensation advisors maintain that it is misleading to suggest that all duties relating to pensions are assigned to a centralized team. Compensation advisors will always be required to set up deductions, to make changes to contributions, to arrange for the payment of severance pay and to provide the necessary documents to the pension division so the parties in question receive benefits.

It could be argued that these roles relate to compensation, but it is because of the link between compensation and pension benefits that these roles were established years ago. Compensation advisors should continue to receive training on retirement pensions so they understand how pay administration affects the administration of pensions.

Technology provides tools that will make it possible to rationalize the work of compensation advisors but it can certainly not address the 70,000 rules and regulations deriving from statutes or from Treasury Board, unions and so on. A decrease in the transactions performed by compensation advisors will likely be partially offset by an increase in the advisory services they provide.

5. Committee's Conclusions and Recommendations

Throughout its work, the Committee has considered the problems in the federal government's compensation system from the perspective of the public interest. The Committee is of the opinion that the state of the government's compensation system would be improved by the implementation of the recommendations contained in this report. The Committee nevertheless acknowledges the considerable efforts made by the government to improve the situation in the short term and supports the various projects to modernize the compensation system. The Committee is of the opinion that the government must modernize its technological infrastructure as quickly as possible, bearing in mind that technology is not a panacea. The Committee encourages the government to take decisive

²² Michael Brandimore, Interdepartmental Committee of Compensation Advisors. Evidence, Standing Committee on Government Operations and Estimates, June 7, 2007.

action to correct this longstanding problem. Finally, the Committee is concerned by the turnover rate in the public service, which is even higher among compensation advisors.

Based on the evidence and information gathered, the Standing Committee on Government Operations and Estimates wishes to make recommendations to the government on three matters: the classification of compensation advisors, the upgrading of the compensation system's technological infrastructure, and the turnover rate in the public service.

Recognizing the Work of Compensation Advisors

The Committee is of the opinion that unless the government takes action now on the classification of compensation advisors in the public service, it will continue training new employees who will ultimately leave.

The fact that many employers have found ways to change the classification of compensation advisors and pay them significantly higher salaries points to the need to solve this problem in the short-term and demonstrates that this is possible. The Committee acknowledges that the federal government, in the interest of sound fiscal management, should not necessarily anticipate market trends in terms of salary. It should nevertheless offer competitive salaries in order to recruit the employees needed to carry out its mission and, above all, to ensure that the various components of the federal public sector do not outbid each other for the best employees. Therefore, in order to address concerns regarding lateral movements between the various components of the federal public sector, the Committee recommends:

Recommendation 1

That the government take immediate action to provide equitable pay for compensation advisors in the federal public service and other federal public sector agencies.

Recommendation 2

That the government work with the representatives of its compensation advisors to develop a classification standard that reflects the complexity of their duties.

Allocating the Necessary Resources to the Upgrading of the Compensation System's Technological Infrastructure

The Committee regards a modern technological infrastructure as essential in this day and age for the delivery of high-quality services, and considers that an upgrade of the existing technology is crucial in the quest for ways to reduce compensation advisors' workload. The Committee therefore recommends:

Recommendation 3

That the government actively support Public Works and Government Services Canada's Compensation Modernization Initiative by providing the Department with the required resources and by setting a timetable with measurable objectives.

Developing Policies to Reduce the Turnover Rate in the Public Service

The turnover rate data released by the Public Service Commission of Canada raised concerns among Committee members. The Committee wishes to investigate this thoroughly. The Committee understands that, owing to reorganization and operational factors, the government wishes to promote the mobility of its workforce. However, the Committee questions the government's ability to offer high-quality public services when its workforce is constantly destabilized by staff movement. The Committee also points out that a high turnover rate entails significant costs, which are ultimately borne by taxpayers. These costs include the recruitment and training of new employees; paying overtime and hiring temporary help; the low productivity of new employees while learning the job; the impact of departures on the consistency and quality of services offered, and so on. The Committee therefore recommends:

Recommendation 4

That the Canada Public Service Agency and the Treasury Board Secretariat develop policies to reduce the turnover rate among federal public servants.

Recommendation 5

That the government study and report to Parliament on the possibility of redistributing some of its activities to the regions of Canada in order to access a pool of candidates that would provide greater stability in its workforce.

LIST OF RECOMMENDATIONS

Recommendation 1

That the government take immediate action to provide equitable pay for compensation advisors in the federal public service and other federal public sector agencies.

Recommendation 2

That the government work with the representatives of its compensation advisors to develop a classification standard that reflects the complexity of their duties.

Recommendation 3

That the government actively support Public Works and Government Services Canada's Compensation Modernization Initiative by providing the Department with the required resources and by setting a timetable with measurable objectives.

Recommendation 4

That the Canada Public Service Agency and the Treasury Board Secretariat develop policies to reduce the turnover rate among federal public servants.

Recommendation 5

That the government study and report to Parliament on the possibility of redistributing some of its activities to the regions of Canada in order to access a pool of candidates that would provide greater stability in its workforce.

APPENDIX LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<p>Canada Public Service Agency</p> <p>Monique Boudrias, Executive Vice-President</p> <p>Gilles Carpentier, Vice-President , Strategic Infrastructure, Organization and Classification Sector</p> <p>Treasury Board Secretariat</p> <p>Dan Danagher, Executive Director, Labour Relations and Compensation Operations</p> <p>Public Works and Government Services Canada</p> <p>Renée Jolicoeur, Assistant Deputy Minister, Accounting, Banking and Compensation Branch</p> <p>Diane Lorenzato, Assistant Deputy Minister, Human Resources Branch</p>	2007/12/12	8
<p>Interdepartmental Compensation Consultants Committee</p> <p>Jill Ronan, Chair</p> <p>Diane Melançon, Co-Chair</p> <p>Michael Brandimore, compensation advisor</p> <p>Public Service Alliance of Canada</p> <p>Patty Ducharme, National Executive Vice-President</p> <p>David Orfald, Director of Planning and Organizational Development</p>	2008/02/05	10

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 ([Meetings Nos. 8 and 10](#)) is tabled.

Respectfully submitted,

Hon. Diane Marleau, MP
Chair

MINUTES OF PROCEEDINGS

A copy of the relevant Minutes of Proceedings ([Meetings Nos.8 and 10](#)) is tabled.

Respectfully submitted,

Hon. Diane Maleau, MP
Chair

