



## **Government Operations Committee (OGGO) Study on Outsourcing**

### **Brief from the Public Service Alliance of Canada**

#### **Follow up questions from PSAC testimony on 24 October 2022**

#### **Staffing and hiring practices – how to strengthen or reform them**

The heavily unionized environment of the federal public service provides attractive salaries, benefits, working conditions and security. Provisions in collective agreements that support work-life balance should appeal to younger workers looking for flexibility in the workplace. While they are looking for flexibility, they don't want the insecurity, low wages and lack of benefits associated with gig work. Like previous generations, they have student loans, high rents, as well as aspirations for growing families and home ownership. For these reasons, recruitment should not be difficult.

Deloitte's 2022 paper "[Changing the conversation: Millennials in the federal government](#)" confirms, like past studies, that millennials are attracted to working in the public service. Polling in the past has come to the same conclusion. PSAC disagrees with some of the findings in the Deloitte study but we agree the length of time it takes to staff a position, as well as a lack of communication while the process is playing out, is a cause of disillusionment for younger workers – and virtually anyone - considering employment in the federal public service.

In addition to initial recruitment, workers already employed in the federal public service want to progress in their careers. They have a high expectation that staffing be fair and transparent but often find this expectation is not met. The [Public Service Commission's 2019 Survey on Staffing and Non-Partisanship](#) revealed that 32 per cent of respondents said they believed that staffing in their work units was unfair, while another 38 per cent of respondents believed that staffing processes were not transparent. (It should be noted the PSC changed the response criteria in their 2021 survey, so the responses cannot be compared accurately to the previous year.)

#### **How it can be fixed**

Federal public service hiring must be fair and transparent if Canada is expected to have a skilled non-partisan public service. This obvious and necessary requirement can conflict with the thrust for efficiency. The private sector should hire the most qualified candidate – but they are not obliged to do so. That should not be the case in the public service.

Public management experts have stressed that the public service cannot be easily equated with the private sector, nor should it be. However, this doesn't mean that fair and transparent staffing can't be achieved in a timelier fashion.

Managers in the federal public service have complained consistently that recruitment and staffing take too long to accomplish and that by the time the process is completed potentially qualified applicants find other jobs. This is accurate but the proposed solutions to the problem often have mis-diagnosed the problem. The changes embodied in the 2003 *Public Service Modernization Act* (PSMA) were supposed to fix staffing while protecting the merit principle. It failed on both counts and staffing still takes a long time.

At the same time, many of the staffing responsibilities previously assigned to human resources professionals were downloaded to managers, while HR professionals were given a more advisory role. Managers are already busy people and generally don't have the time to fulfill their staffing obligations in a timely manner. Although managers must be involved in the staffing process it would make more sense to return more responsibilities to human resource professionals. However, one of the key drags on timely staffing has always been, and still is, the lack of appropriate resources to do the staffing whether in HR or at the managerial level. The Public Service Commission is exploring new staffing platforms that will eliminate some of the repetitive work, but those resources won't replace the need for people to make the process work and work fairly.

The *Public Service Modernization Act* changed the *Public Service Employment Act* (PSEA) so that candidates now are assessed based on individual, not relative, merit. Individual merit is a candidate's ability to meet the stated requirements of a position. In the federal public service, it is applied expansively, and the parameters are vague. It is harder to apply in a fair and transparent way.

Relative merit refers to a candidate's qualification or suitability compared to other candidates. Relative merit is a competitive process with clear guidelines. Criteria are applied and the most successful candidate from a field of two or more is chosen. Relative merit is a superior system for protecting the selection process from patronage and ensuring accountability. Individual merit opens the door for political patronage but especially bureaucratic patronage. Although political patronage is unlikely in most staffing actions, the current legislation contains far less protection against bureaucratic patronage than those contained within the relative merit system. Opportunities for bureaucratic patronage between managers and favoured individuals are increased.

