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**Restructuring Government:
Human Resource Issues at the Workplace Level**

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Preface

This paper was prepared at the invitation of the Public Management Service (PUMA) of the OECD for presentation to an Activity Meeting on Human Resources Management held at the OECD on June 25-26, 1998.

There were 45 participants at the meeting, representing 24 countries. The purpose of the paper was to introduce Session II on "The changing nature of public service workplaces." The paper was well-received and succeeded in stimulating a lively discussion on issues of common concern across OECD countries with respect to human resource issues at the workplace level arising from government restructuring.

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Restructuring Government – Human Resource Issues at the Workplace Level

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1. Introduction

The environment in which governments and public sector employees and unions are operating is changing rapidly. In many OECD countries, a variety of external pressures are causing governments to closely examine what they do and how they do it. Government restructuring, in turn, is leading to significant shifts in the skills required of workers, in behaviours, and in workplace practices. At the same time, it is important to recognize that there is also a great deal of diversity among OECD countries. Not all countries are responding to these pressures in the same way. By focusing on changes that have been taking place in Canada, it is hoped that this paper can offer some lessons as governments work to define their role economically and socially and shape their workforces to achieve their goals.

While all aspects of activity are affected when governments engage in widespread restructuring, human resources represent a particularly important dimension in the process, for several reasons. First, governments are a major employer. Second, labour is an important factor of production, especially in a sector that is focused on service delivery. Third, government activities increasingly involve a technology component and “knowledge work” that is human-capital intensive.

An additional factor to consider is the role of unions in this process of change. In most countries, including Canada, rates of unionization in public administration are high. Effective change therefore cannot happen without a constructive relationship between labour and management. In Canada, the views of labour and management on the current unprecedented wave of restructuring, downsizing and privatization are very different, however, and there is a large gap between the two in their positions on restructuring. There has, in fact, not been an ongoing dialogue between labour and management on many of the issues involved and many labour unions perceive themselves to be structurally and politically excluded from the change process. This inevitably places labour in a reactive position, only able to criticize from the outside. Moreover, collective agreements are often seen by management as an impediment to change.

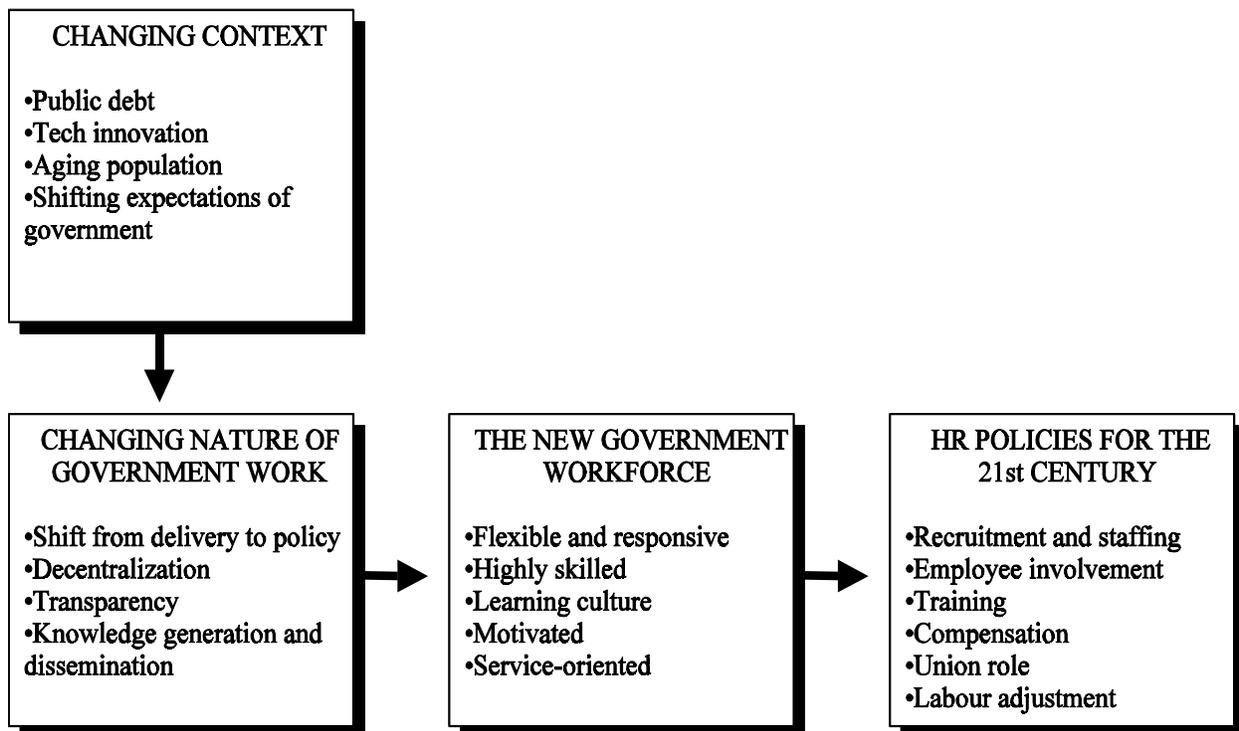
The purpose of this paper is to identify the human resource impacts of government restructuring as it is unfolding in Canada. These impacts are playing out both at system-wide levels and at a more micro level, that is, at the level of individual workplaces. It is the latter that is the focus of this paper. Section 2 presents a conceptual framework that links the context in which governments are operating with changes in the nature of government work, in skill requirements,

