



## **CPRN DISCUSSION PAPER**

### Restructuring the Corporate Function in Government: A Case Study of the Integrated Justice Sector Corporate Services Division in Ontario

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December 1999

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## Foreword

Governments in Canada have undergone a period of unprecedented change throughout the 1990s. External pressures and the need for fiscal restraint have led them to reevaluate their services to the public and reduce the size of their workforces. This widespread restructuring has had tremendous human resource implications for governments, public sector unions, and for employees.

However, there was no clear understanding of the nature and magnitude of the changes that were affecting government work and workers at the workplace level. To fill this information gap, CPRN initiated a large-scale project on Human Resource Issues in Government. Launched in early 1997, this project was based on a research design that was jointly developed by Gordon Betcherman, Network Director at that time, and Anil Verma of the University of Toronto. The overriding goal of this Project is to generate new applied knowledge that will help the federal and provincial governments and civil service unions redefine the strategies, policies, and procedures needed to transform the public service. The Project is based on the belief that this transformation must include the development of both efficient and innovative workplaces and a healthy, motivated, and skilled workforce.

The research is guided by a Project Advisory Committee that includes representatives of the sponsoring organizations as well as experts in the field. The sponsoring organizations include three federal agencies (Human Resources Development Canada, the Public Service Commission, and Treasury Board Secretariat), four provincial governments (Nova Scotia, Ontario, Manitoba, and Alberta) and the Public Service Alliance of Canada.

The research is organized into a number of key research areas. The first group of studies sets the context for the overall project by describing how the environment shaping human resources in government is changing. They provide a statistical profile of employment trends<sup>1</sup>, an analysis of trends in labour-management relations<sup>2</sup>, and a comparative analysis of public-private compensation trends.

The next set of studies is based on two large-scale surveys, one of managers responsible for units of between 5 and 100 people and the other of government union representatives. Reports on these surveys will address technological change in the workplace,

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<sup>1</sup> Peters, Joe, *An Era of Change: Government Employment Trends in the 1980s and 1990s*. Human Resources in Government Series. CPRN Study No.[03] (Ottawa: Canadian Policy Research Networks, 1999). Also see Work Network Research Highlights -- An Era of Change, No. 1, Spring 1999.

<sup>2</sup> See Swimmer, Gene (ed.) (forthcoming, OUP Press), *Public Sector Labour Relations in an Era of Restraint and Restructuring*. Also see Work Network Research Highlights Number 2, Summer 1999 – The 1990s: A Turbulent Decade for Labour Relations in the Public Service.

organizational change and human resource management innovation, flexible work arrangements, and industrial relations issues.<sup>3</sup>

Surveys such as these are extremely valuable in providing information on trends and patterns in a large number of workplaces. However, in order to illuminate the actual process of change, how it is implemented, and its effects, we looked in more detail at specific workplaces, conducting four case studies.<sup>4</sup> The case studies serve as illustrations of the kinds of changes that are taking place in government workplaces – changes that clearly have significant implications for how government employees do their work and for how they are managed. Case studies such as these can be useful in identifying lessons learned and can help to inform the workplace change process across government.

On behalf of CPRN, I wish to extend my sincere thanks to the many individuals who contributed their time to the case studies. The insights they provided were invaluable in helping to make the change process come alive. I also wish to thank the authors of the four case study reports for working to provide these real-life stories of transformation in government. In examining these changes in more detail, we hope that other units in government can not only profit from the experiences we have documented, but also can see that change is possible, although not always easy.

Graham Lowe  
Director, Work Network

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<sup>3</sup> The remaining studies and discussion papers in the Human Resources in Government Series will become available throughout the year 2000.

<sup>4</sup> Lonti, Zsuzanna, “Restructuring the Corporate Function in Government – A Case Study of the Integrated Justice Corporate Services Division in Ontario,” Human Resources in Government Series, CPRN Discussion Paper W/06; Lonti, Zsuzanna, “Industry Self-Management as a Strategy for Restructuring Government: The Case of Consumer and Commercial Relations (MCCR) and the Technical Standards and Safety Authority (TSSA) in Ontario,” Human Resources in Government Series, CPRN Discussion Paper No. W/07; Peters, Joseph and Katie Davidman, “Aeronautical and Technical Services – Natural Resources Canada,” Human Resources in Government Series, CPRN Discussion Paper No. W/08; and Rastin, Sandra “Outsourcing of the Engineering Design Process in the Alberta Transportation and Utilities Department,” Human Resources in Government Series, CPRN Discussion Paper No. W/09.

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## **1. Introduction**

Governments of all stripes are undergoing fundamental changes in what they do and how they do it. Pressures for changes in government are coming from a variety of sources, including increasing global competition, fiscal crises arising from economic slowdowns, technological changes, an aging population, shifts in guiding philosophies and ideologies, public dissatisfaction with government efficiency and the quality of public services, and increased public demand to participate in the design and delivery decisions regarding public services. Due to these pressures, the nature of government work is changing, which in turn, requires a different set of skills for government employees and the introduction of new workplace practices. The main purpose of this case study is to examine how government work is changing and to analyze the corresponding changing skill requirements and workplace practices from the perspectives of multiple constituencies.

