



HOUSE OF COMMONS
CANADA

**AN EXAMINATION OF NEW DIRECTIVES GOVERNING
CONTRIBUTION AGREEMENTS FOR SELECTED
PROGRAMS DELIVERED ON BEHALF OF HUMAN
RESOURCES AND SKILLS DEVELOPMENT CANADA**

**Report of the Standing Committee on Human Resources,
Skills Development, Social Development and the Status
of Persons with Disabilities**

**Raymonde Folco, M.P.
Chair**

May 2005

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THE STANDING COMMITTEE ON HUMAN RESOURCES, SKILLS DEVELOPMENT, SOCIAL DEVELOPMENT AND THE STATUS OF PERSONS WITH DISABILITIES

has the honour to present its

SIXTH REPORT

Pursuant to Standing Order 108(2), the Standing Committee on Human Resources Development, Skills Development, Social Development and the Status of Persons with Disabilities proceeded to study the new Human Resources and Skills Development Canada call for proposals criteria for funding community programs. After hearing evidence, the Committee has agreed to report to the House as follows:

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INTRODUCTION

On 16 February 2004, Human Resources and Skills Development Canada (HRSDC) introduced a call-for-proposals process and three other national policy directives designed to improve the administration, management and accountability of contribution programs funded through the Department. These administrative directives were implemented almost immediately and, not surprisingly, many organizations that deliver these programs were caught off guard.

The transition period following the implementation of the four new national administrative directives has not been smooth. Some organizations that deliver contribution projects on behalf of HRSDC have experienced discontinuity in service delivery as a consequence of delays in project approval and funding, some have halted the intake of clients while awaiting funding approval, while others have witnessed a total collapse of their services.

Members of the Committee view very seriously the adverse impact of these directives, and on 24 February 2005 agreed to undertake a study of this issue. Our hearings began on 8 March 2005. Since then, the Committee has heard from more than 25 witnesses and has received submissions from many interested individuals and groups.

Our report begins with some background information on measures that HRSDC has introduced to enhance the administration, management and accountability of contribution programs. This is followed by a discussion of the key issues that surfaced during our hearings. The issues include the implementation of the four national directives, the call-for-proposals process, the selection criteria, the administrative burden, the duration of funding, accountability for program results, and HRSDC's management and personnel.

BACKGROUND

In 1999, Human Resources Development Canada — subsequently divided into Human Resources and Skills Development Canada (HRSDC) and Social Development Canada — undertook an internal audit of selected programs funded through grants and contributions. The purpose of this audit was to determine whether these programs were being well managed. The results of the internal audit, released on 19 January 2000, uncovered significant administrative shortcomings in seven program areas involving expenditures of more than \$1 billion in the fiscal year 1998-1999.¹ HRSDC's response to address these administrative problems was contained in its February 2000 six-point Action Plan.²

One of the six points in the Action Plan was to review by 31 May 2000 the Department's accountability structures and work processes, including, for example, segregation of duties and post-audits relating to grants and contributions, to ensure clarity and effectiveness. The Committee was told on 8 March 2005 that the services of two consulting companies — PricewaterhouseCoopers and Kroll Lindquist Avey — were retained to provide advice on enhancing the administration of grants and contributions. According to our testimony, PricewaterhouseCoopers recommended that the grants and contributions process be automated; that HRSDC specialize process tasks, such that steps are assigned to staff with core competencies; and that HRSDC concentrate key process steps in central delivery points to enhance the efficiency of management. Kroll Lindquist Avey recommended, among other things, that HRSDC implement a publicly transparent process for selecting project sponsors.³ These recommendations led to the development of the Specialization and Concentration Initiative (SCI).⁴ The first

¹ The Standing Committee on Human Resources Development and the Status of Persons with Disabilities undertook an extensive study of this issue and tabled two reports in the House of Commons: *Ensuring Accountability: An Interim Report on the 1999 Internal Audit Report on Human Resources Development Canada Grants and Contributions* (April 2000) and *Seeking a Balance: Final Report on Human Resources Development Canada Grants and Contributions* (June 2000).

² The six main components of the Action Plan are: (1) ensure payments meet financial and program requirements; (2) check and correct problem files; (3) equip and support staff; (4) ensure accountability for results; (5) get the best possible advice available; and (6) report progress to public and staff. For a summary of the Action Plan see: http://www.hrsdc.gc.ca/en/cs/comm/grants/reports/audit/strengthening_2000.shtml.

³ House of Commons, Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities (hereafter referred to as HUMA), *Evidence*, 1st Session, 38th Parliament, Meeting No. 22 (11:05 to 11:10), Tuesday, 8 March 2005.

⁴ According to HRSDC's *2003-2004 Performance Report*, the Specialization and Concentration Initiative consists of three phases. Phase one was introduced on 16 February 2004. The Committee is unclear as to why it has taken so long to implement this component of the Department's six-point Action Plan. Phases two and three will be ongoing and will involve the development and implementation of optimal models for service delivery.

phase of the SCI was implemented on 16 February 2004 with the announcement of the following four national directives:

- Increase transparency by formalizing the use of a call-for-proposals process for selecting sponsors for projects valued at \$500,000 and more;⁵
- Strengthen program integrity by including a mandatory audit clause in contribution agreements with HRSDC funding at or above \$350,000;
- Ensure due diligence by instituting an internal review committee process; and
- Segregate duties within the management of a project's lifecycle.⁶

The Committee was told that these four national directives apply to specific programs and regions of the country. The contribution programs affected by these directives include: Employment Assistance Services; Labour Market Partnerships (including Youth Awareness); Research and Innovation; Targeted Wage Subsidies (agreements for multiple individuals); Job Creation Partnerships (agreements for multiple individuals); Self-employment (agreements with organizations); Career Focus (agreements with organizations); Community Coordinators agreements (i.e., Skills Development, Targeted Wage Subsidies and Self-employment); and Skills Link (agreements with organizations).

According to information provided to the Committee by HRSDC, the four national directives that were announced on 16 February 2004 do not apply to full transfer Labour Market Development Agreements (LMDAs) with provincial and territorial governments, partnership agreements with Aboriginal organizations, and programs that have an agreement with or for an individual. The federal government has concluded full transfer LMDAs with New Brunswick, Quebec, Manitoba, Saskatchewan, Alberta, the Northwest Territories and Nunavut. Under these agreements, provinces and territories assume responsibility for the design and delivery of active employment measures similar to the Employment Benefits and Support Measures that are provided under Part II of the *Employment Insurance Act*.

We were also told that HRSDC delivers grant and contribution funding totalling some \$2.7 billion, of which about 22% (\$591 million) is covered under the

⁵ The Committee was told that the call-for-proposals process may also be used for projects under the \$500,000 threshold, an issue that is further explored elsewhere in this report. (see Recommendation 10)

⁶ See: http://www.hrsdc.gc.ca/en/epb/lmd/sc/call_for_proposal.shtml.

four national directives that were announced on 16 February 2004. Of this, about \$226 million is subject to the call-for-proposals directive. While it would appear that these directives are applicable to a small proportion of HRSDC's total contribution funding, the disruptive impact of these administrative measures as expressed by many of those who appeared before the Committee was widespread.

The impacts of the changes in the department's policies and procedures have been felt across the country ... Most of the impacts we've seen are being concentrated in Ontario and British Columbia, where there are no devolved arrangements for employment and skills development. However, the department's stated intent is to extend these procedures to all of its contracting of any value, such as, for example, in youth programs. Therefore, the impact has been felt and will be felt in other provinces. Our members in Manitoba, Nova Scotia, and Quebec have been sharing their concerns about this situation.

The impact of these changes in the department's approach to communities has been most harshly experienced by unemployed Canadians, who have not been able to access supports needed because of the disruption to their local services.

The impact has also been felt ... by community non-profit organizations that provide a continuum of services based on local priorities, assets, opportunities, collaboration, and innovation. This sector and these organizations represent a tremendous investment of people's time and expertise in building better communities and meeting the needs of Canadians in their local areas. (**Rupert Downing, Canadian CED Network**)⁷

⁷ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No 25 (11:55), Thursday, 24 March 2005.

WHAT THE COMMITTEE HEARD

I. Lack of Consultation and Communication

One of the dominant themes throughout our testimony pertains to HRSDC's failure to consult with groups regarding the development and implementation of the four national directives that were announced on 16 February 2004. Moreover, the Department's strategy to implement these administrative measures failed to include an adequate transition period. Members of the Committee were surprised to learn that HRSDC's behaviour in this regard was characterized as "business as usual." This is surprising for two reasons. First, HRSDC is supposed to be a service-oriented department and, in our opinion, the approach described by the witnesses is not one of the hallmarks of excellence in the provision of public services. The second reason is that HRSDC's approach to developing and delivering the four national directives runs counter to that which should have occurred pursuant to *An Accord Between the Government of Canada and the Voluntary Sector*, which was signed in December 2001.

The intent of this accord is to strengthen the ability of the voluntary sector and the Government of Canada to better serve Canadians by committing to more open, transparent, consistent and collaborative ways of working together.⁸ The *Code of Good Practice on Funding* and the *Code of Good Practice on Policy Dialogue* were developed to provide specific guidelines for implementing the Accord. Both of these codes stress in one way or another that the government must consult with the voluntary sector. In the case of the *Code of Good Practice on Funding*, section 5.2.3 calls on the government to solicit and consider voluntary sector views on better ways to meet funding needs and facilitate long-term planning in the voluntary sector. Section 5.2.8 commits the government to ensuring minimum duplication and maximum ease in application and reporting requirements and to using a "risk-based" approach to assess and monitor initiatives. In addition, this section of the Code commits the government to developing less complex and shorter agreements for lower-cost, lower-risk projects that will facilitate the application process.

