



# IPAC EXECUTIVE BRIEF

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## **Organization & People Performance**

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What does the future hold for the public service in Canada? What are the factors that will impact the performance of the governmental organization and by extension the performance of public servants in the next decade or two?

There are a number of significant forces at play in the world, and specifically in the world of government in Canada, that will impact the ability for governments to meet the expectations of citizens. Some of these forces will impact the ability of governments to recruit new talent into the service, while other forces, specific to recent experiences in Canada will impact governments' ability to respond innovatively to the issues that face society.

### **Demographics**

The first issue that is pre-occupying not only governments but also employers is the changing demographics. The challenges that are brought about by the demographic shifts over the next 30 – 40 years are challenges that all sectors of the economy, public and private sector face in the recruitment of the new cadre of the workforce.

The performance of an organization is inextricably linked to the calibre and performance of its people. That is why the demographic challenges that all sectors of the economy and especially the government sector face is so important.

Maurice Chevalier once said: “Old age isn’t so bad when you consider the alternative.”

The population of the industrialized world is aging. Fertility rates are down, people are living longer (that’s a good thing) and economic systems and social services are going to have to adapt and adapt quickly. By 2050, the number of older people in the world (over 65) will be greater than the number of children for the first time in history. While children worldwide outnumber old people by 3:1 today, by 2050 that ratio is expected to be 1:1.

By 2050, some industrialized countries will actually experience a decline in population – Japan will shrink from 127 million in 2000 to 109 million in 2050, with the over 60 age cohort making up 42% of its population; Russia will see a decline from 145 million in 2000 to 104 million in 2050, with its over 60 cohort making up 37% of its population.

By 2050, 15% of Japan’s population will be over 80 years of age. In the space of One Century, Japan will have gone from a nation with 4.6 children for every old person to a nation of 3.4 old people per child.

Even China will be experiencing the beginning of a decline in population by 2050. They will also be growing older with the median age of the population increasing from 30 in 2000 to 39 in 2025 and 44 in 2050. By 2050, China will have 437 million people over the age of 60 – larger than any country other than India!

Our Southern neighbours – the United States – will also be experiencing similar population changes. The fastest growing age cohort will be that over the age of 85. Between the year 2000 and 2050 this cohort is expected to increase from 4.3 million to 18.2 million - a 323% increase! And incredibly those aged 100 and more will increase from approximately 60,000 now to 600,000 in 2050. Think about that for a moment!

Now let’s turn to Canada...In less than 10 years, the number of people over the age of 65 will outnumber children in Canada. The growth of people over 65 will start to accelerate in 2011 (4 years from now) as the first baby-boomers turn 65. In the next 25 years, the proportion of seniors in Canada will nearly double.

The progressive aging of the population is largely attributable to two factors – the fertility rate which has averaged 1.6 children per woman in the last 30 years, which is below the population replacement level; and the increasing life expectancy of Canadians – 82.5 years for women and 77.7 years for men. In 2004, the age at which the largest number of deaths was observed was 84 years for women and 82 years for men.

While immigration has a significant effect on the growth and diversity of Canada’s population and helps meet some of our labour needs, its impact on population

aging is minor. This is due to the fact that most immigrants arrive in Canada at about 30 years of age on average.

Canada has the second youngest population in the G8, with the USA having the youngest population. In terms of the Americas, however, Canada has the oldest population.

Another trend that is occurring in Canada is increased urbanization with more than eighty percent (80%) of Canada's population residing in urban areas.

Now let's look at Canada's most populous province – Ontario. Between 1985 and 2005, the median age of the Ontario population increased from 31.6 to 38 years of age. By 2025 it will rise to 42.1 years of age. The number of children aged up to 14 is expected to increase by 9% by 2025 compared to a 24.7% increase in the population, so their relative share of the population will decline from 18.1% to 15.8%.

The seniors group in Ontario is projected to grow at the fastest rate and increase from 1.6 million to over 3 million in 2025 – an 88.4% increase. Seniors will make up 19.4% of the population by 2025, up from 12.9% today. Those 75 years of age and older will increase from 4% of the population in 1985 to 8.4% in 2025 - 1.32 million people.

Though the population of Ontario will continue to grow, the growth will be driven more by immigration than by fertility rates. The vast majority of that new growth will be concentrated in the Greater Toronto Area (GTA) which will account for 60% of Ontario's population growth by 2025. The GTA attracts 40% of all immigrants to Canada. It will grow by 33% between 2005 and 2025 (5.8 million to 7.7 million people).

For governments this means that:

- Economic growth will be impacted as these demographic trends continue.
- There will be a shift in consumption patterns as the population ages that will likely impact government tax revenues – the young spend more.
- Given that we spend more on health care as we get older, there will be increased pressure to increase health care spending from its current 50% of total government spending. That means less for everything else.

So what does all this mean to our society and our economy? What does it mean for governments and their ability to respond to the needs of their citizens? What does it mean to the performance of the organization?