In this case study we examine the changes taking place in corporate services in the Justice Sector of the Government of Ontario. The Justice Sector in Ontario encompasses two ministries: the Ministry of Attorney General (MAG) and the Ministry of the Solicitor General and Correctional Services (MSGCS). MAG oversees all aspects of administration of justice and ensures that administration of public affairs is in accordance with the law in Ontario. MSGCS is responsible for police services, public safety and security, the operation of correctional facilities and the provision of probation and parole services in Ontario. The key objective of the restructuring described in this study was to integrate the corporate services of the two ministries for greater efficiency. The two ministries together employed 40% of the Ontario government employees working in the provincial police, courts, jails, and in public prosecutions in 1998. Prior to integration, corporate services in the Justice Sector comprised finance and administration, human resources, information technology, audit services, freedom of information, French language services and facilities management.

This case study site was selected for detailed examination for several reasons. First, it allowed examination of changes in internal government services that were provided to inside clients. In most jurisdictions where governments carried out restructuring of public services, corporate services were reviewed early in the process and often contracted out to private sector deliverers, at least partially, if not fully. The restructuring of corporate services in the Justice Sector presented a unique solution to the problem of efficient and effective delivery of government services. It was the first shared services delivery mechanism created in the Ontario government and became a model for restructuring of corporate services affecting all ministries in Ontario. Secondly, the restructuring of corporate services in the Justice Sector allowed analysis of changes in government work and workplace practices precipitated by both fiscal constraints and technological changes. Last, the Division carried out separate surveys of employees and customers, which complemented our case study design and allowed a more thorough examination of the impact of the restructuring.

We describe the environmental pressures leading to the restructuring of the corporate services in the two ministries, followed by a detailed description of the process of restructuring. Changes in the nature of work and its implications for workplace practices are showcased by focusing on one of the smaller units of the Integrated Justice Corporate Services (IJCS) Division. We discuss very briefly what was known in the summer of 1998 about the next phase of restructuring of corporate services, the creation of the Shared Services Bureau, and how it might affect the IJCS Division. Finally, we analyze the impact of the restructuring on the corporate services functions, on the work of the ministries, on employees and on the union representing them.

## **2. Methodology**

The case study site was selected with the help of Ontario Government officials. Changes in the nature of work and workplace practices are described by focusing on the workplace level, where people are working in small to mid-sized groups, generally less than 100 people. Focusing on this organizational level made the observation of changes in workplace practices relatively easy, while the presence of a distinct workplace culture could also be detected. The work unit in this case study is the Strategic Procurement Unit (SPU), of the Financial and Administrative Services Branch (FASB) of the IJCS Division. The unit had responsibility for procurement, mail and print services, and moveable assets.

The study relies on interviews with key employees. Interviews were conducted in the summer of 1998 with the manager of SPU; the director of FASB; the Assistant Deputy Minister (ADM) heading the IJCS Division; the past local president of the major union representing employees at the Toronto location of the Division at the time of the restructuring in 1996 and 1997, and the new local president. Interviews were semi-structured. A set of questions was developed in advance for each interviewee. This list of questions was provided to each interviewee as a guide. Further questions in specific areas were added whenever the need arose to probe further in the initial and any follow-up interviews.

Relevant documents and administrative records were also reviewed. These included a presentation prepared by the IJCS Division entitled, "The Journey. Service Integration for the Justice Enterprise," copies of service agreements, including the 1998/99 Catalogue of Services of the Integrated Justice Corporate Services Division and the 1997/98 Business Plan Support Initiatives between the Criminal Law Division and IJCS Division; job descriptions; FASB's training strategy; lists of Delegation of Spending Authority Levels; and documents related to the creation of the Shared Services Bureau and its impact on IJCS Division.

The manager of SPU and the director of FASB were asked to fill out the Survey of Workplace Issues in Government<sup>5</sup> (SWIG) before the interviews took place. Information from SWIG allowed the researcher to gain a basic understanding of the work of the units, their workforce, and workplace practices before the interview took place. The IJCS Division conducted a Survey of Work Environment and a Customer Satisfaction Survey in 1998. The results of these surveys are included in this case study as well.

### **3. Model of Change in the Government Sector**

The case studies follow a model of change developed for the government sector (Betcherman and Verma, 1996). This model posits that external factors, such as the need for spending reductions, technological innovations, demographic changes, and shifting expectations of the public, are forcing governments to rethink what they do and how they do it. As a result, the nature of government work is changing. There is increased emphasis on the quality of services; a shift away from government delivery of services to government control of service outputs and outcomes; increased autonomy of service providers and greater transparency of their work; and renewed emphasis on knowledge generation and dissemination.

The changing nature of government work in turn requires workers with new skills and the adoption of new workplace practices. Government employees need to become more service-oriented and more flexible. They need to adapt to rapidly changing technology, become more highly skilled and multi-skilled. The move from direct service delivery to the control of outputs and outcomes requires people with different skills: people who can develop guidelines to enable decentralization in decision-making and who are familiar with performance measures and other methods of control. New workplace practices in government may encompass new forms of employee involvement, more information sharing with employees, greater reliance on teamwork, increased employee training, multi-skilling, job enlargement, job enrichment, and the introduction of new compensation practices, such as pay for performance (OECD, 1996).