and in workplace practices and employment relations. Section 3 discusses the pressures for change and identifies the new directions for government. Section 4 identifies a number of human resource issues that are resulting from government restructuring. These issues are currently the focus of a large scale research study that is being undertaken by the Canadian Policy Research Networks. Concluding remarks are given in Section 5.

2. Conceptual Framework

A conceptual framework to help guide our thinking about how pressures for change are translating into a transformed public service is shown in Figure 1. That framework identifies a number of pressures that are operating at various levels. At a macro, or system-wide level, pressures for change are coming from the external environment. At the meso level, departments and ministries must adapt to changes in their particular circumstances, reflecting differences in the focus of departments and in the details of how restructuring is taking place. The level that is most often overlooked in discussions of government restructuring, however, is that of the micro level, that is, at the level of individual workplaces. This is the level of the work unit into which government work and workers are organized and it is at this level that individual workers are most affected by workplace change on a day to day basis.

Figure 1: A Model of Change in the Government Sector



As governments respond to these pressures, changes are taking place in how they carry out their work. In Canada, the emphasis is shifting away from direct delivery of services toward a greater focus on policy development and knowledge generation and dissemination; there are pressures to decentralize and make government more “transparent;” and there is a growing emphasis on performance-based evaluation both of programs and of employees and a greater focus on results.

All of this has led to serious discussions of alternative service delivery, but only more latterly to human resource issues. Yet, changes in how government is structured have a number of implications for human resource requirements. It is expected that the “new” government workforce will be composed of workers that are highly skilled, motivated, flexible and responsive. An important part of the new human resource management strategy will need to be the development of a “learning culture” which both allows for and fosters an environment in which employees can learn on a continuous basis as skill needs constantly shift. The emergence of a “new” government workforce in turn leads to the need to design new human resource management policies for the 21st century. Key components of these policies include issues relating to recruitment and staffing, employee involvement, performance evaluation, compensation, and labour adjustment. And, all of these issues clearly have important implications for union relations.

3. New Directions for Government

A number of major studies have traced how the changing environment is redefining the “business” of government (for example, in countries such as New Zealand, Britain, Australia, and the U.S.), but there is no real agreement on the precise shape of government activity in the future.

Canada too is now engaged in what appears will be a lengthy process of change. The outcome of that process is uncertain, however, with a number of different futures being possible. A useful way of approaching the question of what the future might look like is to think in terms of alternative scenarios. Given current trends, four different scenarios seem possible:

- an evolutionary model, which implies that the traditional model continues, but with some revisions;
- a market-based model in which privatization, outsourcing, and reliance on temporary and contract workers predominates;
- a participatory or “high performance” model in which incentives and rewards are shaped to the needs of knowledge workers; and
- a deregulation model wherein government’s profile in the economy and society is much reduced overall.

Responses to current pressures suggest that, in fact, elements of each of these scenarios are

apparent at the present time.

Some of the key pressures and their related outcomes are discussed below.

Reduced government spending. In virtually all countries, debt control has emerged as a major issue in the 1990s and a key goal of government has been to control public spending and balance budgets. To achieve those goals, governments have worked to restrict the scope and nature of their activities and to reduce operating expenditures, often, by significant employment reductions and through privatization of the delivery of services and adoption of other modes of alternative service delivery.