We know that ADMs in the provinces got the policy directives after the close of business on February 16, 2004. That was the day they were supposed to be implemented. So it was with great haste that these directives were introduced, and there was no consultation at all with the voluntary

⁸ *An Accord Between the Government of Canada and the Voluntary Sector*, December 2001, p. 7 (see: http://www.vsi-isbc.ca/eng/relationship/the_accord_doc/index.cfm).

sector — no communication. (**Bernadette Beaupré, Ontario Network of Employment Skills Training Project**)⁹

From my perspective, I don't think consultation was anything that would apply, in terms of our relationship at that point with HRSDC. It was more, this is the way it's going to be; it's like a negotiation that isn't a negotiation. (**Vicki Austad, New Westminster Community Development Society**)¹⁰

As you know, in Quebec, there are seven groups of organizations involved in employability. These groups are known and recognized. Since February 16, we have never been consulted by the federal government. The seven associations represent more than 500 employability organizations. We're not asking you to consult each and every organization, but to at least consult these seven umbrella groups. (**Nicole Galarneau, Canadian Coalition of Community-Based Employability Training**)¹¹

HRSDC acknowledges that there were shortcomings in the way it introduced the four directives, particularly the call-for-proposals directive. Although HRSDC has indicated that it engaged in consultations with many groups since implementing the four national directives, evidence of this is scant. Many witnesses characterized HRSDC's post-implementation consultations as information sessions or, in the words of one witness, "tell and sell." The key issue here is that, to be effective, meaningful consultations must occur prior to the introduction of change, not after it — a point that seems to have been largely overlooked by HRSDC in this instance.

...we'd like to highlight that it's imperative that we continue to re-examine and assess our progress to determine if the process and outcomes are as effective as possible. We want to work with the voluntary sector organizations to identify the best way in which to engage them on possible enhancements to the CFP directive. We are proposing an approach to engage stakeholders that will see meetings at the national level with key national stakeholder organizations. We will also be holding similar consultations at the regional and local levels, primarily in British Columbia and Ontario. We will also have discussions with some of our public and private sector sponsors with respect to this process. (**Michael Saucier, Human Resources and Skills Development Canada**)¹²

⁹ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 25 (11:50), Thursday, 24 March 2005.

¹⁰ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 26 (12:05), Tuesday, 5 April 2005.

¹¹ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 27 (12:15), Thursday, 7 April 2005.

¹² House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 22 (11:30), Tuesday, 8 March 2005.

Despite HRSDC's claim that the new directives are designed to make project funding more transparent, some groups expressed concern that they have not been able to obtain information underlying the decisions pertaining to their projects or to obtain information on which groups have participated in the call-for-proposals process and which of these have had their applications accepted. Some members of the Committee concur with this evidence, as they too have experienced difficulties obtaining project-specific information on HRSDC's Web site.

In terms of transparency for example, I'm in an Ontario-wide umbrella group. I cannot get a list of youth employment programs funded federally in Ontario. I have never been given that list, I've requested it twice and I have been told by a federal civil servant I should submit an access to information request in order to get that. So that's a transparency issue that isn't on the table if we're just going to take about the call-for-proposals process.
(Matt Wood, Ontario Association of Youth Employment Centres)¹³

Not only did HRSDC decide to quickly implement its new national administrative directives, the Department pursued this course of action in the absence of a transition strategy. According to our testimony, this decision proved to be costly for many project delivery groups and their clients, especially in terms of the call-for-proposals directive. The project sponsors that seem to have been most adversely affected in this regard are those who delivered projects related to Employment Assistance Services (EAS). The severity of the impact on this group of service providers stems from two factors. First, the vast majority of completed calls for proposals in 2004 dealt with EAS projects. Second, certain EAS directives issued in November 2004 apparently served to further intensify the level of disruption associated with the delivery of this particular labour market intervention.

Our employment services are being put at risk in three ways. First, like many of the organizations that have made presentations to this committee, we have borne the brunt of aggressive, intrusive, and harassing levels of micromanagement, inconsistent direction, and miscommunication around critical questions such as expected outcomes, what services HRSDC will or will not fund, and what timeliness and costs are acceptable ... Second, we have experienced severe cuts to critical components of our employment service such as specialized job development and job maintenance ... As I hope we've made clear, we are not a mainstream service provider, and so it follows that mainstream approaches to costing and setting targets do not work. One size does not fit all ... The third and most serious impact of the call for proposal process is that cuts to critical services such as outreach to employers and job maintenance are leading to a downward spiral. The result is a reduced pool of progressive employers willing to hire, longer waiting times between appointments as a result of our having to lay off

¹³ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 26 (11:30), Tuesday, 5 April 2005.

staff, and greater rates of placement breakdown for recently placed clients on the job. (**Gary Malkowski, Canadian Hearing Society**)¹⁴

It has resulted in gaps in service to clients, many of whom are already disenfranchised ... They're either being denied service or the service they previously had access to is being limited ... Administrative delays have caused multiple extensions and countless hours of rewriting proposals. Often, agencies that do not have deep pockets in terms of financial resources and financial reserves are having to bridge between contracts, or rewrite contracts, or wait for three-month temporary extensions. Some are going on to multiple extensions ... In this way, the directives have diverted time, energy, creativity, and financial resources away from the community ... As well, they've added extensive administrative and overhead costs as time is invested in those sorts of administrative things. Extreme audit controls have served to micromanage the resources and detract from what we really call for, which is results-based accountability. (**Paul Hubert, Pathways Skill Development and Placement Centre**)¹⁵

At one point, we were told that the Career Focus Program required that the project be related to a specific sector of activity. So we had to completely change our project. We had previously been able to touch on all sectors of activity, but we now had to limit ourselves to a single sector. So that entailed a lot of changes, in the activities provided for in the context of the project and with regard to contacts with businesses. That amounted to a major change. At another point, we were asked to rework the presentation of the schedule for the workshops we were offering. We had to do that and to explain the workshops we were going to offer in detail. The form we had proposed didn't meet the new Career Focus criteria. The second change represented a lot of work ... (**Rosalie Clément Jollette, Chambre de commerce et d'industrie Thérèse Blainville**)¹⁶

i) Employment Assistance Services

Employment Assistance Services are support measures provided in the context of the National Employment Service. The National Employment Service is established under subsection 60(1) of the *Employment Insurance Act* and is designed to help unemployed people prepare for, find and keep employment. This is accomplished through a range of activities including, for example, needs assessment, employment counselling, job search assistance, referrals to employment and the provision of labour market information such as available jobs. The duration of this assistance is typically short-term.

¹⁴ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 25 (11:40), Thursday, 24 March 2005.

¹⁵ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 26 (11:15), Tuesday, 5 April 2005.

¹⁶ *Ibid.* (12:40).

Several witnesses informed the Committee that, in addition to the February 2004 national directives regarding the administration of contribution programs, HRSDC also implemented new EAS directives. According to our testimony, these directives were not provided to program sponsors. Although the Department has not provided these directives to the Committee, it did indicate in information provided to the Committee that the November 2004 EAS directives were intended to reinforce the fact that this assistance is supposed to be short-term. The use of EAS to support long-term activities is not in keeping with the intent of this measure.

...I think the issue is—and I understand it from a business standpoint—the department is trying to find symmetry between the legislation of 1996, which talked about access to services for EI, and reachback. The problem is, however, most of the programs being delivered, at least in Ontario—and of course we lack a labour market development agreement—have in fact been used to assist immigrants and newcomers, women, youth at risk, and persons with disabilities in a creative way that has allowed everyone to have access. It now seems the department is going to narrow that creative leeway they've been taking, and only folks who have a direct connection to the labour market are going to be eligible for meaningful programs. We understand the social development arm of the department is going to be working on some of these employment programs as well. Our great fear, however, is that right now there are people dropping into a chasm, not a gap, in terms of being able to access services. **(Anne Langille, Pathways Skill Development and Placement Centre)**¹⁷

According to HRSDC, any unemployed person with special needs can utilize EAS. However, support provided under EAS is not intended to assist persons with disabilities outside the context of employment. Other sources of funding and community organizations that provide specialized assistance for persons with disabilities must be sought for this help. It should be noted that HRSDC has informed the Committee that organizations that provide specialized assistance for persons with disabilities can be used in combination with EAS to help job-ready participants in need. Apparently, this policy has been officially communicated to Canada Human Resource Centres.

Although some witnesses claimed that HRSDC's EAS directives were restricting access to EAS by requiring clients to be "insured participants,"¹⁸ such a requirement is not permitted under the *Employment Insurance Act*: section 60(4)(a) of the Act states that in support of the National Employment Service, the Commission may assist organizations that provide EAS to unemployed persons.

¹⁷ Ibid. (12:10).

¹⁸ An "insured participant" is someone who is eligible for Employment Insurance (EI), was eligible for EI in the previous 36 months or received maternity or parental benefits in the previous 60 months. Insured participants are eligible for Employment Benefits (i.e., targeted wage subsidies, self-employment assistance, job creation partnerships and skills development).

Recommendation 1

The Committee recommends that Human Resources and Skills Development Canada engage in meaningful consultations with both large and small organizations and that it develop a comprehensive communication strategy regarding all elements of the Specialization and Concentration Initiative.

Recommendation 2

The Committee recommends that Human Resources and Skills Development Canada fully inform all organizations that provide Employment Assistance Services about the November 2004 directives pertaining to this initiative. As required by law, Employment Assistance Services are available to all unemployed individuals, irrespective of their current or past relationship with the Employment Insurance program.

Recommendation 3

The Committee recommends that Human Resources and Skills Development Canada adhere to the *Code of Good Practice on Policy Dialogue* and *Code of Good Practice on Funding*, both of which build on the accord signed in December 2001 between the Government of Canada and the Voluntary Sector.

Recommendation 4

The Committee recommends that Human Resources and Skills Development Canada provide the public with current and accessible information on projects being funded and the organizations delivering these funds.

II. The Call-for-Proposals Process

A key element of the four national directives launched by HRSDC on 16 February 2004 is the requirement for a call-for-proposals process for selecting sponsors for projects valued at \$500,000 and more. Under the call-for-proposals process, HRSDC invites interested and qualified applicants to develop and submit a proposal for specific projects that meet a community need identified by the Department. Once all of the proposals have been received, they are evaluated against a specific set of criteria and other factors to select service providers with

whom a contribution agreement will be negotiated. All applicants are to be notified of the results of the call for proposals.¹⁹

As of 8 March 2005, HRSDC had launched and/or concluded 124 calls for proposals. The Department estimates that 30 additional calls for proposals will be launched in the first few months of the fiscal year 2005-2006. Most calls for proposals have been launched in Ontario (63) and British Columbia/Yukon (56). The majority of these calls for proposals (83) were seeking EAS providers.²⁰

According to HRSDC, the call-for-proposals process was intended to be a more open, transparent and equitable means of awarding high-dollar-value agreements (\$500,000 and more). While HRSDC maintains that a majority of stakeholders support the intent of the process, it acknowledges, as indicated previously, that the process was implemented too quickly and that a few organizations have been adversely affected.