These changes also create a challenge for the unions representing government employees. Most urgently, unions are confronted with the labour adjustment consequences of government restructuring and the laying-off of their members. Their utmost concern in this case is to ensure that due process is followed. At the same time, they might be presented with the opportunity to participate more actively in the restructuring decisions, gaining more knowledge about the future direction of work in government and the impact it will have on their members.

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<sup>5</sup> The Survey of Workplace Issues in Government was conducted in 1998 as part of the HRG project in the Federal government and the governments of Nova Scotia, Ontario, Manitoba and Alberta.

#### **4. Environmental Pressures in Corporate Services**

The Progressive Conservative (PC) government, elected in Ontario 1995, had a business-like vision of smaller, more integrated common services that could take advantage of economies of scale. When the government took office each of the eighteen ministries carried out very similar corporate services functions in almost eighteen different ways. The PC government early in its mandate announced that there would be a 30% government-wide reduction in administration expenses in a two-year period. As a result, each ministry was directed to review its administrative services and develop solutions to achieve those savings.

At the same time, technological advances enabled the reorganization of corporate services by the creation of shared services and the decentralization of some corporate functions. Major changes included new computer technologies, such as the intranet, Internet, e-mail, and other non-technological innovations such as the introduction of a purchasing card. These new technologies removed distance barriers, ensured instant communication, and allowed clients direct access to corporate services, information and resources.

#### **5. Restructuring of Corporate Services in the Justice Sector**

The Justice Sector Corporate Services Integration project built on a shared vision of the justice system. It aimed to achieve greater efficiencies and higher productivity by integrating corporate services in the two ministries through *process simplification* and *standardization*, with the explicit goal of achieving the required 30% in savings over two years. During preparations for the “Estimates” process, the budget approval process in government, senior management in the corporate and information technology (IT) divisions in the two ministries conceived the idea of service integration: consolidating administrative services and IT services into two divisions serving both ministries.

The service integration project covered business support function areas such as finance and administration, IT, audit services, freedom of information, French language services, and facilities management. Prior to the integration, in MSGCS there was one ADM responsible for IT and another one responsible for Corporate Services. At the time of the restructuring the position of the IT ADM was vacant. At MAG, the IT function was headed by a director and there was an ADM of Corporate Services. The new organizational structure created two amalgamated ADM positions from the three ADM positions in the two ministries. The ADM for IT was consolidated for both Ministries at MSGCS. The remaining corporate service functions were amalgamated under an ADM at MAG, who became the head of the IJCS Division. The new ADMs were reporting to both Ministries’ Deputy Ministers. Strategic corporate functions such as business planning, fiscal planning and human resources, including workforce planning, organizational development, change management and labour relations, were retained separately in each ministry. These strategic functions migrated to new business planning divisions, created

in both ministries. Our case study examines the experiences of the IJCS Division in greater detail (see organization chart in Appendix).

The restructuring of corporate services started at the end of July 1996. The setting up of the IJCS Division was carried out in two phases: Phase I focused on the development of the implementation plan and Phase II on actual implementation. The main change agent for the restructuring was the Service Integration Project, led by a project director. In Phase I the ADM for the new IJCS Division and the new directors were announced and the work for the creation of the new organization was carried out. These included the design of the new organization, identification of core services and re-engineering opportunities, creation of a broad managerial mandate, and the development of a human resources strategy and core competencies. New managers were selected by January 1997. With the creation of the new IJCS and IT Divisions the number of managers (including managers, directors, and ADMs ) was reduced from 60 to 44.

In Phase II the new organizational design was implemented. During this phase, several positions were reclassified, new job descriptions were developed for new positions, and critical vacancies in the Division were filled. As re-engineering initiatives were implemented, affected employees were surplus. Common standards, delegation of financial authorities and policies were developed. Service level agreements with major customers were negotiated. Standard policies to operate the common financial system were introduced and direct client access to the system was implemented and electronic commerce opportunities were enhanced. The audit function was transformed to control and risk management. The restructuring process was supported by increased training activities and enhanced communications among senior management, middle management and staff. There was extensive direct information sharing with staff at section meetings, wide distribution of materials through newsletters and the intranet, and at special staff meetings (see more details in sec.9).

As a result of the integration of corporate services in the two ministries, 30% of the positions in the two ministries in areas that became the IJCS Division became redundant. This translated into 60 positions, of which fifteen positions were vacant at the time. Thus 45 people were surplus. Senior management estimated that nearly 35 were able to relocate to other government departments, and 10 employees left the Ontario Public Service (OPS).

Major barriers to integration of corporate services were identified by senior management. These included labour relations barriers, where existing policies hindered transformation and did not enable the organization to retain the required staff with the appropriate skill sets, and incompatible technology across the two ministries, including both hardware and software.