Concerns have been raised that the new statutory definition in the PSMA created an opportunity to water down the merit system and compromise the integrity of meritorious appointments. "The new definition of merit "requires – at both the individual and system levels – a more sophisticated approach to applying the core and guiding values and weighting the values in different circumstances." (Brett W. Taylor, "[Merit 2.0: Implications of the 2003 Public](#)

[Service Employment Act on Merit as an Organizing Principle in the Federal Public Service](#)", Dalhousie Journal of Interdisciplinary Management, Volume 10, No. 1 – Spring 2014). This paper also noted that more work on the staffing process was needed to avoid favouritism.

The federal public service has steadfastly refused to contemplate any version of seniority around staffing decisions. Unfortunately, this is another reason why government staffing proceeds so slowly. Undervaluing related experience (e.g., seniority) is one of the pieces missing from federal staffing processes. One can't help but notice that these processes run much quicker in other large employers precisely because they recognize the value of experience to a greater degree and are therefore able to quickly move to staff many positions. Seniority and "real" merit as reflected by knowledge, engagement and experience are not oppositional concepts but rather complimentary ones.

Although the *Public Service Modernization Act* was supposed to shorten the amount of time it takes to staff a position, overall, this has not been the case. Taylor's paper also notes that "... though many of the changes in the PSEA were designed to promote efficiency, hiring time had actually increased since it came into force."

#### **Recommendations:**

- Change the 2003 amendments to the Public Service Employment Act to reintroduce the concept and application of relative merit, or seniority with appropriate exceptions to facilitate equity hiring within those frameworks.
- At a minimum, conduct an independent inquiry into the efficiencies and fairness between seniority, relative merit and individual merit in federal public service staffing practices.
- Increase dedicated resources to help speed up the staffing processes.

#### **Competitive wages, salaries, and benefits**

As the committee has heard, in some federal public service occupations, wages, salaries and benefits do not compare with the private sector or, in some cases, to other government sectors. PSAC continues to make Treasury Board aware of these discrepancies through the collective bargaining process. While some gaps have been addressed over the years, the problem persists

#### **Recommendation**

- Treasury Board must negotiate with a mandate to address gaps between federal public service occupations and similar occupations in the private sector or other government sectors to amplify government recruitment and retention goals.

## Expertise that might be found in the private sector that is missing in the public sector

Another way of looking at this issue is to ask why the government doesn't have the necessary expertise. Is it because it does not have or does not take the time to facilitate training to gain it? PSPC says that there is a knowledge transfer between a contractor and public service employees. There is to some extent, but that transfer is minimal and of low value. It should not be surprising that contractors do not want to give up the value proposition that makes their product attractive.

'New Public Management' theories, which have been in vogue for the last 30 to 40 years, emphasize that management's role is to buy services and not to make them and consequently reduce the size of government. Budget allocation is weighted to support that philosophy. However, the concept of New Public Management has been widely discredited.

In Canadian federal governance authority Donald Savoie writes that "New Public Management (NPM) measures and their promise to do more with less were first introduced some 40 years ago. What does the government have to show for them? I argue that on balance much more was lost than gained. I am not alone. Leading students of government now argue that 'NPM in practice failed to deliver the theoretically expected benefits,' and that, among other things, NPM produced accountability and coordination problems."<sup>1</sup>It also contributed to a morale problem among government employees in all four countries.<sup>2</sup> Former senior government officials have been no less critical. One wrote that management reform efforts "have seldom been fully successful", "the track record "is bleak", and NPM failed at the very thing it was designed to improve since its "reported progress" was not "grounded in adequate performance information."<sup>3</sup> Instead, what has been achieved is a massive shadow bureaucracy which is less accountable and more expensive, operating for profit instead of the public interest.

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<sup>1</sup> John P. Burns, "Policy Challenges of Public Sector Human Resources Management" in *Oxford Research Encyclopedia of Public Administration*, ed. B. Guy Peters and Ian Thynne (New York: Oxford University Press, 2021); and James L. Perry, *Managing Organizations to Sustain Passion for the Public Service* (Cambridge: Cambridge University Press, 2020)

<sup>2</sup> See among others Treasury Board of Canada Secretariat, *2019 Public Service Employee Survey* (Ottawa: Government of Canada, Treasury Board of Canada Secretariat, 2019)

<sup>3</sup> Robert D'Aoust, *Federal Public Service Management Reforms: Consolidated Reviews and Results* (Ottawa: University of Ottawa, 2021),2,4.