It's a question of leveling the playing field to allow for all interested and qualified organizations to apply for funding in an open and transparent manner. The impact on organizations was not fully assessed given the quick implementation. (**Michael Saucier, Human Resources and Skills Development Canada**)²¹

Both briefs submitted to the Committee and witnesses' testimony have highlighted concerns with the inequitable application of the call-for-proposals process and the negative impact this process has had on service providers and their clients. The Committee was told that:

- long-standing, successful programs and services are no longer being funded;
- client services have been disrupted;
- agencies have lost professional staff through layoffs and resignations;

¹⁹ Human Resources and Skills Development Canada, Presentation to the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities, 8 March 2005.

²⁰ This information was provided to the Committee by Human Resources and Skills Development Canada on 2 May 2005.

²¹ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 22 (11:20), Tuesday, 8 March 2005.

- the financial and administrative burden imposed on organizations, especially those in the non-profit sector, jeopardizes their ability to deliver employment services;
- the call for proposals has created an unhealthy climate of competition among some organizations and this has affected some long-standing partnerships and working relationships in the voluntary sector;
- larger organizations are now perceived to be better positioned to respond to a call for proposals than smaller agencies that may not have the capacity to prepare and submit extensive proposals; and
- some local organizations have lost funding to larger organizations which may not be in a position to leverage community assets and which may not be aware of the specific needs and opportunities of a particular community.

The Committee also heard that in small communities where a large organizational capacity does not exist, a call-for-proposals process may not be an appropriate vehicle for soliciting project proposals. Although project sponsors may, subject to written approval from HRSDC, choose to seek assistance from other organizations in order to achieve the objectives of a proposed employment intervention, members of the Committee believe that HRSDC can and should play a role in helping organizations in small communities build the required capacity to deliver employment programs and services.

WoodGreen, and other organizations in the not for profit, community based sector deliver important services that assist the neediest in our communities to become active, relevant and productive members of our society. ... We question the need for changes which will affect a system of delivery which has a long and positive history and which continues to achieve results. ... Furthermore, these changes tend to confer an advantage on large scale, for profit organizations which are not necessarily local and are therefore, not best equipped to meet the needs of the local community. **(WoodGreen Community Services)**²²

Many groups told the Committee that too many resources are required in order to obtain HRSDC contribution funding, and that there is no need to use a subsequent call-for-proposals process when organizations are delivering effective and cost-efficient programming. Voluntary organizations typically have limited resources to deliver services to client groups, let alone to apply for and negotiate

²² WoodGreen Community Services, Letter to the Right Honourable Paul Martin, Prime Minister, and submitted to the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities, 8 March 2005, p. 4.

funding. According to our testimony, HRSDC gave applicants approximately two weeks to respond to a call for proposals. All members of the Committee agree that this is not enough time to adequately prepare and submit an application. We were also told that little appreciation is afforded to the timing of a call for proposals (e.g., organizations have the greatest difficulty responding to a call for proposals during the summer, when many employees are on holidays). The call-for-proposals process was described as “a long, drawn out, frustrating process consuming inordinate amounts of time and energy”²³ which has left many organizations scrambling for funding extensions to maintain services while awaiting the result of the call for proposals.²⁴

We were only given 10 working days to put in a very detailed proposal. This really favoured large organizations that had the ability to hire consultants to write a number of proposals, and it also favoured large organizations that had a larger infrastructure to submit more than one proposal. (**Minerva Hui, Ontario Network of Employment Skills Training Project**)²⁵

The Call for Proposals process has failed to take into account the time needed for proposal development and has placed little or no value on collaborative arrangements for service design and delivery in communities. Gaps have been created in the provision of services to unemployed Canadians as a result. (**Canadian Community Economic Development Network**)²⁶

Concerns were also raised over the fact that the call-for-proposals process has been used to solicit applications for projects under the \$500,000 threshold. This is contrary to the intent of this directive, which is to provide an equitable means of awarding high-dollar-value agreements. For example, the Committee was told that funding offered under the Youth Employment Strategy’s Career Focus program in Quebec was subject to a call for proposals resulting in a number of contribution agreements with a threshold of \$150,000 (the actual value of contribution agreements ranged from \$89,766 to \$149,681). Members of the Committee believe that imposing a call-for-proposals process on organizations

²³ The Canadian Community Economic Development Network, *Concerns with Administrative Procedures of Human Resources and Skills Development Canada*, 31 August 2004, p. 3.

²⁴ The Canadian Hearing Society, *Submission to the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities*, March 2005, p. 4.

²⁵ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 25 (11:50), Thursday, 24 March 2005.

²⁶ The Canadian Community Economic Development Network, *The Need for New Funding Arrangements for Community Programs in Employment and Skills Development*, brief submitted to HUMA, March 2005, p. 2.

delivering small-dollar-value projects does not constitute an equitable means of awarding funding and, in this context, clearly contradicts section 5.2.8 of the *Code of Good Practice on Funding*, which requires the government to develop less complex and shorter agreements for lower-cost, lower-risk projects that will facilitate the application process.

In cases where organizations were not successful in their tender for funding, the Committee heard that HRSDC did not follow up with many organizations and offered no reason for the refusal. HRSDC informed the Committee that debriefing sessions have not been consistently provided and acknowledges that in the future the Department must provide applicants with timely and informative feedback explaining how they were evaluated and why they were not successful.

A debriefing process was not consistently included in the call for proposals. Only 52% of agencies reported having access to debriefing. A debriefing process not only provides both successful and unsuccessful proponents with a learning opportunity, it also supports the government's goals of transparency and accountability. (**ASPECT**)²⁷

We were called—a telephone call from the director general—on December 23 to say that we would no longer have funding for our SEB program. We did not receive it in writing. We asked for it in writing; it didn't come. We were told there was no appeal. ... That's right. No reason was given, and there was no appeal. (**Eunice Grayson, Canadian CED Network**)²⁸

During the course of the Committee's study, the fairness and equity of the call-for-proposals process have been called into question. For example, the Committee was told that a long-standing successful project offering specialized services to deafened, hard of hearing and deaf Canadians was denied funding and that HRSDC offered the project to another well-known organization which had not requested funding for such a project and had indicated that it does not have the expertise to meet the needs of this population. However, HRSDC explained that this particular project was not subject to the call-for-proposals process, but rather was a community-based initiative.

In Sault Ste. Marie, the local HRSDC office cancelled our employment program outright, citing high per-client costs. It offered it to the local March of Dimes. The March of Dimes recognized that, although it deals with persons with disabilities, it does not have the specialized expertise needed to provide effective employment services for deaf, deafened, and hard-of-hearing job seekers. That is how specialized our employment

²⁷ ASPECT — The Association of Service Providers for Employability and Career Training, *The Relationship Between Human Resources and Skills Development Canada and Community Agencies in British Columbia*, Norma Strachan, Executive Director, brief submitted to HUMA, February 2005, p. 3.

²⁸ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 25 (13:05 to 13:10), Thursday, 24 March 2005.

service is. They put this in writing, and we're still waiting to hear back from the Sault Ste. Marie HRSDC office. (**Gary Malkowski, Canadian Hearing Society**)²⁹

I think it's also important to point out that the services that were being provided by the Canadian Hearing Society were not part of the CFP process; it was a proposal that had been received within the community with regard to meeting the need that had been identified. (**Michael Saucier, Department of Human Resources and Skills Development**)³⁰

There is no denying that the new call-for-proposals process has created turmoil in several communities across the country, particularly in Ontario and British Columbia. Generally speaking, most members of the Committee agree, along with our witnesses and those who submitted briefs, that the implementation of the call-for-proposals process was flawed, cumbersome and anxiety-provoking. While the new directives are supposed to increase transparency and equity, they clearly have had some unintended consequences.

HRSDC told the Committee that it will continue to re-examine and assess the call-for-proposals process to ensure that it is as fair, transparent and effective as possible. Since its first appearance before the Committee on 8 March 2005, the Department has met with a limited number of stakeholders and implemented three enhancements that will immediately be implemented pending further consultations with the voluntary sector organizations. These changes include giving applicants 30 days to prepare and submit a proposal, extending the timeframe for concluding a call for proposals from 90 to 120 days, and making available the detailed assessment grid as part of the application package.

The Committee appreciates that HRSDC has taken initial steps to respond to the concerns of service providers. Members of the Committee believe that the Department has a timely opportunity to continue its consultation process with service providers and local HRSDC officials, and to make necessary changes so as to ensure that the next call for proposals is better managed.

²⁹ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 25 (11:40), Thursday, 24 March 2005.

³⁰ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 22 (12:50), Tuesday, 8 March 2005.

Recommendation 5

The Committee recommends that Human Resources and Skills Development Canada suspend its call-for-proposals process until it has engaged in meaningful consultation with community organizations in order to determine an appropriate amount of time for organizations to prepare and submit their applications. Although Human Resources and Skills Development Canada now provides 30 days to prepare and submit a proposal, the Department must consult organizations on this matter and consider their input before a decision is made on a new time period. If necessary, funding extensions should be granted to existing program providers until a more acceptable timeframe for responding to a call for proposals is established.

Recommendation 6

The Committee recommends that when the call-for-proposals process resumes, Human Resources and Skills Development Canada take the necessary steps to stagger the opening dates for a call for proposals, and that the Department avoid announcing a call for proposals during the summer months, when organizations are least prepared to respond.

Recommendation 7

The Committee recommends that Human Resources and Skills Development Canada, in consultation with third-party delivery organizations, develop standardized, user-friendly forms and computer software to assist organizations that apply for project funding under the call-for-proposals process, and to facilitate the reporting of financial requirements and program results. This recommendation is consistent with the *Code of Good Practice on Funding*, which builds on the accord signed in December 2001 between the Government of Canada and the Voluntary Sector.

Recommendation 8

The Committee recommends that Human Resources and Skills Development Canada work with organizations in small communities to build the required capacity to deliver employment interventions that are needed in the community. In so doing, Human Resources and Skills Development Canada

should provide special support to organizations that develop innovative approaches to address local employment and skills development needs.

Recommendation 9

The Committee recommends that when an organization is not successful in renewing an existing contribution agreement or obtaining a new agreement, Human Resources and Skills Development Canada shall provide full and comprehensive reasons to the applicant within 14 days.

Recommendation 10

The Committee recommends that the call-for-proposals process be restricted to individual projects valued at \$500,000 and more.