## **6. Organizational Structure and Responsibilities of the New Integrated Justice Corporate Services Division**

The new IJCS Division consisted of five units. There were three branches: the Audit Services Branch, Facilities Management, and FASB, headed by directors; and two smaller units: the Freedom of Information and the French Language Services units led by coordinators/managers. The Division employed over 200 people in the summer of 1998. The activities of the Division entailed a mix of policy and standards setting, corporate controllership, and transactional functions. The Division operated at three geographic locations: Toronto, North Bay and Orillia.

The Audit Services Branch employed 18 people in 1998. The audit function went through a major transformation as part of the restructuring placing emphasis on control and risk management as opposed to conventional auditing. Facilities Management employed 20 people, including two managers. The Branch was responsible for 40% of the government's real estate portfolio.

FASB had responsibility for accounts payable, procurement, controllership, payroll, general administration, mail operations and printing services. The Branch employed 170 people in the summer of 1998 in Toronto, North Bay and Orillia. The director of FASB had previously been the director of Finance at the Ministry of Attorney General since 1994.

## **7. Changing Nature of Work - Experiences of the Strategic Procurement Unit**

We studied the changing nature of work, the corresponding human resource management issues and new workplace practices by analyzing the experience of the Strategic Procurement Unit (SPU). The unit was part of FASB and employed 36 people in the summer of 1998. It was responsible for strategic procurement, the mailrooms, the printshop and moveable assets. The manager of the unit took the position in the summer of 1997 after the restructuring of the unit had taken place. However, she was very familiar with the changes that had taken place in the unit, as she had been a project advisor in the Service Integration Project, which developed the plan for migrating to the new integrated divisions.

### **7.1 Procurement**

One of the factors that drastically changed the nature of work in procurement was new *technology*. Due to the new computer technologies geographical limitations disappeared. The greatest technological change for procurement was the introduction of an *intranet*, which serves the government exclusively, and *e-mail*. As part of *E-commerce*, all standing agreements for the purchase of certain commodities at a given price were posted on the intranet. Clients were encouraged to use the standing agreements as they

offered the lowest price negotiated reflecting a volume discount. Clients could then order goods directly from the standing agreements, without the involvement of procurement. Linkages were also set up to intranet sites at Management Board and other ministries, providing clients with access to other standing agreements. The purchasing manual and policies were also available on-line.

Changes in the *local purchasing authority*, which allowed clients to carry out routine purchases within certain financial limits, was another major factor in changing the work of SPU. Local purchasing authority had dramatically increased since April 1998 both in terms of increased dollar limits for purchasing, and in terms of process, with the introduction of the *purchasing card*. The purchasing card works like a credit card and provides instant payment for purchases. The client receives a monthly statement, similar to statements that individuals receive when they use their credit cards. The purchasing card operates with automatic dollar ceilings. Some types of purchases are excluded from the use of purchasing cards (e.g. fur coats). The use of the purchasing card removed work from the purchasing unit by not having to issue small dollar value purchasing orders. Consequently, the accountability of local managers had increased. Local purchasing authority and the purchasing card implementation shifted procurement accountability to clients who directly ordered and paid for the various goods and services.

The changing business requirements of the Ministries created a greater need for *requests for proposals* (RFP) as opposed to tenders. Tenders are generally used for goods when the client knows all the specifications of the product it wants to purchase, while RFPs are generally services where the client knows the outcome but not the specific solutions. The shift from tenders to RFPs had a major impact on the work of SPU as well. More than ever, clients needed advice on how to prepare and evaluate RFPs. Clients were turning to SPU for creative procurement solutions and options. SPU staff had to be knowledgeable of leading edge procurement trends and current procurement methods such as alternative service delivery, partnerships and common purpose procurement.

Another major pressure facing corporate services after the integration was increased demand for their services at a time of shrinking corporate resources. Corporate services more and more had to respond to last minute requests for assistance. With fewer resources in corporate services, accommodating these sudden requests became more and more difficult. As a result, *service planning with clients* gained special importance. Clients were informed about the level of services SPU provided them in the previous year. Information was collected on the clients' planned activities, allowing SPU to plan their service levels accordingly. In cases of additional, unplanned demands from clients, the Branch required clients to provide extra funding for such requests. Service planning complemented service agreements with clients. The service agreement catalogued the services provided by the Branch and listed the rights and responsibilities of both the client and the service provider. The agreements included benchmarks for all services. A service agreement was developed for all the divisions in the ministries.