A shift in political philosophies. In a number of OECD countries, and certainly in Canada, there has been a shift in political ideologies away from a view that governments should be direct providers of a wide variety of services to citizens to a view that the private sector is best able to meet many public needs. This new view of governments focuses on its role in policy development, in information brokering, and in fostering collaboration between various groups outside government. This shift in the role of government in the economy and society implies a reduction in the size of government and changes in the nature of government work. Together, these outcomes have significant implications for the nature of skills demanded of government workers and for human resource management practices.

Globalization. Globalization and deregulation have raised competitive standards for efficiency, productivity, and quality in both the private and the public sectors. The public sector has a significant impact on national economic performance through its direct impact as a buyer and seller of goods and services, through its indirect impacts on product and labour markets, and because the regulatory environment has significant impacts on the economy (Purchase and Hirshhorn 1994). As noted by the OECD (1990), improving public management is an integral part of structural adjustment needed for better economic performance in a changing global environment.

Emphasis on results. Increasingly, just as in the private sector, governments are being expected to define and apply performance standards in order to measure both their efficiency and their effectiveness. Often, too, that involves the adoption of market-type mechanisms for the delivery of programs and services. Consequently, there is a growing emphasis on performance measurement with respect to efficiency/productivity, quality, and on-time delivery both in terms of output (efficiency) and in terms of outcomes (effectiveness). In terms of human resource impacts, that means that growing attention is being given to innovative practices such as pay-for-results and performance pay.

Information and communication technologies (ICT). The on-going spread of ICT presents governments with the opportunity to change service delivery practices. At the same time, research on the private sector shows that there is a close link between technological and organizational change. Increasingly, that research is pointing to the emergence of new forms of

work organization as the use of ICT deepens within organizations. There is a tendency toward knowledge work and people-centredness and, as problem-solving responsibilities move down the hierarchy, middle and lower management positions are threatened (Frenkel et al 1993). Attewell (1992) notes that ICT heightens “connectivity” or “lateral dependence” in an organization. Together, the features of ICT lead to increases in complexity, responsibility, and accountability for individual workers and requires new managerial approaches and new workplace arrangements.

Changing demographics. Partly in reflection of the aging of the population as a whole, and partly as a result of steps that have already been taken to reduce the size of the public sector, significant aging has taken place in government workforces in Canada. Managing an aging workforce poses different challenges from the case when the workforce is composed of a mix of young, prime-aged and older workers. As populations continue to age, governments will need to compete with the private sector for a smaller pool of young workers. Evidence from the private sector indicates that there is a general trend toward upskilling of the labour force and an increasing employment share of knowledge workers. If, as expected, the same trend continues in government, then competition for this type of worker will be particularly intense.

4. Human Resource Issues

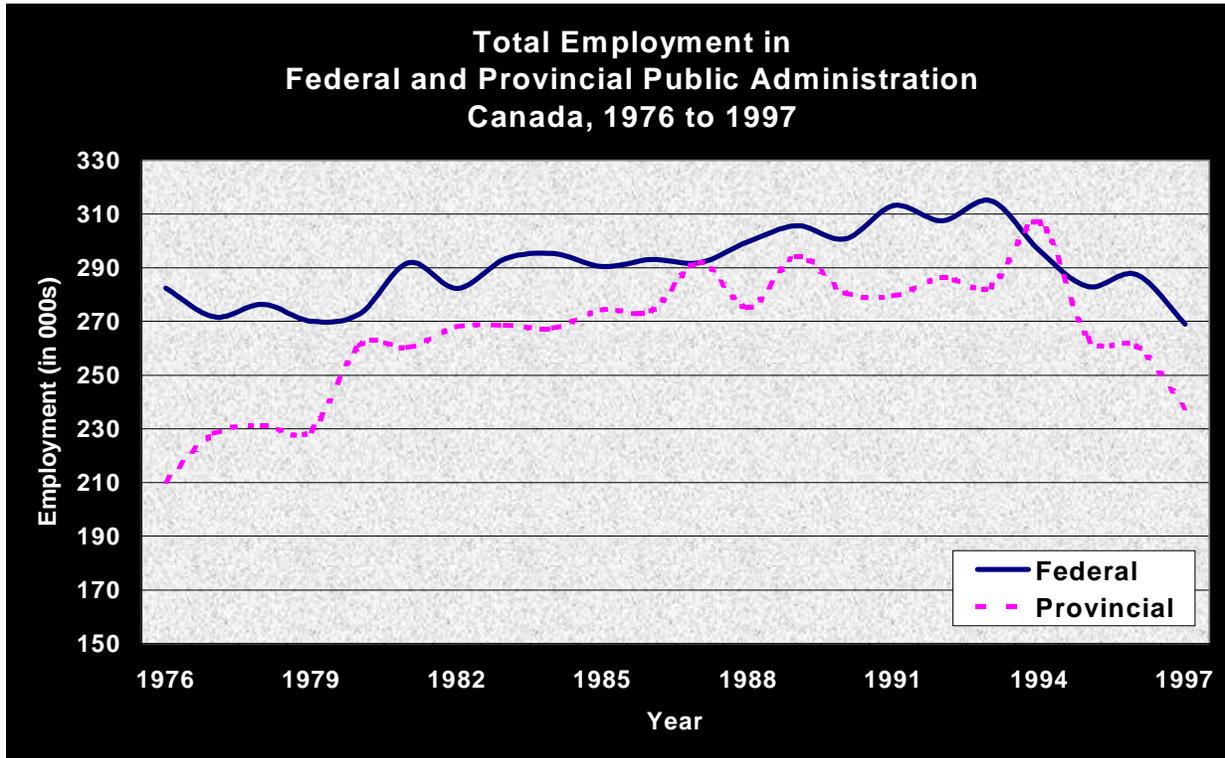
What type of workplace and human resource strategies will best match the evolving nature of government work? The traditional civil-service model in Canada is characterized by clearly delineated job definitions, procedures for merit-based promotions, the linking of greater authority with greater knowledge and expertise, and more recently, the pursuit of equity principles. Governments argue that changes that have taken place over the 1990s call into question the extent to which the traditional model allows governments to meet its new objectives.