III. Selection Criteria

As stated elsewhere in our report, the Committee was told that the objective of the call-for-proposals process is to establish a fair and transparent process that provides a reasoned basis for funding decisions. HRSDC evaluates proposals against what it maintains are consistent criteria. Despite the claim that the call-for-proposals process is transparent, we were told that applicants did not receive these criteria following the initial implementation of this directive.

HRSDC maintains that the call-for-proposals selection criteria allow the Department to select the most effective option for delivering the quality of services required in order to achieve the specified results. However, the selection criteria afford little attention and value to an organization's experience and ability to deliver effective programming and achieve results. Not surprisingly, this issue received a great deal of attention during discussions related to these criteria.³¹

The assessment criteria used to select proposals are divided among six categories: organizational profile, human resource plan, service delivery approach, community/labour market knowledge, budget, and format and references. The selection criteria within each of these categories permit a maximum score of 80, 65, 150, 85, 105 and 15 respectively.³²

³¹ A list of project selection criteria and their associated value may be found in Appendix A of this report.

³² Yes/no answers must also be provided to eight statements including, for example, positive reputation among community practitioners, adequate bookkeeping and financial controls in place, there is no outstanding debt owed to the federal government, and there are no outstanding or pending criminal charges.

In the interest of transparency, many organizations maintain that they should have access to the selection criteria grid that the Department uses to assess applications. Moreover, many groups believe that greater weight should be afforded to an organization's past experience and performance in delivering programs. According to HRSDC's selection criteria, a maximum of 10 points, or 2% of the total maximum number of points, is provided to applicants who have previous experience with the Department. In addition to this, a maximum of 20 points (4% of total) is awarded for experience dealing with the applicable client group.

This process is anything but transparent. Funds have been transferred outside particularly needy communities into other areas less in need of the additional services that could be leveraged. While we have no problem with the call for proposals, the criteria and decision-making processes were not apparent. (**Eunice Grayson, Canadian CED Network**)³³

In August, after weeks of waiting and hundreds of hours of additional paperwork that was required in order to provide continuity of service, the competition was released. We were given two weeks to submit our proposal. We relied heavily on our previous documented successes to prepare a well thought out and fiscally responsible submission. The fact that the CFP [call for proposals] process did not weigh these accomplishments heavily came as a complete surprise. The fact that we were left in the dark as to what would be considered important was even more disturbing. When the scoring grid was finally released, it was a shock that only 4% of the total was devoted to expertise in working with this specific group. If this does not demonstrate how out of touch the architects of CFP are, I'm not sure what does. Moreover, there was absolutely no place for client references or for that matter, site visits or calling upon other funders to get feedback on the agency's current track record. (**Diana Gatti, Gateway Cafe**)³⁴

Over the years, many community organizations have developed special skills and expertise to deliver quality labour market interventions on behalf of HRSDC and other public entities. Yet, the assessment criteria do not recognize an applicant's ability to effectively deliver programs and achieve successful results. All members of the Committee believe that this is a serious shortcoming in the assessment criteria used to select project sponsors.

Projects are losing funding under the CFB [call for proposals] process that represent some of the most innovative and effective outcomes HRSDC and

³³ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 25 (12:05), Thursday, 24 March 2005.

³⁴ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 28 (11:15), Tuesday, 12 April 2005.

its predecessor departments have done. (**Jeannette Meunier-McKay, Canada Employment and Immigration Union**)³⁵

Members of the Committee believe that HRSDC should review and modify its selection criteria. Furthermore, this review must not be conducted unilaterally, but rather through meaningful consultations with a representative selection of project sponsors that currently deliver HRSDC contributions.

Further to our Recommendation 5, the Committee believes that the call-for-proposals process should be suspended while selection criteria are being reviewed and until revised selection criteria are available. Members of the Committee recognize that modified criteria for selecting project sponsors are not particularly beneficial to those who have already been denied funding under the existing criteria. We also recognize that retroactive extensions cannot be made for contribution agreements that no longer exist. However, most members of the Committee maintain that funding should be extended under active contribution agreements that were negotiated under the old system. Funding extensions in these cases should be provided until revised selection criteria are available for use under the call-for-proposals process.

Recommendation 11

The Committee recommends that Human Resources and Skills Development Canada provide all applicants participating in the call-for-proposals process with a detailed outline of the selection criteria and associated maximum scores used to rank proposals. This should include a rationale of the weighting of scores.

Recommendation 12

The Committee recommends that Human Resources and Skills Development Canada engage in meaningful consultations with organizations that deliver contribution programs on behalf of the Department in order to review and re-evaluate the selection criteria used to rank applicants participating in the call-for-proposals process. Selection criteria should recognize and attribute value to organizations that can demonstrate an ability to provide high-quality, results-oriented programming. Where applicable, the capacity to serve special-needs clients should also be recognized and scored. Further to Recommendation 5, the call-for-proposals process should be suspended until the selection criteria review is completed and the revised selection criteria are in place. During this period,

³⁵ Ibid. (11:50).

organizations with active contribution agreements negotiated under the old system should have their funding extended.

IV. Administrative Burden

As evidenced by our testimony, many organizations believe that the administrative burden associated with the delivery of HRSDC contribution programs is excessive and that this situation predates the four administrative directives that were announced on 16 February 2004. Concerns related to how contribution agreements are negotiated and managed as well as the mandatory audit directive are discussed below.

i) Negotiating and Managing Contribution Agreements

The Committee was told that HRSDC is preoccupied with minute details in negotiating a contribution agreement. Witnesses referred to the Department's approach as being tantamount to "forensic" accounting and micro-management. Contract negotiations that used to take weeks to be completed now may take months. In many areas, the negotiating process took more than two months. According to a survey of member agencies conducted in British Columbia by The Association of Service Providers for Employability and Career Training (ASPECT), 59% of respondents indicated that the negotiation process took two months or more (23% two to three months and 36% more than three months).³⁶ The Committee was told that this imposes a significant burden on organizations whose staff may have to spend countless hours negotiating a contribution agreement — hours for which they receive no compensation from HRSDC and during which they are not attending to their "raison d'être," delivering employment services to Canadians in need.

Agencies identified that HRSDC's policies and procedures resulted in a less than respectful negotiation process. After submitting proposals based on best value for delivery of service, agencies report having to invest hours in defending their proposal and providing numerous revisions to budgets, having to reduce the level of service they had proposed. While more than 61% of responding agencies reported more than 40 hours of negotiating time, 44% of agencies reported more than 100 hours in negotiating a new contract. None of this activity is cost recoverable or tax exempt. In addition, they frequently must respond to the same questions to numerous project

³⁶ ASPECT — The Association of Service Providers for Employability and Career Training, *The Relationship Between Human Resources and Skills Development Canada and Community Agencies in British Columbia*, presentation to HUMA, February 2005, p. 3.

officers or other HRSDC personnel. (Norma Strachan, Association of Service Providers for Employability and Career Training)³⁷

HRSDC informed the Committee that a contribution agreement must go through an Internal Review Committee process before it can be finalized. This process is one of the four directives that were issued as part of phase one of the Specialization and Concentration Initiative in February 2004. According to HRSDC, Internal Review Committees are intended to provide an additional level of due diligence to ensure that project proposals meet a number of requisites, including the terms and conditions of the program, the requirements under the *Financial Administration Act*, and the priorities set out in the business plan.³⁸ The Committee was told that this is not just limited to those agreements that are subject to the call-for-proposals process, but rather applies to all contribution agreements.³⁹

Both briefs submitted to the Committee and witnesses' testimony have raised concerns related to the adverse impact that delays in approving proposals and negotiating agreements have had on voluntary sector organizations and their ability to deliver client services. As a consequence of this, some organizations have had to lay off staff and/or accept the resignation of employees who seek greater employment certainty. Some organizations also indicated that they have incurred significant interest costs to secure bridge financing, while others have had to assume additional costs to get their projects under way once an agreement is finally signed. The Committee was also told that, when delays occur, smaller non-profit organizations face greater financial and organizational difficulties than larger organizations, and that this can have a detrimental impact on their long-term sustainability.

Many witnesses have expressed frustration with what they consider to be excessive financial management of eligible administrative and overhead costs under a contribution agreement. Some witnesses have also argued that it would be more cost-efficient to allow purchases of equipment such as computers rather than requiring an organization to lease such equipment at an overall cost exceeding the value of the item in question. Another issue relates to the treatment of office space where, for example, an organization owns its office and is not permitted to claim imputed rent on the property, while organizations that do not own property are allowed to claim rent as an eligible expense.

... the micro-management of contribution agreements is a total waste of taxpayer dollars. A request to itemize how many pens, pencils, glue sticks,

³⁷ Ibid., p. 4.

³⁸ Human Resources and Skills Development Canada, Questions & Answers: Calls for Proposals Requirement of HRSDC Employment Operations National Directives in Effect February 16, 2004, p. 6.

³⁹ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 22 (12:40), Tuesday, 8 March 2005.

and other minor office supplies will be needed in the upcoming year is ridiculous. Given the fact that funds are only released after the expense has been incurred should give officials the assurance they need to know that funds allocated are correctly spent. **(Diane Gatti, Gateway Cafe)**⁴⁰

As an example, if you need a computer for a project, they're going to ask you, you have to rent the computer, \$200 a month and the computer at the end costs more than if you buy it. **(Yves Picard, Réseau des Carrefours Jeunesse Emploi du Québec)**⁴¹

There are others, many of which I would say fall under the umbrella of administrative irritants, many of which have been longstanding with the department. ... One is the manner in which a department negotiates administrative overhead with an organization. Recently we had a meeting with a large organization in Toronto and they stated to us that: "You spend 85% of time negotiating 15% of the costs, so you're too focused on overhead and you need to find better ways of doing that." And the department is looking at piloting some approaches where we can look at a manner in which we will not get into the micromanagement of overhead, more of a fixed rate that could be applied. **(Michael Saucier, Department of Human Resources and Skills Development)**⁴²

Committee members are concerned that these administrative and financial issues are eroding the trust that is needed for effective collaboration between the HRSDC and the voluntary sector. As previously recommended, members of the Committee believe that HRSDC should adhere to the *Code of Good Practice on Funding* which guides the funding aspect of the relationship between the voluntary sector and the Government of Canada and outlines measures to simplify reporting procedures and to improve funding practices, with the goal of ensuring long-term sustainability for voluntary sector organizations.