In summary, prior to these changes, purchasing officers double-checked clients' purchasing orders; verified whether signatures were appropriate; contacted the vendor; and actually carried out the purchase. Buyers specialized in particular commodities: one officer was responsible for purchasing furniture, the other for clothing, etc. Each officer had his or her vendors' list for the products for which they were responsible. Their work was process-oriented paper work with some "policing" overtones. The increased ability of clients to purchase routine items directly meant that purchasing had less work in approving or carrying out smaller purchases. The work in procurement had changed. For high value items, SPU still processed purchasing orders and bought those commodities for the clients. Otherwise the emphasis shifted to providing advice on how to carry out their direct purchases, including the use of vendors of record negotiated by purchasing, how to develop RFPs, how to handle the competitive tendering process, and how to evaluate the bids. SPU started to analyze trends in the purchasing activities of their clients, and planned its workload accordingly. It treated its work more like a business, analyzing the inputs and the processes on how inputs are converted into outputs. SPU also began to market their services to their clients. Generally, SPU experienced a movement away *from performing transactional processes to a value-added, advisory role.*

## **7.2 Mail Services**

Mail services went through a *consolidation* as part of the integration project. The MSGCS mailroom at one location was closed and mail services were consolidated at MAG in its head office. The two mailroom sites in Toronto employed different mailroom equipment. The better of the equipment was chosen and utilized. There were different service levels at the two ministries. At MSGCS mail was delivered twice daily, at MAG once a day. At MSGCS the mailroom handled and paid for special deliveries. With integration, service levels were standardized for consistency. Mail is now delivered once daily and MSGCS clients are required to pay for special delivery services. Financing of postage was carried out in the following way: each division had a free usage limit, which was paid out of a central budget. Anything above that limit was paid by the client. The mailroom covered courier costs if it was deemed to be core business activity, meaning couriers from head office to other government offices. The business practices of the mailroom were developed in part in anticipation a government-wide initiative to privatize the mailroom function. However, the privatization idea was replaced by a decision to internally re-engineer and consolidate the mailroom functions across all ministries in the vicinity of Queen's Park, which took place in the summer of 1998.

## **7.3 Print Operations**

The print shop operated on a full cost-recovery basis. Its main business was printing court forms. As part of the service integration project, form designers were first transferred to the new IT Division and were subsequently laid off as printing of all Ministry forms was done by an outside provider. With this move the printshop lost half of its business. The printshop had had an annual gross income of \$500,000 that declined to \$200,000 after integration. Since MAG was planning to keep the printshop, SPU

developed a new marketing strategy to increase its business. The marketing strategy included a client survey asking about satisfaction with the service, and suggestions for improvements and new services. In addition, the printshop had outdated machinery, which was slow and plagued with maintenance problems. IJCS Division was considering technical improvements in the printshop by introducing new printing equipment, colour technology, online requisitioning, and electronic submissions of print jobs.

## **8. Changing Skill Requirements**

The changing nature of work in corporate services required different skills in employees. The general direction was less “transactional” work and more “advisory” type of work in SPU. While the “old” work was process and control oriented, the “new” work required analytical and problem solving skills, focusing on serving the clients as opposed to controlling them. In procurement, a new type of position with new core competencies was developed. Historically, purchasing officers were hired based on their related experience and their understanding of the government’s purchasing process and purchasing policies. These positions required mainly transactional, document processing skills. The changing nature of procurement brought about the need for additional skills. These included communications, consultation, problem solving and negotiating skills, which enabled employees to advise and train clients on their new purchasing accountability, developing RFPs, etc.; analytical skills for understanding trends in clients’ procurement activities; writing skills for developing template RFPs; the ability to work in teams; customer services skills; and knowledge of new technology.

These skills formed the basis of the new Contract Management Consultant (CMC) positions created in SPU. At the same time, purchasing officers were required to acquire some level of these new skills as well. CMCs possessed superior skills in all these areas and, in addition, would be able to lead teams and supervise staff. Four CMC positions had been created: one in North Bay, one in Orillia, and two in Toronto. The new CMC positions were filled by competition. The competitions were restricted - meaning that only existing government employees could apply. Almost all purchasing officers from the IJCS Division applied for the new positions. Of the four new CMC positions two were won by existing purchasing officers in the Branch, one by a senior purchasing officer from another ministry, and the other by another employee with information technology background, including purchasing and RFP development experience.

While procurement officers are members of the Ontario Public Service Employees Union (OPSEU), the new CMC positions belong to the professional union, AMAPCEO. There were some grievances filed related to the creation of the new positions.

In the summer of 1998, SPU had 4 CMC positions and 10 purchasing officer positions. The purchasing officers were specialized by commodities: consulting, furniture, clothing, equipment, etc. CMCs handled the more complex RFPs and worked with clients to find alternative and creative solutions to their procurement problems. CMCs created template RFPs for consulting and for commodities. CMCs were also responsible for

special projects, such as the creation of an intranet based RFP library, the development of marketing/savings reports. CMCs were active in the procurement service planning process that had started in 1997.

## **9. Workplace Practices**

### **9.1 Classification**

The changing nature of work and the new skill requirements in corporate services required consolidation of some job classifications. Approximately 40 job specifications were reduced to 12. The new job specifications were drafted by managers, and were given to staff for comment. Some of the new classifications became the target of grievances, e.g., clerical classifications “8”, “9”, and “10” in the new job specifications became a “9”, and although employees in classification “10” were red-circled, meaning that their salaries remained unchanged, they grieved the “downgrading” of their jobs.

### **9.2 Training**

As indicated earlier in sections 5 and 8, training was a key part of the restructuring strategy of corporate services. Soon after the integration a “Managing Transitions” workshop was held for managers. Directors participated in coaching sessions to enhance their skills for providing feedback to managers. All staff had the opportunity to participate in “Managing Change”, “Understanding the Entrepreneurial Spirit “ and “I-CAN” workshops.