Trends in the size and nature of government over the past decade have had, and will continue to have, major implications for government workers and for the shape of government workplaces. Some of these impacts are the result of the process of change itself and of the significant amount of downsizing that has already taken place. Other impacts, however, are still emerging as governments struggle to define themselves and work to identify what their human resource requirements will be in the future. And questions remain as to whether the changes that are currently being experienced will continue in the long term or whether new directions will emerge if the nature of external pressures changes.

It is important to have a sense of the scale of employment change that has taken place in public administration in Canada in the 1990s. Since its peak in the early 1990s, major reductions have taken place at both the federal and the provincial levels, with employment in public administration decreasing 14 per cent and 15 per cent, respectively (Chart 1). This represents an overall decrease of 86,000 workers. In fact, in most jurisdictions, the main strategy used to shrink government budget deficits has been to reduce labour costs through a combination of

employment cuts and salary freezes rather than through increased taxes. This strategy has had implications for work and workers and raises a number of workplace issues. Some of these are discussed below.

Chart 1



Source: Estimates based on Labour Force Survey Data. See J. Peters (forthcoming), Changing Employment in Government: A Statistical Profile, Canadian Policy Research Networks.

Not surprisingly, this environment has had major implications for public sector unions and collective bargaining. In the 1990s, cuts that have taken place have seriously affected notions of job security and collective agreements have been overridden. The result is a difficult atmosphere in which to constructively negotiate new workplace “bargains.” It is important to recognize as well that the nature or tone of labour-management relations at the macro level can have major implications for attitudes and the quality of relations at the workplace level.