Recommendation 13

The Committee recommends that Human Resources and Skills Development Canada develop, in conjunction with input from voluntary and other private sector organizations, speed-of-delivery targets that require the Department to respond to applicants following a call for proposals and to negotiate contribution agreements with successful applicants within a given period of time. These targets must be mutually agreed to by all parties and be shorter than the combined timeframe currently followed by the Department. The Department's

⁴⁰ Gateway Cafe, Youth Job Network Centre, *The Gateway to Employment*, presentation to HUMA, 12 April 2005.

⁴¹ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 28 (12:40), Tuesday, 12 April 2005.

⁴² Ibid. (13:25).

performance in this regard should be reported annually in Human Resources and Skills Development Canada's *Performance Report*.

ii) Mandatory Audits

Although the Treasury Board must approve the terms and conditions of contribution programs, federal departments are responsible for determining whether recipients have complied with these terms and conditions. This responsibility includes auditing recipients when deemed necessary. In the context of contributions delivered under Employment Benefits and Support Measures, the terms and conditions of all agreements are supposed to specify that the Canada Employment Insurance Commission retains the right to audit records of contribution recipients. On 16 February 2004, HRSDC announced that a mandatory audit clause must be included in all of its contribution agreements involving funding at or above \$350,000. The number of audits is tied to the duration of the agreement: an agreement for nine months or less requires a final audit, an agreement for more than nine months but less than two years requires at least one interim audit and a final audit; a multi-year agreement for two years or more requires an interim audit every twelve months and a final audit at the end of the agreement. These audits examine financial and non-financial conditions associated with project agreements.

There's also an element of the audits that requires them to be done at nine months if it's a nine-month project. There's a strange clause that requires two audits within one fiscal year, which I find to be excessive. (**Matt Wood, Ontario Association of Youth Employment Centres**)⁴³

All members of the Committee recognize the importance of an audit in the financial management of publicly funded programs. Some members and witnesses fully support the mandatory audit directive, while others maintain that some discretion should be applied in cases involving organizations that have a long-standing relationship with HRSDC and have provided a high level of service and satisfactory performance throughout this period. In terms of these organizations, mandatory audits are viewed as excessive, expensive and directing resources away from the primary objective of this spending, which is to help unemployed individuals make necessary adjustments in the labour market. For all the members here, something to be aware of — and my own organization had to do this — is all charities and non-profits are required by law to have a formal audit. We in Ontario had KPMG visit us in May to do a full audit on my organization. Then on every agreement over \$350,000, they came in again. One of ours was \$4,200, and KPMG laughed all the way to the bank. We found this...well, overkill is what it is. Imagine the amount of money the federal government is spending on external

⁴³ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 26 (12:20), Tuesday, 5 April 2005.

audits across the country. Imagine! I don't even want to know the number. We believe that's unnecessary. (**Bernadette Beaupré, Ontario Network of Employment Skills Training Project**)⁴⁴

Some members of the Committee also believe that the mandatory audit directive moves HRSDC away from its commitment to develop a risk-management accountability framework. According to its *2002-2003 Performance Report*, HRSDC intended to implement risk-based approaches to administering grants and contributions so as to target the administrative workload for recipients and project officers where the degree of risk warrants, rather than a "one size fits all" approach.⁴⁵ The Committee is not opposed to audits per se, but for some members it seems unnecessary to subject taxpayers and project sponsors in good standing to the level of audit frequency specified in HRSDC's directive.

Recommendation 14

The Committee recommends that, in the absence of exceptional circumstances, organizations be subject to no more than one audit in a 12-month period.

Recommendation 15

The Committee recommends that Human Resources and Skills Development Canada adopt a more risk-based approach to auditing contribution agreements, especially in terms of those agreements involving funding below the \$500,000 threshold.

V. Duration of Contribution Agreements

According to the Section 5.2.2 of the *Code of Good Practice on Funding*, in order to strengthen sustainable capacity in the voluntary sector, the government should "use multi-year funding agreements and develop and implement mechanisms to facilitate their use, in appropriate circumstances, in order to enhance organizations' stability and capacity for longer-term planning."⁴⁶ The Committee notes that, among the organizations that have testified, single-year funding agreements still appear to be the norm.

⁴⁴ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 25 (12:35), Thursday, 24 March 2005.

⁴⁵ Human Resources Development Canada, *2002-2003 Performance Report* (p. 50 of 118). (see: http://www.tbs-sct.gc.ca/rma/dpr/02-03/HRDC-DRHC/HRDC-DRHC03D-PR_e.asp?printable=True)

⁴⁶ Voluntary Sector Initiative, *A Code of Good Practice on Funding*, October 2002, p. 13.

The Committee realizes that organizations devote a great deal of resources to apply for funding, to negotiate an agreement, and to meet accountability requirements. Moreover, there are transitional costs to frequently switching project sponsors, and the quality of services provided to Canadians in need of employment assistance is affected when there is lack of continuity and a disruption of services.

A three-year agreement, besides reducing the administrative burden, allows us to provide young people with better long term services. We can maintain our human resources, acquire expertise, invest in our staff and ensure that, when a young person comes to us and meets with someone, that person will not be leaving after three months because the project has come to an end. That is what makes all of the difference in the work that is done by organizations such as ours. (**Yves Picard, Réseau des Carrefours Jeunesse Emploi du Québec**)⁴⁷

HRSDC has expressed its intent to move to longer-term funding in cases where a call for proposals has been issued and a contribution agreement is eventually negotiated.

One of the issues that's been raised by a lot of the organizations is that one-year funding is not sufficient. They're looking for multi-year funding. Part of the CFP [call for proposal] process is once we have a CFP and we've negotiated an agreement with an organization, the intent is to provide support for a period of three years, as opposed to one year. (**Michael Saucier, Department of Human Resources and Skills Development**)⁴⁸

Like our witnesses and those who submitted briefs, members of the Committee agree that single-year funding arrangements are inefficient and we support the use of multi-year funding, subject, of course, to continued good performance in accordance with the provisions of the contribution agreement. The Committee also believes that the overall performance of a service provider and the results achieved should be a primary determinant in HRSDC's decision to subject an organization with an existing contract to a subsequent call-for-proposals process. In circumstances where a service provider has been selected pursuant to a call-for-proposals process and has honoured fully the terms and conditions of the contribution agreement, HRSDC should renew (or renegotiate) the contribution agreement without proceeding to a subsequent call for proposals. In the opinion of many members of the Committee, to proceed otherwise would be unfair, would be inefficient and, in all likelihood, would have a negative impact on the organization concerned as well as its staff and clients. It is important to note that the Committee's

⁴⁷ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 28 (12:15), Tuesday, 12 April 2005.

⁴⁸ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 22 (12:30), Tuesday, 8 March 2005.

intention in this respect is not to preclude the nurturing of small and emerging organizations.

Recommendation 16

The Committee recommends that Human Resources and Skills Development Canada move quickly to a three-year funding agreement with the project sponsors, subject to continued good performance in accordance with the terms and conditions of the agreement signed with the Department.

Recommendation 17

The Committee recommends that Human Resources and Skills Development Canada be given the authority to extend, for an additional three years, multi-year contribution agreements without proceeding to a call for proposals in circumstances where service providers have met all the terms and conditions of the agreement, including all performance targets.

VI. Accounting for Program Effectiveness and Results

It is evident from our testimony that all organizations fully support the principles of accountability and transparency of funds provided to the voluntary sector to deliver HRSDC contribution programs. However, most witnesses maintain that HRSDC's notion of accountability has become more focused on micro-managing financial inputs than on program effectiveness and achieving results. As noted elsewhere in our report, this approach is resource-intensive and causes organizations to shift resources away from the provision of employment programs and services. Moreover, financial accountability is only part of the accountability picture. According to many witnesses, HRSDC seems to be less concerned about the effectiveness of program spending than about financial accountability. The Committee heard that program participants often recycle continuously through programs designed only to give the most superficial assistance.

We desperately want to be accountable, but we don't want to be accountable through a forensic audit. We want the criteria for government funding to be the results expected from the use of the funds, the results being closely monitored, not the silo-isolated, line-by-line forensic accounting. **(Eunice Grayson, Canadian CED Network)**⁴⁹

⁴⁹ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 25 (12:30), Thursday, 24 March 2005.

It has been my experience over 15 years of doing this work and 10 years of running this organization that the focus has been on people getting jobs only. What happens then is people constantly recycle through programs, and we are forced to refer people here, there, and everywhere to try to get service, which in most cases is only superficial treatment of that is really going on for people.

We can get a person employed in some kind of a job for the requisite amount of time, but that is in no way indicative of the fact that they have achieved success and feel a part of and attached to the community. **(Vicki Austad, New Westminster Community Development Society)**⁵⁰

When you look at what has been done over the past 20 to 30 years to enhance disabled persons' integration into and access to the labour market, the track record is not at all encouraging. Indeed, unemployment levels for disabled persons remain unacceptable. **(Luc Labbé, Centre d'assistance et d'accompagnement aux plaintes)**⁵¹

The Committee was also told that in the absence of meaningful program evaluation, HRSDC has no way of determining whether public funds are being spent effectively or whether they should be reallocated away from programs that perform poorly to more successful ones.

I think the issue is that calls for proposals are just one way of assuring accountability. In the absence of program evaluation — in other words, in the absence of civil servants evaluating the methods that are used to employ people, the clients who are served, the outcomes, and the numbers — in the absence of that sort of accountability, a call for proposals makes sense. But that we are operating without that kind of accountability is the real lack. That's the real gaping hole we're facing ... all they report and all that is floated up to the larger level is that they're employed. To the issue of whether we are offering and running quality programs, there's no answer, because we're not collecting enough information about it; we're not doing program evaluation. In the absence of program evaluation it's almost impossible to judge between different providers. **(Matt Wood, Ontario Association of Youth Employment Centres)**⁵²

HRSDC informed the Committee that it has recently sought the advice of a consulting firm to determine how it can better balance risk controls and results. The Department has also created a "blue ribbon panel of experts" which includes people from academia and from the private sector, as well as representatives from

⁵⁰ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 26 (12:25), Tuesday, 5 April 2005.

⁵¹ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 27 (11:20), Thursday, 7 April 2005.

⁵² House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 26 (11:50), Tuesday, 5 April 2005.

provincial governments, to assist it in finding a better balance between financial and results-based accountability.