FASB dramatically increased training of their existing employees. According to senior management, in 1997 and 1998 employees received more training opportunities than in the previous 10 years. Courses were offered in new technology, teamwork, problem solving, and customer services. Regular section meetings were held to solve new problems and to share information. FASB developed an annual training plan, which was built up from the necessary content perspective, e.g. the need to improve analytical skills of employees resulted in training in that area. Each unit of FASB developed a training strategy. Training was financed from ODOE, as senior management did not feel the need to create a separate budget for training. Senior management considered their training efforts as quite successful.

SPU started planning their training activities in 1998. The impetus for increased training came from senior management. A generic training framework was developed by management based on the new skills that were crucial to the successful operation of FASB. Employees were asked to identify their own training needs. The unit’s training strategy was built by incorporating the employees’ individual training plans into the generic training framework. SPU also formed an Education Committee in March 1998 with six volunteers, to set training priorities for the year. Committee members included the manager of SPU, three purchasing officers and two CMS. SPU committed a training budget of \$23,000 for the 1998/99 fiscal year. The first staff training session in June 1998

was devoted to RFP development. SPU staff participated in other training offered jointly by the IT and IJCS Divisions, including customer service and facilitation skills.

### **9.3 Employee Involvement**

Senior management considered communication with staff a crucial element in the success for the restructuring. There were weekly service integration meetings among ADMs and directors. Regular face-to-face staff meetings were held with ADMs attending. A monthly newsletter, entitled “Transformation”, was published and distributed to all staff of the integrated divisions and to external stakeholders. “Transformation” bulletin boards were installed where information on the integration and change management process was posted. The Division established a “Change Council”, a forum for staff to have a “voice”. An Employee Survey conducted by the new divisions, which will be discussed in detail in sec. 12, was devised by the Council. Division staff made presentations to stakeholders on the status of the project and the expected impact of it on them. SPU used brainstorming sessions to collect ideas and a small group of selected employees (1-2 people) was asked to develop a solution based on those ideas.

### **9.4 Compensation**

Compensation rules are set centrally for all government employees. Compensation of unionized employees is governed by the terms of the respective collective agreements. These rules did not change as a result of the restructuring of corporate services in the Justice Sector. Merit increases, for both OPSEU and AMAPCEO members were approved by their managers. Merit increases, in theory, are based on the results of a *performance appraisal* carried out for each employee. In practice, performance appraisals were extremely rare.

At SPU, performance agreements were developed for CMCs in 1997/1998. The manager of SPU was planning to set up performance agreements with all other staff in the unit for 1998/99. The staff initially expressed some resistance to the process, especially long serving purchasing officers, who were at the ceiling in their salary grades and could not receive increases. While performance management was used government-wide for some time, many procurement staff had not received performance appraisals in over ten years.

*The Senior Management Group (SMG)* was under a somewhat different *pay-for-performance* system, designed centrally for all government departments. Their compensation depended both on the performance of the Ministry they worked in – as evaluated by Cabinet Office and the Premier’s Office - and on their individual performance, rated in comparison to the individual targets set out in their individual performance contracts. All SMGs, including the Deputy Minister, had performance contracts with their superiors. Individual performance ratings had three categories: did not meet, met, and exceed expectations, with an annual quota attached to the “exceed”

category. Performance bonuses were awarded to those who were at the top of their salary band.

## **9.5 Performance Benchmarks at SPU**

SPU developed performance benchmarks for the unit's work in 1997. Activities measured were:

- the standard turnaround time from receiving a requisition to issue of purchase order;
- the number of purchase orders below \$5,000 (the unit tracks these because most of these purchases should not go through the unit due to the implementation of the purchasing card);
- client satisfaction with RFP advice: slated to be introduced in 1998 - the Division's RFP process would include in each case a short feedback questionnaire as part of the procedures to close an RFP file;
- the turnaround time to review first draft of an RFP received from the client.

## **9.6 Survey of Customer Satisfaction**

IJCS Division carried out a Customer Satisfaction Survey in June 1998 in order to establish a baseline for evaluating its services. The survey was developed by a group of employees. All directors and managers of the two ministries were targeted as respondents. Clients were asked about the timeliness, reliability, responsiveness and accessibility of the different services provided by IJCS Division and their overall satisfaction with IJCS Division's services. The response rate was 43% from MAG clients and 16% from MSGCS clients. Management reported that there were problems in getting the survey out to their clients at MSGCS and they were in the process of re-sending the surveys to those areas in the summer of 1998.

The results of the survey were reported by client division, by the services provided by the IJCS Division, and by the two ministries. On a scale of 1-5, the overall satisfaction with the services of IJCS Division was rated at 3.5 by clients in both ministries. Clients from MAG reported problems with payroll services and the services provided by the facilities department. Purchasing and mail services provided by SPU, received relatively high ratings on most aspects of customer satisfaction measured by the survey. MAG clients rated those services around 4, while MSGCS clients were somewhat dissatisfied with integrated mail services. However, this should be treated with caution, as the response rate to the survey from MSGCS was quite low. In both ministries clients complained about the impact of downsizing and integration on corporate services. Senior management was encouraged by the results of the survey overall, given the large number of changes that had taken place and the loss of 30% of positions. No specific action was taken as a result of the survey, except to feed the results back to the units for their own planning and appropriate response.