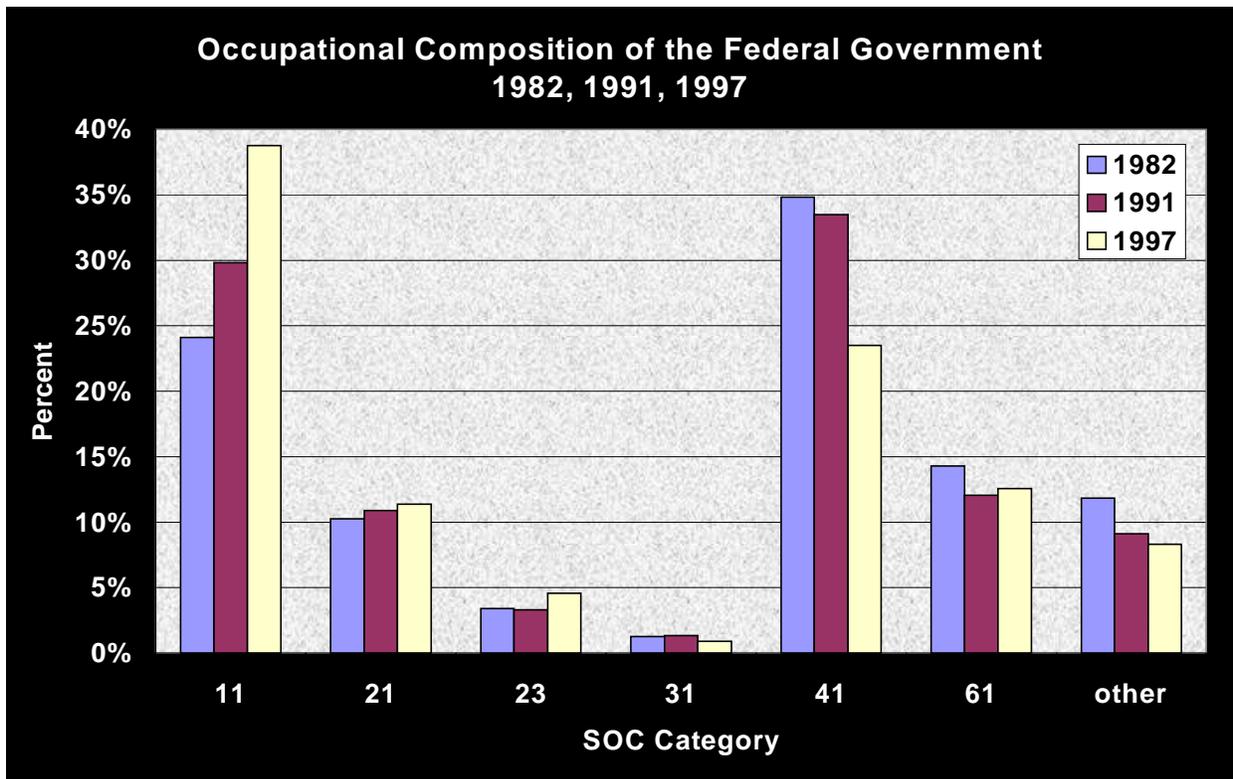
Changing skill requirements

As governments rethink what they do and how they do it, shifts are occurring in their skill needs. Shifting skill requirements have two dimensions – a shift in the occupational composition of

employment and a shift in the types of skills associated with particular occupational functions. Workforce reductions can be undertaken in two ways – as “across the board” cuts that affect all groups equally or as targeted cuts that aim at reducing the size of specific groups while retaining other groups. Analysis of workforce reduction strategies at the federal level in Canada shows that the targeted approach predominated, with more highly skilled, knowledge-based workers being spared the brunt of the cuts. Examination of time series data for the 1982-1997 period for both the federal and provincial levels of government also shows this pattern. This strategy is consistent with a shift in the focus of government away from direct service delivery to strategic planning and policy development.

During the period of significant downsizing, employment in the managerial and administrative services group increased substantially, federally and provincially (Chart 2 and Chart 3).