Members of the Committee firmly believe that it is both possible and necessary to incorporate results-based measures in HRSDC's accountability structure. Furthermore, these measures must be meaningful, clearly articulated and adequately reflect the challenges of providing employment assistance to the client group being served. Results-based performance must become one of the cornerstones of accountability.

Recommendation 18

The Committee recommends that Human Resources and Skills Development Canada establish meaningful results-based accountability measures and an evaluation framework for programs delivered under Employment Benefits and Support Measures. Results-based accountability measures must be developed in partnership with the organizations that deliver contribution projects, and these measures must become an important part of the Department's accountability framework. Every five years, Human Resources and Skills Development Canada should conduct a summative evaluation of Employment Benefits and Support Measures.

Recommendation 19

The Committee recommends that Human Resources and Skills Development Canada provide project sponsors with assistance, including training and funding, to collect the data required to measure and report meaningful program results attributed to Departmental program spending.

VII. Human Resources and Skills Development Management and Personnel

There is absolutely no question that HRSDC's personnel is crucial to delivering timely and effective services to third-party organizations that provide programming to unemployed individuals across the country. This fact was widely recognized in the six-point Action Plan to strengthen grants and contributions. Management was tasked to review and amend accountability structures and work processes, and to provide direction, tools, training and additional resources as needed. It was also required to seek the view of staff and incorporate employees' suggestions into the process as appropriate. The Committee is uncertain as to which elements of the Action Plan have been incorporated into ongoing managerial

practices. We strongly suspect, however, that some elements, such as consulting and training employees, were not primary considerations in the design and delivery of the February 2004 national directives.

Local project officers can make a significant contribution to project development, assessment and approval. Decision-makers at the national and regional levels must begin to recognize and appreciate that local staff know and understand the needs of their communities and the organizations best suited to deliver the required employment interventions. Local project officers must also be given a meaningful opportunity to contribute to the policy-making process and voice their concerns when problems arise. At the same time, these employees must deliver departmental policy directives when asked to do so and be given the proper training to do so.

Project officers feel themselves victimized by the new CFP [call for proposal] process. They have suffered from micro management on the part of their supervisors, the specialization and concentration of duties, the frustration of delayed decision-making, the ineptitude of constantly changing directives, and the destruction of their community development role. (**Jeannette Meunier McKay, Employment and Immigration Union**)⁵³

The Committee was told that despite the best efforts of local HRSDC staff, program directives are being interpreted inconsistently and this adds to delays in project approval. These delays cause an interruption in service delivery which adversely affects those for whom Employment Benefits and Support Measures are intended. The Committee was also informed that staff turnover and the segregation of duties directive create a certain amount of instability and duplication for organizations; some witnesses spoke of a “double review” process whereby project sponsors are required to answer the same questions at various stages of the project review process.

One of the problems cited in the 1999 Human Resources Development Canada internal audit report was that staff reductions jeopardized a key practice in ensuring financial integrity; that is, segregating the duties of project officers who initiate payments in relation to an agreement from those of employees who approve the same payment. In other words, a project officer should not control a contribution project from application to termination. Most members of the Committee agree that a project officer who is responsible for completing the community relations — project recommendation phase of a project should not be responsible for the agreement administration — close-out phase of the same project.

⁵³ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 28 (11:45), Tuesday, 12 April 2005.

... when the time comes to write up the funding request, we have difficulty in finding an official who can provide clarification on the documents we received. It is very important, when writing up a request, to conform to HRSDC's criteria without losing sight of our specific and essential mission. So it's hard for us to make the connection and remain competitive ... There are many criteria and the official examining the request interprets the criteria in a given way. Now, we have noticed, during our negotiations, that the official works on a committee with other groups of officials who will be examining our request with him. Those other officials will interpret the criteria differently and ask for more details, and the ball is back in play. So we have to renegotiate the agreement that was discussed with the official who recognized the viability of the project and also that we could take it to term. So we have to start the work all over again. (**Michel Boisvert, Les Oeuvres de la Maison Dauphine**)⁵⁴

The Committee was also told that the relationship with the local staff is the Achilles' heel of the project approval process. If the relationship between the project applicant/sponsor and HRSDC local staff is poor, then projects may not move forward. In these cases it is difficult to obtain an objective assessment of a project. The Committee was also told that HRSDC staff should receive training in both communication and collaborative skills.

Recommendation 20

The Committee recommends that Human Resources and Skills Development Canada ensure that its employees receive the required support to provide a stable, high-quality, consistent service to third-party project sponsors. Staffing needs and skills should be one of the key priorities underlying improvements to the administration, management and accountability of Human Resources and Skills Development Canada contribution programs.

⁵⁴ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 27 (11:30), Thursday, 7 April 2005.

CONCLUSION

Since the 1999 internal audit, HRSDC has taken several necessary steps to improve the financial management of grant and contribution programs. However, it is evident from the recent reaction of many organizations that phase one of the Specialization and Concentration Initiative, especially in terms of the call-for-proposals process, has created unnecessary turmoil in many communities across the country. Members of the Committee believe that the rapid implementation of the four national directives released on 16 February 2004 was flawed and damaging to some highly valued organizations and the clients they serve. In our view, voluntary sector and other organizations provide a valuable community service to help unemployed individuals find and maintain employment; these groups deserve to be treated as essential partners in the delivery of HRSDC programs.

It was a drastic change for all the community and volunteer sector organizations that were used to working with us, HRSDC, and when I started to have some concerns by members of Parliament about it, I sat down with my officials to look at what happened and how to implement that new approach, I found out exactly what my officials told you at the last hearing that, first of all, because it was a major change, it was very difficult for the sector to adapt to that new approach. I think the implementation was rushed for the sector, so it was very difficult for them ... The second difficulty is that perhaps we didn't prepare the sector enough to be able to really face that new process ... I don't question the principle here, but I question how to fix the process so that it will be done in the right way with the sector ... With your recommendations that you give me forward, and with the recommendations of the sector too, I have asked my officials to sit down with the major organizations and to look with them at how we can improve that process. **(The Honourable Lucienne Robillard, Minister of Human Resources and Skills Development)**⁵⁵

The Committee's recommendations offer guidance and direction to help HRSDC improve its management and delivery of contribution programs. We believe that HRSDC needs to improve its relationship with the many essential community organizations that deliver programs on its behalf. Our recommendations are intended to restore fairness to project selection and monitoring by modifying funding selection criteria, by providing a better balance between financial and results-based accountability and by reducing the administrative burden that weighs heavily on many program providers.

⁵⁵ House of Commons, HUMA, *Evidence*, 1st Session, 38th Parliament, Meeting No. 30 (12:25), Tuesday, 19 April 2005.

Finally, all members of the Committee appreciate and thank those groups and individuals who took the time to share their views with us by appearing at a meeting or by submitting a brief. Without their participation in, and valuable contribution to, our study, this report would not have been possible.

LIST OF RECOMMENDATIONS

Recommendation 1

The Committee recommends that Human Resources and Skills Development Canada engage in meaningful consultations with both large and small organizations and that it develop a comprehensive communication strategy regarding all elements of the Specialization and Concentration Initiative.

Recommendation 2

The Committee recommends that Human Resources and Skills Development Canada fully inform all organizations that provide Employment Assistance Services about the November 2004 directives pertaining to this initiative. As required by law, Employment Assistance Services are available to all unemployed individuals, irrespective of their current or past relationship with the Employment Insurance program.

Recommendation 3

The Committee recommends that Human Resources and Skills Development Canada adhere to the *Code of Good Practice on Policy Dialogue* and *Code of Good Practice on Funding*, both of which build on the accord signed in December 2001 between the Government of Canada and the Voluntary Sector.

Recommendation 4

The Committee recommends that Human Resources and Skills Development Canada provide the public with current and accessible information on projects being funded and the organizations delivering these funds.

Recommendation 5

The Committee recommends that Human Resources and Skills Development Canada suspend its call-for-proposals process until it has engaged in meaningful consultation with community organizations in order to determine an appropriate amount of time for organizations to prepare and submit their applications. Although Human Resources and Skills Development Canada

now provides 30 days to prepare and submit a proposal, the Department must consult organizations on this matter and consider their input before a decision is made on a new time period. If necessary, funding extensions should be granted to existing program providers until a more acceptable timeframe for responding to a call for proposals is established.

Recommendation 6

The Committee recommends that when the call-for-proposals process resumes, Human Resources and Skills Development Canada take the necessary steps to stagger the opening dates for a call for proposals, and that the Department avoid announcing a call for proposals during the summer months, when organizations are least prepared to respond.

Recommendation 7

The Committee recommends that Human Resources and Skills Development Canada, in consultation with third-party delivery organizations, develop standardized, user-friendly forms and computer software to assist organizations that apply for project funding under the call-for-proposals process, and to facilitate the reporting of financial requirements and program results. This recommendation is consistent with the *Code of Good Practice on Funding*, which builds on the accord signed in December 2001 between the Government of Canada and the Voluntary Sector.

Recommendation 8

The Committee recommends that Human Resources and Skills Development Canada work with organizations in small communities to build the required capacity to deliver employment interventions that are needed in the community. In so doing, Human Resources and Skills Development Canada should provide special support to organizations that develop innovative approaches to address local employment and skills development needs.

Recommendation 9

The Committee recommends that when an organization is not successful in renewing an existing contribution agreement or

obtaining a new agreement, Human Resources and Skills Development Canada shall provide full and comprehensive reasons to the applicant within 14 days.

Recommendation 10

The Committee recommends that the call-for-proposals process be restricted to individual projects valued at \$500,000 and more.

Recommendation 11

The Committee recommends that Human Resources and Skills Development Canada provide all applicants participating in the call-for-proposals process with a detailed outline of the selection criteria and associated maximum scores used to rank proposals. This should include a rationale of the weighting of scores.

Recommendation 12

The Committee recommends that Human Resources and Skills Development Canada engage in meaningful consultations with organizations that deliver contribution programs on behalf of the Department in order to review and re-evaluate the selection criteria used to rank applicants participating in the call-for-proposals process. Selection criteria should recognize and attribute value to organizations that can demonstrate an ability to provide high-quality, results-oriented programming. Where applicable, the capacity to serve special-needs clients should also be recognized and scored. Further to Recommendation 5, the call-for-proposals process should be suspended until the selection criteria review is completed and the revised selection criteria are in place. During this period, organizations with active contribution agreements negotiated under the old system should have their funding extended.