## **10. Employment Effects at the Strategic Procurement Unit**

At SPU, restructuring involved the integration of procurement functions between the two ministries, providing for savings based on economies of scale. The changing nature of the procurement work – such as the introduction of the purchasing card - also provided grounds for personnel reduction. Overall, seven people were laid off in procurement in two phases: one group in May 1997, another in July 1997. Of those seven, two people took the severance package and exited the Ontario Public Service (OPS). Of the remaining five staff, three found other government jobs, one was kept on temporary assignments and might be bridged to pension, and the remaining person went on temporary leave.

With the merging of the two Toronto mail rooms, one position was eliminated. In the summer of 1998, due to the government-wide consolidation of mail functions, seven mailroom employees in Toronto were transferred to Management Board. At the Orillia mailroom there was also some downsizing. Four employees were transferred to the mailroom from other parts of the operations and consequently were surplus. With the dramatic decline in business for the printshop, staffing was reduced from four to two through retirement, and by not filling a temporary vacancy.

## **11. Union-Management Relations**

### **11.1 The Local Union**

Most of the employees affected by the corporate services integration project were members of the Ontario Public Service Employees Union (OPSEU). Since OPSEU Locals are organized on a geographical basis, the affected employees who worked at several locations in Toronto, North Bay and Orillia belonged to several different Locals of OPSEU. The largest group of affected employees worked in Toronto. As a result, we sought the views of the Toronto local of OPSEU on service integration and its impact on their members. The Local Executive consisted of one president, two vice presidents, a treasurer and a secretary. There were approximately 20 shop stewards in the local. Generally, there was one shop steward in every branch. In the summer of 1998 the local had 350 members, mainly clerical workers.

The director of FASB reported a very good working relationship with OPSEU in his previous positions in other ministries. He sought to build a similar relationship at MAG. Prior to the service integration project he succeeded in conducting regular quarterly meetings with OPSEU on issues of interest to both parties. However, government restructuring made the union-management relationship more tense. He believed that there still existed a fairly high trust level with the union at his workplace. He also placed increased emphasis on communicating directly with his staff.

## **11.2 Union Involvement in the Integration Project**

The OPSEU Local chose not to participate in the restructuring of corporate services. At the Ministry-level OPSEU's involvement in the integration exercise was limited to its participation in the Ministry Employment Relations Committee (MERC). OPSEU had two members on MERC. The employer informed the union at MERC about its restructuring decisions. The local president had been informed about the restructuring developments 1-2 days prior to the general staff meetings, which were held regularly. The union was also notified before individual lay-off notices went out.

The local president at the time of restructuring expressed the opinion that the union's more direct involvement in service integration would not have made a difference. The union would have been seen by members as aiding and abetting the employer, taking away the employees' trust of the union and undermining its credibility. At the same time, he believed that the union should become more involved in the business of the employer. This would make the union stronger. He felt that the corporate services integration project was principally a job-cutting exercise on the part of management. OPSEU members were targeted for lay-offs, while too many management personnel were kept.

The Toronto location was hit the hardest, affecting the most senior employees, who were concentrated in Toronto. This situation caused problems with bumping rights. According to the collective agreement, bumping rights are first confined to a 40-km radius of the workplace. When all possibilities are exhausted in that area, members could then bump to other locations. In practice, only one employee was willing to bump into another area. The different locals of OPSEU co-operated in putting forward a group grievance challenging the employer's right to lay off people based on geographic location and not on seniority. The local at 720 Bay St. filed nearly a dozen grievances related to the service integration project. One of those grievances was a group grievance; all others were individual grievances.

Although OPSEU was not involved in the reclassifications and the creation of new CMC positions, individual staff members were. The union saw the creation of the new CMC positions as an exercise to get rid of purchasing officers. However, management explained that decentralization of purchasing functions required new people with good consultation and advisory skills. The policy grievance relating to the creation of CMC positions did not come from the local at 720 Bay St. The past president of the Local felt that the clients were not ready for the decentralization of corporate services. The consolidation involved two very different cultures in the two ministries, which created difficulties. Job security was also a crucial issue for their members with the upcoming creation of the Shared Services Bureau. The new local president felt that OPSEU should become more proactive: it should do floor audits of jobs, look at job specifications, analyze whether the new jobs or the changes to existing jobs are relevant, how jobs are filled, etc.

## **12. Results of the Employee Opinion Survey**

The Change Council carried out a Survey of the Work Environment in January, 1998. Approximately 190 employees, 42% of staff from the two new integrated divisions, replied to the questionnaire.