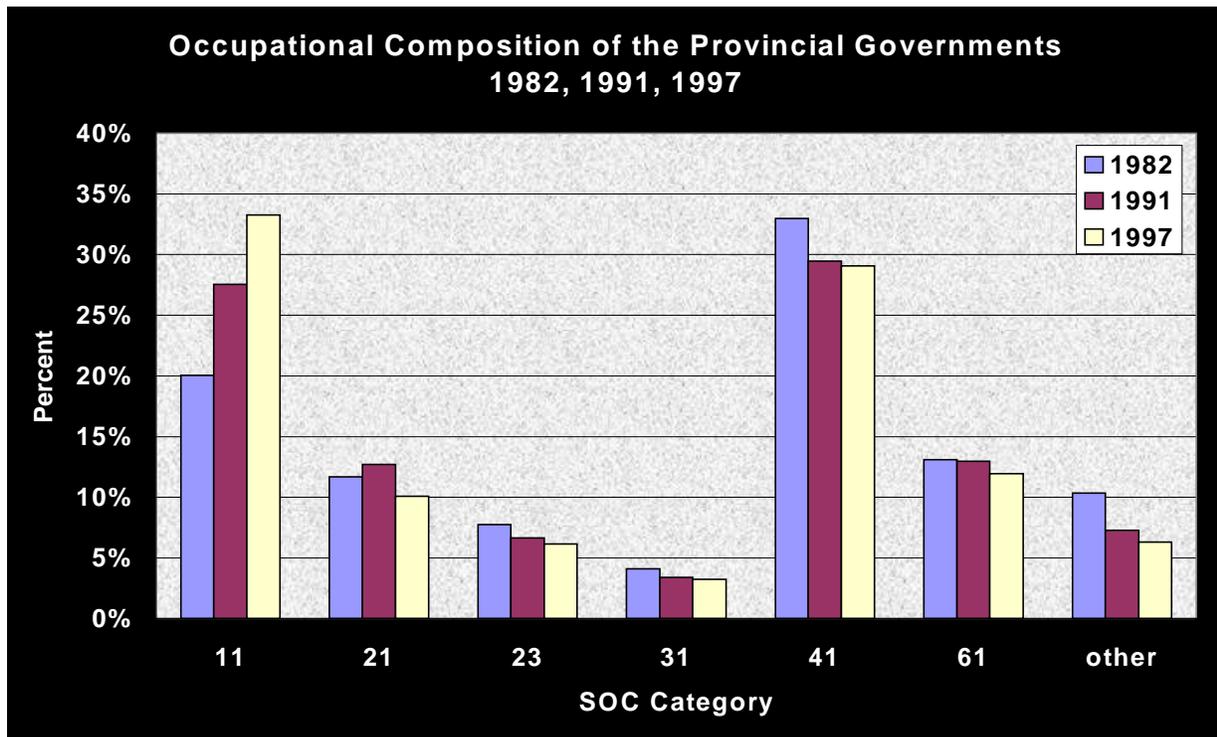
Chart 2



SOC Definitions: 11, Managerial, Administrative and Related Occupations; 21, Occupations in Natural Sciences, Engineering and Mathematics; 23, Occupations in Social Sciences and Related Fields; 31, Occupations in Medicine and Health; 41, Clerical Occupations; 61 Service Occupations.

Source: Estimates based on Labour Force Survey Data. See J. Peters (forthcoming), Changing Employment in Government: A Statistical Profile, Canadian Policy Research Networks.

Chart 3



SOC Definitions: 11, Managerial, Administrative and Related Occupations; 21, Occupations in Natural Sciences, Engineering and Mathematics; 23, Occupations in Social Sciences and Related Fields; 31, Occupations in Medicine and Health; 41, Clerical Occupations; 61 Service Occupations.

Source: Estimates based on Labour Force Survey Data. See J. Peters (forthcoming), *Changing Employment in Government: A Statistical Profile*, Canadian Policy Research Networks.

The federal level also saw relatively strong growth among professional occupations and some growth in computer related occupations. Very large decreases took place in the size of the clerical and secretarial groups in both levels of government. These trends parallel similar trends in the private sector, trends that partly reflect shifts that are taking place in response to the deepening use of computer-based technologies in organizations (McMullen 1996).

While these occupational shifts are themselves indicative of a shift in the “business” of government, they also raise a number of workplace issues. It is likely, for example, that workplaces composed primarily of highly skilled workers will require different sets of human resource management practices than workplaces where lower skilled workers predominate. Knowledge workers expect, and indeed demand, opportunities for continuous learning; the opportunity to make an effective contribution; and earnings that are linked to skill and performance. Their primary allegiance is to knowledge, not the organization. Yet, there is a strong interdependency between the worker and the organization, with the worker providing the means of production (knowledge) and the organization providing the setting in which the worker can apply that knowledge. Demands for increased autonomy, employee participation in decision-

making, and flexibility in when and where work is carried out are likely to be high among knowledge workers.

Another set of implications relates to the hierarchical nature of traditional government organizations. This hierarchy is predicated on the assumption that successive levels of management hold more knowledge and information than the people they manage. This is not necessarily true of knowledge-based organizations, however. Indeed, pressures exist to reduce the number of levels in the hierarchy. An important human resource issue, therefore, is how governments will address the challenge of managing a knowledge-based workforce.