Recommendation 13

The Committee recommends that Human Resources and Skills Development Canada develop, in conjunction with input from voluntary and other private sector organizations, speed-of-delivery targets that require the Department to respond to applicants following a call for proposals and to negotiate contribution agreements with successful applicants within a given period of time. These targets must be mutually agreed to

by all parties and be shorter than the combined timeframe currently followed by the Department. The Department's performance in this regard should be reported annually in Human Resources and Skills Development Canada's *Performance Report*.

Recommendation 14

The Committee recommends that, in the absence of exceptional circumstances, organizations be subject to no more than one audit in a 12-month period.

Recommendation 15

The Committee recommends that Human Resources and Skills Development Canada adopt a more risk-based approach to auditing contribution agreements, especially in terms of those agreements involving funding below the \$500,000 threshold.

Recommendation 16

The Committee recommends that Human Resources and Skills Development Canada move quickly to a three-year funding agreement with the project sponsors, subject to continued good performance in accordance with the terms and conditions of the agreement signed with the Department.

Recommendation 17

The Committee recommends that Human Resources and Skills Development Canada be given the authority to extend, for an additional three years, multi-year contribution agreements without proceeding to a call for proposals in circumstances where service providers have met all the terms and conditions of the agreement, including all performance targets.

Recommendation 18

The Committee recommends that Human Resources and Skills Development Canada establish meaningful results-based accountability measures and an evaluation framework for programs delivered under Employment Benefits and Support Measures. Results-based accountability measures must be developed in partnership with the organizations that deliver

contribution projects, and these measures must become an important part of the Department's accountability framework. Every five years, Human Resources and Skills Development Canada should conduct a summative evaluation of Employment Benefits and Support Measures.

Recommendation 19

The Committee recommends that Human Resources and Skills Development Canada provide project sponsors with assistance, including training and funding, to collect the data required to measure and report meaningful program results attributed to Departmental program spending.

Recommendation 20

The Committee recommends that Human Resources and Skills Development Canada ensure that its employees receive the required support to provide a stable, high-quality, consistent service to third-party project sponsors. Staffing needs and skills should be one of the key priorities underlying improvements to the administration, management and accountability of Human Resources and Skills Development Canada contribution programs.

APPENDIX A

ASSESSMENT GRID EXAMPLE

| <i>Integrity and Probity — Mandatory Section</i> | | |
|--|-----------|------------|
| Positive reputation among community of practitioners and with community at large | YES/NO | |
| Positive feedback from other government departments | YES/ NO | |
| Positive feedback from clients & community, irrespective of needs being met | YES/NO | |
| Adequate bookkeeping and financial controls in place | YES / NO | |
| There is no outstanding debt owed to the federal government | YES / NO | |
| THERE ARE NO OUTSTANDING CRIMINAL CHARGES, NOR ANY CHARGES PENDING FOR THIS ORGANIZATION | YES/NO | |
| Reference letters reflect a positive attitude toward the applicant | YES/ NO | |
| THE DEPARTMENT IS NOT AWARE OF ANY SERIOUS ALLEGATIONS OF INAPPROPRIATE BEHAVIOUR ON THE PART OF THIS ORGANIZATION | YES/NO | |
| SUMMARY | | |
| <i>Organizational Profile</i> | Max Score | % of Total |
| Previous HRSDC experience | 10 | 2% |
| Experience dealing with client group | 20 | 4% |
| Background, mandate, areas of expertise | 20 | 4% |
| Suitability of facilities to be used (fully accessible) | 5 | 3% |
| Organizational chart | 5 | 1% |
| Computer equipment suitable for Contact IV | 5 | 1% |
| Completeness of tombstone data | 5 | 1% |
| TOTAL | 80 | 16% |
| <i>Human Resource Plan</i> | Max Score | % of Total |
| Appropriate description of staff roles and responsibilities | 20 | 4% |
| Appropriate staff coverage plan (breaks, illness, etc.) | 10 | 2% |
| Ability to provide service in both official languages | 15 | 3% |
| Appropriate number of staff based on scope of work | 15 | 3% |
| Personnel policy | 5 | 1% |
| TOTAL | 65 | 13% |
| <i>Service Delivery Approach</i> | Max Score | % of Total |
| Suitability of counselling philosophy, approach | 25 | 5% |
| Relevant employment counselling experience demonstrated | 25 | 5% |

| | | |
|--|------------|-------------|
| Suitability of methods/tools used to assist with career exploration | 25 | 5% |
| Needs assessment method(s), tools suitable for client group | 20 | 4% |
| Employment counselling method(s), tools suitable for client group | 15 | 3% |
| Description of processes/techniques used to facilitate attitude/belief changes with regard to barriers to employment | 15 | 3% |
| Implementation plan satisfactory with detailed workflow | 15 | 3% |
| Satisfactory tool for measuring client satisfaction | 10 | 2% |
| TOTAL | 150 | 30% |
| <i>Community/Labour Market Knowledge</i> | Max Score | % of Total |
| Accurate knowledge of labour market presented | 20 | 4% |
| Suitable technique for keeping abreast with labour market trends | 15 | 3% |
| Suitable method of integrating LMI into the counselling process | 15 | 3% |
| Demonstrated knowledge of local employment resources and programs | 15 | 3% |
| Suitable plan to integrate service with existing resources and programs | 15 | 3% |
| Demonstrated knowledge of socio-cultural diversity | 5 | 1% |
| TOTAL | 85 | 17% |
| <i>Budget</i> | Max Score | % of Total |
| Wages supported LMI | 25 | 5% |
| Overhead costs represent fair market value | 25 | 5% |
| Items listed are reasonable and relate to project | 20 | 4% |
| Capital items are necessary and relevant to project (if applicable) | 15 | 3% |
| Forecast of cashflow complete | 10 | 2% |
| Recipient/other partner contribution detailed (if applicable) | 10 | 2% |
| TOTAL | 105 | 21% |
| <i>References</i> | Max Score | % of total |
| Specifications adhered to & forms are complete | 10 | 2% |
| Three letters of reference provided | 5 | 1% |
| TOTAL | 15 | 3% |
| GRAND TOTAL | 500 | 100% |

* Responses to all criteria under the Integrity and Probity Section are to be provided by a “yes” or a “no.” A “no” response on one or more of the integrity and probity criteria is a concern to the department and represents grounds to exclude the submission/proposal from further funding consideration if additional evidence for a review cannot be found in support of the application. Please note that if a “yes” to either of the criteria identified in CAPITAL

LETTERS is obtained, offices must consult with NHQ prior to proceeding with the assessment. Tools are presently being developed by NHQ to help staff in identifying quality standards for all criteria listed under the Integrity and Probity Section.

Source: Human Resources and Skills Development Canada, Information presented to the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities on 8 March 2005.

APPENDIX B LIST OF WITNESSES

| Associations and Individuals | Date | Meeting |
|---|------------|---------|
| Department of Human Resources and Skills Development | 08/03/2005 | 22 |
| Michael Saucier, Director General, Labour Market and Official Language Minority Communities | | |
| Canadian CED Network | 24/03/2005 | 25 |
| Rupert Downing, Executive Director | | |
| Eunice Grayson, Founding member | | |
| Canadian Coalition of Community Based Employability Training | | |
| Sandra Glass, Vice-chair | | |
| Norma Strachan | | |
| Canadian Hearing Society | | |
| Monique Doolittle-Romas, Regional Director | | |
| Gary Malkowski, Vice-President, Consumer and Government and Corporate Relations | | |
| Ontario Network of Employment Skills Training Project | | |
| Bernadette Beaupré, Executive Director | | |
| Minerva Hui, Board Member | | |
| Chambre de commerce et d'industrie Thérèse-De-Blainville | 05/04/2005 | 26 |
| Annie Bélanger, Director General | | |
| Rosalie Clément-Jolette, Project Coordinator | | |
| New Westminster Community Development Society | | |
| Vicki Austad, Executive Director | | |
| Ontario Association of Youth Employment Centres | | |
| Matt Wood, Executive Director | | |
| Pathways Skill Development & Placement Centre | | |
| Paul Hubert, Executive Director | | |
| Anne Langille | | |
| Canadian Coalition of Community Based Employability Training | 07/04/2005 | 27 |
| Nicole Galarneau, Co-chair | | |

| Associations and Individuals | Date | Meeting |
|---|-------------|----------------|
| <p>Centre d'assistance et d'accompagnement aux plaintes</p> <p>Luc Labbé, Director General Claude Séguin</p> <p>Les Oeuvres de la Maison Dauphine</p> <p>Michel Boisvert, Director General Pierre Dallaire, Funding Liaison Officer</p> | 07/04/2005 | 27 |
| <p>Canadian Employment Immigration Union</p> <p>Alan Lennon, Senior Union Representative Jeannette Meunier-McKay, National President</p> <p>Department of Human Resources and Skills Development</p> <p>Michael Saucier, Director General, Labour Market and Official Language Minority Communities</p> <p>Gateway Café</p> <p>Diana Gatti, Divisional Coordinator</p> <p>Ontario March of Dimes</p> <p>Steven Christianson, Government Relations Coordinator Jerry Lucas, Vice-president</p> <p>Réseau des Carrefours Jeunesse-emploi du Québec</p> <p>Pierre Gingras, Director General Yves Picard, Director General</p> | 12/04/2005 | 28 |
| <p>Department of Human Resources and Skills Development</p> <p>Terry Hearn, Comptroller Bill James, Director General, Employment Insurance Policy Joanne Lamothe, General Director — Aboriginal and Youth Program Alan Nymark, Deputy Minister Michael Saucier, Director General, Labour Market and Official Language Minority Communities</p> <p>Department of Human Resources Development (Social Development)</p> <p>Phil Jensen, Assistant Deputy Minister, Employment Programs Branch</p> <p>House of Commons</p> <p>Lucienne Robillard, Minister of Human Resources and Skills Development</p> | 19/04/2005 | 30 |

APPENDIX C LIST OF BRIEFS

Accommodation, Training and Networking for Persons with Disabilities

Association of Services Providers for Employability and Career Training

Brown, Les

Canadian CED Network

Canadian Employment and Immigration Union

Centre d'assistance et d'accompagnement aux plaintes

Community Living London

Crescive Corporation

Davenport Perth Neighborhood Centre

Employment Sector Council London Middlesex

Gateway Café

Halton and Peel Professional Executive Network

Kong, Michael

Les Oeuvres de la Maison Dauphine

London Economic Development Corporation

London Interfaith Counselling Centre

London Training Centre

McCarthy, Sinead

Olsen, Peter

Ontario Network of Employment Skills and Training Projects

Skills for Change

Small Business Centre

The Canadian Hearing Society

The Centre for Skills Development and Training

The Learning Enrichment Foundation

The Ontario Association of Youth Employee Centres

Toronto Neighborhood Centres

WIL Employment Connections

Women in Resource Development

WoodGreen Community Services

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to the report within one hundred and twenty (120) days.