## **Set aside for Indigenous procurement**

Of course, PSAC supports the government's efforts to support Indigenous businesses when procuring goods, and when necessary, when procuring services. The question, however, requires a more complex analysis – and raises more questions.

First, the definition of “Indigenous business” must be one that prioritizes those enterprises that are truly Indigenous owned and operated and not non-Indigenous companies that find loopholes in order to qualify. Otherwise, the exercise risks being yet another example of colonization.

Second, businesses qualifying as an “Indigenous business” still should be subject to the same expectations of good working conditions and good jobs as any other business from which the government procures. We would expect that employees are earning a decent wage, with robust benefits, safe and healthy working conditions and that the company is not furthering precarious work, sourcing from unethical providers etc.

Third, more attention needs to be placed on recruitment and hiring practices that create real opportunities for Indigenous workers to be hired into indeterminate positions within the federal public service. Existing and expanded implementation of apprenticeship programs is a relevant part to a successful recruitment strategy that puts Indigenous communities at its centre. Furthermore, employment equity efforts must include genuine and accessible processes for Indigenous public sector workers to advance within the workplace.

## **Public sector work as good for local economies**

Public sector jobs result in important contributions to local economies. During uncertain economic times, when private sector markets, businesses and employment levels fall, public sector workers continue to spend in their communities, providing predictable stabilization impacts.

“the public sector is the most stable sector in periods of economic turbulence. It may even grow in a period of crisis, as it administers programs intended to mitigate the effects of a recession (employment insurance, for example). The public sector thus acts as an “automatic stabilizer.” During a crisis, a region which combines several employment and economic sectors, including a well-established public sector, will be more apt to retain a critical mass of jobs. The public sector is a tool that governments can use to achieve full employment, by providing high-quality jobs that have a beneficial effect on economic growth in general and on the resilience of regions that are less diversified in particular”<sup>4</sup>

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<sup>4</sup> [The Public Services: an important driver of Canada's Economy](#)

In fact, using public sector workers to provide public services is a better, all-round use of government program funding than sending the money to the private sector, and into corporate pockets.

“for every dollar spent in the public sector, between \$1.09 and \$1.28 is added to the Canadian economy (in terms of GDP), compared to returns of \$0.93 to \$1.10 from the primary sectors. .... every million dollars invested in the public sector creates between 9.27 and 16.69 jobs, whereas the same amount of money creates between 4.26 and 11.98 jobs in natural resource sectors..... spending in the public sector generally yields a greater economic payoff than investing in the primary and secondary sectors in terms of value added and jobs created”<sup>5</sup>

Indeed, as privatization of public sector work creates more precarious work, especially for women, workers who are Black, people of colour or Indigenous, and as the public sector provides stable, resilient jobs for workers from these same groups, reversing the ongoing outsourcing of government work is an essential step in meeting the governments’ goals for employment equity.

As an example, our members at Agriculture Canada’s Summerland Research and Development Centre have learned that facility maintenance work – work currently done by public sector workers – will be contracted out to the private sector. We fail to understand how this fits with the statements from senior government officials during this study that work is contracted out if it can’t be done by the public sector because of a lack of expertise, if there is a need for surge capacity, or if knowledge transfer is required. Public sector workers do facility maintenance work in buildings, ports, bases across this country – they do it well, and they do it with pride, while earning a decent living that allows them to live a decent life and contribute to their communities. Contracting out will result in a private company using precarious workers, that will cost the government more, with poor service to meet profit needs.