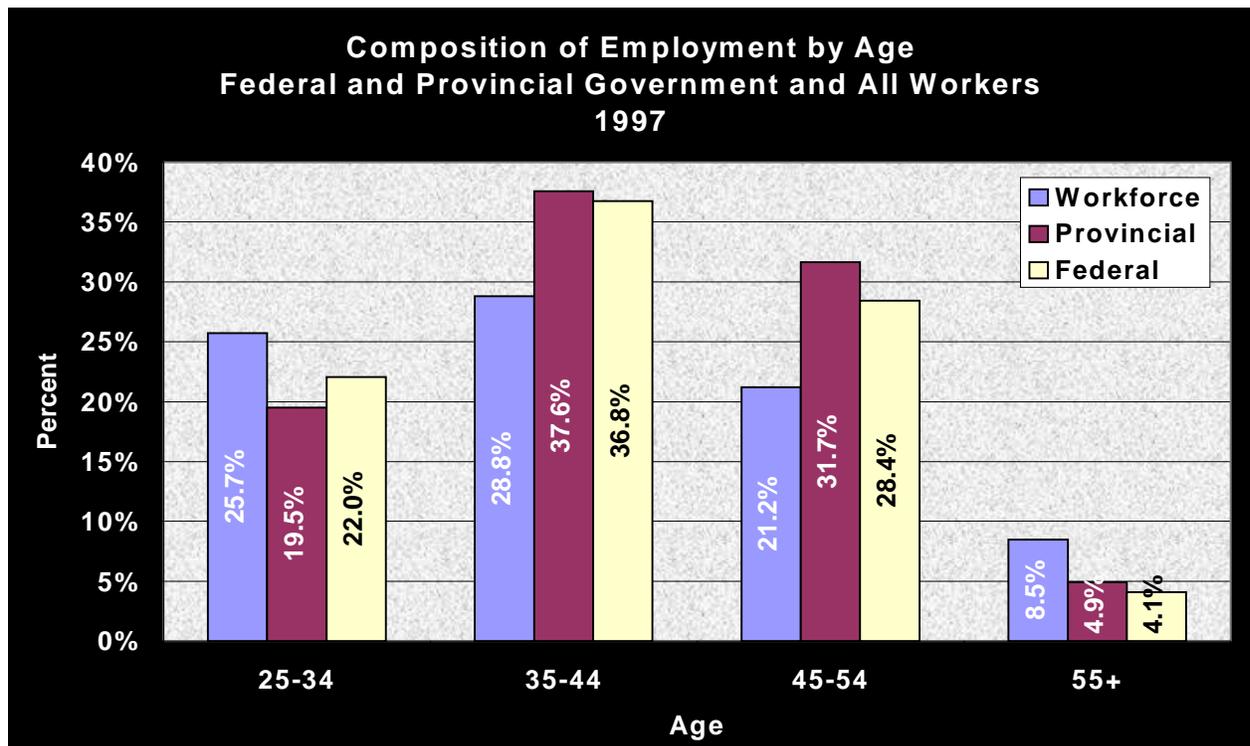
Aging and Recruitment

Government workforce reductions have also had variable impacts on different age groups. An important strategy used by the federal government to ease the process of workforce reduction was to offer eligible employees early retirement incentives. Recent data from the Labour Force Survey shows that, in fact, it is males aged 55 years or more that have experienced the most dramatic decreases in employment in public administration. Between 1990 and 1997, employment for this group fell 35 per cent, while that for men aged 25-54 decreased by only 7 per cent (Statistics Canada 1998). The disproportionately large decrease in employment in government among older males raises a number of issues. While most of these individuals were able to retire on reasonable pensions, their departure also means the loss of a great deal of “corporate memory” – experience, know how, and a sense of history of the organization.

Another key element in the workforce reduction strategy has been a freeze on hiring through much of the 1990s. Relatively few young adults aged 25-35 years have been recruited for public service employment and, as a result, the share of this group in overall employment at the federal level and in most provinces has decreased significantly (Chart 4).

Despite the fact that older workers were targeted for voluntary departure from the public service, the lack of recruitment of younger workers meant that the public service has become an aging workforce. The share of workers aged 45-54 years has increased dramatically, rising from about one-quarter of workers in 1991 to reach one-third in 1996. (Chart 4) A small increase has also taken place in the share of workers aged 35-44 years which reached about 37 per cent in 1996. The aging issue is particularly acute for senior managers, scientific and professional workers, and workers in administrative and financial services -- an ironic outcome since many of these are the very employees that will be especially needed as governments go through the restructuring process.

Chart 4



Source: Estimates based on Labour Force Survey Data. See J. Peters (forthcoming), Changing Employment in Government: A Statistical Profile, Canadian Policy Research Networks.

What has happened then is a compression of age groups in the public service as older, experienced workers have left and younger workers, with the scope they offer for new perspectives and skills, have joined in far fewer numbers than was the case historically. Such a compression implies less diversity in views and abilities than might have been the case otherwise. Perhaps more importantly, it raises the issue of renewal. Projecting 10 years into the future, it is clear that many of today's workers will reach normal retirement age. Issues thus arise around the need to recruit younger workers now in order to give them time to acquire the skills and experience they will need as they assume positions of greater responsibility.