Copy of the relevant Minutes of Proceedings of the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities (Meetings Nos 22, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34 and 35 which includes this report) is tabled.

Respectfully submitted,

Raymonde Folco, M.P.
Chair

Dissenting Opinion for Bloc Québécois

Respecting Quebec's jurisdictions

The Government of Quebec has a strategic regional development policy in which the focus is on communities taking charge. Thus, because it is very aware of the local aspect of the voluntary sector, Quebec recognized and relied on the experience and expertise of local people to ensure that this well-established "network" could take the reins and guide its own development. Therefore, if the federal government wanted to invest in the volunteer and community sector, it should have done it in cooperation with the government of Quebec by signing the *Accord between the Government of Canada and the Voluntary Sector* (December 2001) with Quebec and transferring to the province the funds needed to fully integrate these initiatives into a coherent Quebec policy.

Moreover, need we remind anyone that the agreement signed by ministers Pierre Pettigrew and Louise Harel, on December 1, 1997, established that the government of Quebec had full responsibility for designing and executing active employment assistance measures, as described in Part II of the *Employment Insurance Act*? However, despite this agreement, which recognizes that Quebec has responsibility for developing employability services, the government of Canada continues to manage programs intended for these specific clientele. This causes duplication and overlap in the field of employment.

The voluntary sector needs stable, long-term funding

It should go without saying that voluntary organizations need stable, long-term funding, but the injustices committed against them because of the gaps in the call for proposals process, as reported by numerous witnesses heard by this committee, compel us to repeat it. It seems in fact that the desire for visibility won out over the responsibility to provide responsible funding, which entails respecting the jurisdictions of Quebec and the other provinces.

The federal government creates programs and subsidizes organizations directly even though it has no jurisdiction to do so. However, these programs are never permanent and are never the subject of a specific agreement with the government of Quebec, which means that when the program expires and is not renewed, the federal government can wash its hands of it. Quebec and the other provinces then find themselves unable to meet the needs of these organizations, because the funds were not transferred to them; they were simply cut.

The recommendations

In light of the two problems described above, the Bloc Québécois cannot approve the adoption of the report as presented, since recommendations 1, 2, 8, 13, 15, 18, 26, 27, 28 and 29 are contrary to Quebec's interests (or contain irritants), as they impinge on

jurisdictions which the Constitution recognizes as being provincial.

Thus, the Bloc Québécois further asks:

1. That the jurisdictions of Quebec and the other provinces under the Constitution and the various agreements signed with the federal government, particularly with respect to labour force training and employability programs, be respected.
2. Pursuant to the request by Mr. Tony Martin for an investigation of the serious problems raised by many witnesses (fear of reprisals from HRSDC officials), we support that request and ask that an independent investigation be conducted in order to shed light on these allegations and that justice be done so that this situation does not recur and the organizations affected are compensated.

NDP DISSENTING OPINION

Tony Martin — MP

May 2005

INTRODUCTION

I first recommended our Human Resources Committee study HRSDC contribution programs because in my own community the new rules destabilized a Team Sault Ste. Marie network of non-profit agencies that offered employment supports. With the new funding criteria, agencies that once worked co-operatively found themselves competing for federal contracts. A non-profit sector check-in confirmed that what was happening locally was happening across the country. Non-profit agencies were losing long-standing government contracts to provide job training and employment services.

The Committee Report accurately reflects what we heard from community and government witnesses: the lack of consultation or a transition period strategy; a rushed implementation strategy; widespread violation or ignorance of the Voluntary Sector Accord which states that agencies are to be treated as partners rather than employees of government; a lack of transparency; the under-valuing of experience and expertise that agencies historically brought to their proposals; the “flawed, cumbersome, anxiety-producing” proposal process; a disruption of client services; the ending of longstanding programs; the unhealthy climate of competition among organizations that undermined longstanding partnerships; the favoring of larger organizations, including private companies, because of their resources.

RECOMMENDATION

On its own, this scathing indictment is not enough. I commend the apparently genuine attempt by the Minister and Ministry to fix these problems for the future. However, the NDP believes it is imperative to undo the damage done to so many people. Justice demands repairing the harm done to agencies, communities and vulnerable Canadians harmed by HRSDC’s flawed funding process introduced after the fallout from the Ministry’s previous “billion-dollar boondoggle” scandal. HRSDC needs to reinstate contracts and restore funding to any organization that has lost its contract through the CFP process since it was implemented until such time as the community consultations can be held and the new process is put in place. We heard firsthand of five agencies which deserve to have their contracts restored: The Canadian Hearing Society, (CHS) Sault Ste. Marie, specialized services for the deaf, deafened and hard of hearing;

Gateway Café, Toronto, helping youth; The Learning Enrichment Foundation, Toronto, skills training and employment services; Link Up Employment Services, serving persons with disabilities; The Working Skills Centre, helping immigrant women.

The CHS contract in Sault Marie bears further commentary as three Committee witnesses (The Canadian Community Economic Development Network, The Canadian Hearing Society, Ontario March of Dimes (OMD) — all recommended funding for CHS Sault Ste. Marie be restored. Incredibly, a HRSDC official testified the government will assist OMD in Sault Ste. Marie to offer this service even though it withdrew its proposal, says it is unqualified to offer this specialized service and recommends CHS Sault Ste. Marie be given the contract.

OTHER RECOMMENDATIONS

- There are situations where the Call for Proposals process should not be applicable, i.e. in rural and smaller communities, or with smaller organizations or established programs that are time-proven and serving well the constituency for which they are designed. The criteria should be based on whether or not a program has proven itself effective or beneficial to the community or the program is taking a new, creative approach to a long-standing program.
- HRSDC stagger the Call for Proposals with only two to three sectors affected in any one year. This contains the administrative work on both sides to a level that is achievable within existing staff levels.
- HRSDC needs to include in its assessment grid a clear acknowledgment of the expertise of specialized services. A full consultation with services provides is necessary as a prelude to change in policy.
- HRSDC cease its micromanagement of contracts, and rather monitor for performance and adherence to the agreement while staying out of managing the business of the agencies.
- In any results-based performance criteria, weight must also be given to the quality and value of training as well as the numbers through a program, e.g. that a program that delivers skills to help women deal with gender or race discrimination in the workplace will likely have fewer graduates, but ones more qualified to make it in the workplace.
- There needs to be a comprehensive strategic review of the Employment Assistance Services programs, including an assessment of services for those facing employment barriers from such groups as immigrant women, the disabled, youth. Individuals who are not EI or Reachback-eligible into employment are seeing programs being removed without a plan to replace them. These EAS guidelines are removing access to services to Canadians, including youth, immigrants and persons with disabilities, many of whom are the most vulnerable in the community. (Paul Hubert, Pathway Skills London)
- To help ensure real transparency and accountability, a permanent third-party advisory group be established for HRSDC programs, whose work and findings

will be made public. (Matt Wood, Ontario Association of Youth Employment Centres)

INTIMIDATION AND POLITICAL INFLUENCE

I urge readers to study firsthand the testimony of witnesses who reported intimidation of agencies by HRSDC staff (ASPECT, The Canadian Hearing Society, The Learning Enrichment Foundation's loss of a promised extended contract after a Committee appearance, a 10-day suspension of a HRSDC staff who spoke out against the new funding process). These all need to be investigated. There is no place in a professional civil service for such intimidation. We received evidence that some winning agencies or their staff or board, including some private companies, contributed financially to the Liberal Party of Canada. It is regrettable that good non-profit agencies recognize today's culture of affluence and feel a need to buy memberships in access-promising political clubs or to attend political conventions.

CONCLUSION

A strong community-based non-profit sector is vital to our cities and our country. The social economy is predicated on the kind of employment and skills development services through these contribution programs. HRSDC created a mess with its new administrative measures. We can and must correct this mess — past, present and future.

MINUTES OF PROCEEDINGS

Tuesday, May 17, 2005
(Meeting No. 35)

The Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities met at 11:20 a.m. this day, in Room 705 La Promenade Building, the Chair, Raymonde Folco, presiding.

Members of the Committee present: Peter Adams, Eleni Bakopanos, Jean-Claude D'Amours, Raymonde Folco, Paul Forseth, Christiane Gagnon, Ed Komarnicki, Yves Lessard and Tony Martin.

Acting Members present: France Bonsant for Yves Lessard and Yvon Godin for Tony Martin.

In attendance: Library of Parliament: Kevin Kerr, Analyst; Chantal Collin, Analyst.

Witnesses: House of Commons: Gérard Asselin, M.P., Manicouagan; Yves Lessard, M.P., Chambly—Borduas.

Pursuant to the Order of Reference of Wednesday, April 13, 2005, the Committee commenced consideration of Bill C-280, An Act to amend the Employment Insurance Act (Employment Insurance Account and premium rate setting) and another Act in consequence.

The witnesses made statements and answered questions.

At 12:00 p.m., the sitting was suspended.

At 12:02 p.m., the sitting resumed *in camera*.

Pursuant to Standing Order 108(2) and the motion adopted by the Committee on February 24, 2005, the Committee resumed its study of the New Human Resources and Skills Development Canada call for proposals Criteria for Funding Community Programs.

The Committee resumed consideration of a draft report.

It was agreed, — That the report “An examination of new directives governing contribution agreements for selected programs delivered on behalf of Human Resources and Skills Development Canada” (as amended) be adopted as the Sixth Report of the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities.

That the Clerk be authorized to make such editorial and typographical changes as necessary without changing the substance of the Report.

That the Chair be authorised to table the Report in the House.

That the Committee print up to 550 copies of its Report in a bilingual format.

That, pursuant to Standing Order 109, the Committee request that the Government provide a comprehensive response to this Report within one hundred and twenty (120) days.

It was agreed, — That the press release just read be sent immediately upon the tabling of the Report with the Clerk of the House of Commons adding the fact that two dissident opinions are also being tabled with the Report.

At 12:30 p.m., the Committee adjourned to the call of the Chair.

Danielle Bélisle
Clerk of the Committee