## **Temporary Help Agencies**

The *Public Service Employment Act* sets out the rules by which the Government of Canada fills its requirements for workers (human resources) for the public service. These rules are expected to result in:

- A non-partisan and representative workforce of individuals drawn from across the country, benefitting from the diversity, linguistic duality and range of backgrounds and skills of Canadians;
- Appointment processes designed so as not to discriminate or create systemic barriers;
- Appointment processes conducted in a fair and transparent manner and in good faith;
- Appointments of highly competent persons who meet the needs of the organization;

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<sup>5</sup> [Public sector investment: the government’s central role in fighting the effect of inflation](#)

- Timely correction of errors and omissions.

Other methods of bringing workers into the federal public service, such as the use of Temporary Help Service workers, can erode these principles, and impede the goal of reaching these expected results. Prior to entering into the procurement process for temporary help service workers, all managers should consider alternatives within the public sector hiring framework, for example, a casual or term employee.

There are three situations in which a department may procure the use of workers from temporary help services. They are:

- a) When a public servant is absent for a temporary period
- b) When there is a requirement for additional staff during a temporary workload increase, in which there is an insufficient number of public servants available to meet the requirement
- c) A position is vacant and staffing action is being completed.

There are only three situations in which managers in federal government departments can consider contracting with a temporary help agency to provide public sector services. The federal government continues to be Canada's largest user of temporary help agency services. As an alternative, we reiterate **our recommendations** that the federal government<sup>6</sup>:

1. Reduce, with the goal of eliminating, the use of temporary help agency workers and other types of external contract personnel in the public service.
2. Explore creating an auxiliary worker pool fully within the public service, as was attempted by PSPC in 1976-1979 but cancelled, despite favourable results.
3. Stop incentivizing precarious work as the complex employment relationship between temporary agency workers, temp agencies, and client employers, like Treasury Board, creates loopholes that may leave low-wage temporary agency workers more vulnerable to workplace injuries.
4. Develop and implement, in consultation with public sector unions, a system-wide process for tracking and reporting on the use of temporary help agency workers, and other external contract personnel, that includes information on the demographics, pay and benefits, employment equity status, length of work with the public service, job performed, qualifications of the individuals working in the service, along with the attempts that the manager made to fill the role from normal public service human resources process, and the reasons why outside services were necessary.

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<sup>6</sup> PSAC Submission to FINA for pre-budget consultations, 2019

Furthermore, the Government of Canada has already received similar recommendations from [HUMA's Report](#) on Precarious Work, 2019, in particular, the recommendation<sup>7</sup>:

That Employment and Social Development Canada work with other federal government departments and agencies to review human resources practices with a view to:

- reducing reliance on temporary agency workers and solo self-employed.
- improving protections of temporary agency workers and solo-self-employed to ensure that they enjoy the same level of occupational health and safety protections and access to workers compensation; and
- reviewing human resources policies and budgeting practices to ensure that they incentivize hiring employees on indeterminate contracts.

### **Other suggested material**

The committee may find helpful information in:

- [For the Public Good: The growing threat of privatization and workers' proposals to protect our future](#) Canadian Labour Congress, 2020
- [The Shadow Public Service](#), CCPA, 2011
- [Back in House: Why Local Governments are Bringing Services Home](#), Columbia Institute, 2016
- [Public Services, Private Profits: The Political Economy of Public-Private Partnerships in Canada](#), John Loxley, Salim Loxley, 2010
- [Pandemic consulting. How private consultants leverage public crisis management](#); [Pandemic consulting. How private consultants leverage public crisis management](#); Vogelpohl, Anne & Hurl, Chris & Howard, Michael & Marciano, Reut & Purandare, Uttara & Sturdy, Andrew. (2022). Critical Policy Studies.
- [Professional Service Firms and Politics in a Global Era Public Policy, Private Expertise: Public Policy, Private Expertise](#). Hurl, Chris & Vogelpohl, Anne. (2021).
- [The Big Four: A Study in Opacity](#). Richard Murphy, Saila Naomi Stausholm, 2017
- Donald J. Savoie, [Government: Have Presidents and Prime Ministers Misdiagnosed the Patient?](#), McGill-Queens University Press, 2022.

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<sup>7</sup> [HUMA Report on Precarious Work, 2019](#)