But governments face a challenge on this front as well. There is evidence that the message given to many young people by downsizing and a lack of recruitment is that public administration is a hostile environment for workers, especially young ones -- a view that can only be reinforced by current concerns around issues of morale among "survivors" of downsizing who must cope with and adapt to ongoing change. Employment in government is not seen by many young people as a viable career option. Recruitment and "marketing" will therefore need to be an important element of governments' human resource strategies.

Compensation Issues

Issues associated with government compensation, especially with respect to how it compares to compensation in the private sector, continue to attract policy attention. On the one hand, excessive pay levels can lead to excessive expenditures and hence higher taxes or budget deficits, both of which are highly resisted. Pay levels that are too low, however, can lead to problems of recruitment, retention, and morale, all of which can jeopardize the effective delivery of public services. These issues also assume a higher profile in a context in which government compensation levels have been largely frozen for a period of years as has been the case in Canada for much of the 1990s.

The focus up to now has largely been on the competitiveness of earnings for senior management personnel. But there is growing concern that significant numbers of skilled employees below the management level are leaving government to take up better paying jobs in the private sector. In part, this concern reflects a view among some observers that many of those leaving are among “the best and the brightest.”

The challenge for governments is how to shape public sector internal labour markets that can compete with the private sector in terms of earnings, promotion, and career development. Governments need to examine all aspects of remuneration including non-wage earnings and the role that can and should be played by innovative practices such as performance-based pay and the use of bonuses. Since, for most occupational groups, compensation is bargained collectively, any new approaches that are developed must meet with union approval.

A Flexible Workforce

The share of workers employed on a contract basis or as short-term or temporary workers has been rising in Canada in both the private and public sectors. On the one hand, this reflects a view on the part of employers that they need greater numerical flexibility in the workplace. On the other hand, it reflects a desire for more work flexibility on the part of a growing number of workers, many of whom are the new knowledge worker. Research is needed on whether the trend to more nonstandard work is long term, reflecting a fundamental shift in the labour market, or whether it is a short term trend reflecting the slack labour market of the 1990s.

If the trend to employing more workers on a contract or temporary basis continues in government, a number of issues arise. Many of these concern how managers can integrate different types of workers while recognizing that different conditions of work might apply to them. For example, do workplace rules that apply to regular workers also apply to nonstandard workers? How do managers create an atmosphere of inclusion, a sense of belonging, and commitment in workers with a less-than-permanent attachment to a workplace? How do nonstandard workers fit in a unionized environment? What adjustments are expected of unions and how willing and able are unions to make these adjustments?

Pace of Work, Workload, Stress

Given the scale of workforce reductions that have taken place in government in the 1990s, it is not surprising that issues relating to pace of work, workload, and stress are gaining profile as employees who remain after downsizing are asked to do more with less, and often in new ways. The available survey evidence in Canada on a range of workplace issues, including workplace stress, focuses on managers. Managers report that pressure to do more with less, in shorter time frames, and with little flexibility to manage financial and human resources are major sources of stress. There is less direct evidence available regarding stress levels among non-managerial workers, though results of a recent survey of managers notes that many managers feel that levels of stress among workers in their units were having a negative effect on employee productivity (Public Management Research Centre 1997). Among both managerial and non-managerial workers, the amount of both paid and unpaid overtime is becoming an important concern.

5. Conclusion

The process of restructuring government in Canada is one that has involved downsizing, changing the focus or “business” of government, and shifts in the occupational and skill mix of workers. Ultimately, this process of restructuring is having major implications for the shape of government workplaces as the arena in which change takes place. This paper has briefly identified a number of key workplace issues that arise from restructuring. It has focused on change in “core” government. Similar sets of issues and whole new sets of issues arise when the focus is broadened to include spin-off agencies and units established to provide alternative service delivery.

Governments need to contend with both shorter term adjustment issues and longer term strategic human resource management issues. In the shorter term, issues around morale loom large as survivors of cuts adapt to increased workloads, new demands, low or nonexistent pay increases, and public attitudes that reflect a view that government employees are expendable. Low employee morale can in turn have an impact not only on employee performance today but on government’s ability to recruit high quality workers for tomorrow. In the longer term, governments need to be clear on their role in the economy and in society and act to transform traditional human resource management practices into practices that motivate and reward workers, while creating workplaces that are both efficient and equitable.

Last, while the discussion here has primarily focused on issues that arise from the point of view of governments as the employer, it is very important to note that these same issues need to be examined from a union perspective. Clearly, the reform of government is placing public sector unions in a difficult position and strategies need to be worked out that allow unions to be recognized as a key player in workplace change.

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