The impact of restructuring was clearly reflected in the responses:

- 71% of respondents indicated above average or excessive pressure with workload;
- 63% replied that they were experiencing above average or excessive pressure with respect to uncertainty;
- 62% ,when asked which pressures should be addressed first, identified workload and uncertainty;
- 63% described themselves as enjoying their work and also being interested in doing something more at work;
- 52% ranked job satisfaction as above average or high;
- 76% indicated a “great” or “above average” need for information to be able to do their jobs better; 69% for skills in technology; 67% for access to technology; and 62% for job specific skills.

It is hard to interpret some of these results because of the lack of a reference level. However, they seem to show high levels of workload pressure and uncertainty, and express further need for information, despite management’s increased communication efforts. Job satisfaction measures should be interpreted in the context of the organizational turmoil these employees were experiencing. Management interprets the result that 63% of the employees enjoy their work and are interested in doing more as a significant positive feedback.

## **13. Future of Corporate Services - Creation of the Shared Services Bureau**

The Ontario Government announced the creation of a Shared Services Bureau (SSB) in May 1998, a government-wide consolidation of the management function for corporate services under one common structure. SSB would create government-wide, shared service delivery of a range of business support services including financial processing, purchasing, payroll management and processing, benefits administration, generic training, health and safety services, and certain general administrative services. Business planning support, controllership, strategic advice and service management functions would remain with ministries. SSB would create a centralized delivery mode of standardized corporate services with decentralized access to those services, made possible by the new technology.

SSB was intended to be operational by January 1999. It would be staffed by Ontario Public Service employees and would report to the Secretary of Management Board. Staff most likely would continue to physically reside in the same ministries and

cities, but they would report to this central Bureau. SSB would introduce new technologies, common standards, policies, and templates; it would conclude service level agreements with clients and pursue best practices. The creation of SSB would involve re-engineering of various functions. It had not been decided at the time of this writing whether the management structure would be set up along functional or geographical lines. For the first two years all ministries would be required to use the services of SSB. After that period, ministries could decide whether they wanted to use SSB or some private sector provider. The cost of all corporate services provided by SSB to clients would be charged back to clients, making clients more aware of the corporate services they use and the costs of those services. There might be a two-year grace period before full cost accounting would take place. The Ontario Government is also introducing a single, new financial information system for the whole government.

The IJCS Division would be disbanded with the creation of SSB. Some of the functions carried out by the Division, including French language services, Freedom of Information, Facilities Management and some functions of FASB (printshop) would have new reporting relationships within MAG. Staff was informed about the imminent creation of SSB in the spring of 1998 and management from the Division held staff meetings in all three locations. Management had maintained an information site on the intranet, accessible to all employees. Although it was announced that there would be no job losses in 1998, staff felt that the future remained uncertain.

## **14. Summary and Conclusion**

In this study we have described how budgetary constraints forced, and technological changes enabled, two ministries in the Justice Sector to rethink the type of corporate services they provide and the way they provide those services. Their solution of an integrated corporate service delivery covering the two ministries achieved greater efficiencies and higher productivity through process simplification and standardization, coupled with the simultaneous introduction of new technologies, such as the purchasing card and the use of the intranet. As a result, the nature of work in corporate services changed considerably, requiring new skills of employees. In procurement there was a marked move away from transactional processes, which had some policing overtones, to a more value-added, facilitative and advisory role. As almost all resource flexibility was removed from corporate services, service planning became an imperative. The new skill requirements translated into the introduction of new competencies and the creation of new jobs. The new skill requirements also triggered increased training activities based on a training strategy. Relatively little change was reported in other workplace practices. The service integration project illustrates the importance of direct communication with employees.

Both ministries delivered the required 30% reduction in administrative costs, while keeping service levels relatively stable. Clients rated their satisfaction with the new integrated services as a 3.5 on a 5-point scale, which is understandable, given the speed and the magnitude of change. However, in both ministries clients reported some

dissatisfaction with the integration project, especially its impact on staffing levels at corporate services, and on service levels, where it was reduced, e.g. mail services at MSGCS. Some client managers had mixed feelings about the changes in procurement procedures. On the one hand, it reduced the paper work and purchased items were received much faster. On the other hand, with the decentralization of some of the procurement functions their responsibilities increased, e.g. purchasing card spending and accountability.

The service integration project resulted in a 30% reduction of the affected workforce. At the IJCS Division this translated into 60 positions, of which 10 people exited the OPS. The remaining people were either re-deployed to other ministries within government or retired from service. There was some controversy regarding the new, more highly skilled jobs, created in the IJCS Division. Incumbents of the old jobs felt that they should have automatically qualified for the new jobs with some training. As a result, some individual and policy grievances were launched contesting both the process of creating new positions and the outcomes of the competitions.

OPSEU limited its role in the service integration project to ensuring due process in grieving management decisions and in helping laid-off employees. OPSEU decided not to participate in the service integration project itself.

The restructuring produced significant changes in the nature of work for those employees who kept their jobs. The Employee Survey conducted in January 1998 showed the pressure felt by employees due to the increased workload and to uncertainty. At the same time 63% of the employees reported enjoying their work and willing to take on more responsibility. The Ontario Government considered the Justice Sector Corporate Services Integration project a success and a model for SSB.

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