## **The Public Sector in Canada**

At the Federal level, in the Canadian Public Service, 1 in 3 employees is over the age of 50 and approximately 33% of federal employees are eligible to retire by 2015. In British Columbia, 45% of managers and 35% of bargaining unit employees are eligible to retire by 2015. The same general pattern holds true for all governments across Canada as well as for Broader Public Sector employers.

In the 1990's, at the same time as the employee demographic time bomb was ticking away, governments and public sector employers were providing early retirement incentives to their employees and not hiring new employees as they struggled to balance their budgets.

This meant that governments had an aging workforce and a period of little or no recruitment, so that you have situations such as in BC where only 7% of the public service is less than 30 years of age while in the general labour force it is 26%. Other governments are in the same boat, though maybe not as dramatically.

In Ontario, the core working age population is projected to grow at a slower rate over the next 20 years than in the past - 17% vs. 35.1% - the annual rate of growth will decline from 1.6% to just 0.2% by 2025. This means that will be increasingly difficult to find employees.

## **The Next Generation - Changing Attitudes**

Let's turn to the employees and what we can do to recruit & retain the "Net" generation – I think the correct term is the "Y" generation. This new generation is quite different from the ones that came before – but haven't we always said that all the way back to the ancient Greeks?

The Y generation grew up with computers and the Internet from a young age. They were connected to people around the world and have at their disposal a plethora of information without ever having to leave their computers. This is the generation of the MySpace, FaceBook and YouTube and of people who have hundreds of friends around the world.

When I first went to University, we used punch cards to program in FORTRAN or COBOL and then had to wait until midnight for our printout. When I mention that to my younger colleagues, they look at me as if I'm a dinosaur...but it wasn't that long ago and I don't feel that old!! The rate of technological change and the rate of knowledge expansion are increasing exponentially.

The Y generation grew up with globalization and free trade. This means that they intuitively understand that in order to compete in the economy the fundamental attribute necessary is EDUCATION. The average age of graduation

for baby boomers was 21, while it is 24 for the Y generation. This means that they are doing more graduate studies or taking time to explore new horizons before entering the workforce.

There are several studies that have commented on the mobility of the younger generation. They have the ability and the inclination to travel and to try new experiences. With the change in employment patterns and the shrinking labour pool, workers will no longer work for one employer for their whole career. They are likely to move around and experience new jobs.

Being instantaneously connected to what is happening anywhere in the world also means that the Y generation wants to make a difference through their work and they are, as we once were, impatient regarding change. Look at organizations that have been set up by this younger generation - organizations such as *Engineers without Borders* that sends young engineers to do voluntary work in developing countries. There is even an organization called *MBA's without Borders*. These organizations speak directly to the desire of the Y Generation who want to make a difference in the world.

The Y generation have more outside interests beyond work and will strive for a better work/life balance. It has been noted that the reason baby boomers worked so much was that there are so many of them that to be noticed one had to constantly work. Governments will have to compete with other organizations for this new talent. And don't for a moment think that other organizations have not already started to plan for active recruitment strategies. It will be a "sellers" market.

As you think about this in the short-term, also start to think about the longer-term implications of the demographics that I have described. What should organizations do to prepare for the future?

### **IPAC Deputy Minister & Municipal CAO Survey**

This past Summer and Fall IPAC conducted its eighth biennial survey of Deputy Ministers and Municipal CAO's across Canada. It was our first on-line survey and we increased the participation rate by almost 50%. In that survey, respondents highlighted areas of concern in the public sector over the next 10 years – Labour Force was rated as very important/important by 97% of the respondents, followed by Fiscal capacity at 93%.

Comments that we received included: the ability to recruit and retain trained and qualified staff especially as it was difficult for the public sector to compete on pay; that the composition public sector of the future would be quite different – wider blend of older and younger workers; and increased multiculturalism in the workforce.

In terms of management skills, 74% of respondents rated Leadership as an area of concern in their organization, followed by program and policy evaluation at 67%. Other management skills (over 60%) mentioned as an area of concern were: Project Management, Publicly Engaged Policy Development, Collaborative Management and Communications/Issue Management.

The combination of the demographic picture and these survey results point to a skill gap in the public service over the next 5 -10 years. Governments do not only have to recruit new employees in a very competitive environment but also recruit the right skill set – or more than likely adopt aggressive training and educational programs that is part of a Talent Management strategy.

### **Accountability: Too Many Rules?**

As a result of real but mostly perceived wrongs, governments across Canada have implemented new rules all in the name of “Accountability”. When I say “perceived wrongs” I mean that governments have over-reacted in response to Auditors reports, that through their outlandish language, blew things out of proportion.

Let’s take the so-called “Billion Dollar Boondoogle” as the headline read on the Auditor’s report on the HSRDC grants. From the headline and the report, one would be led to believe that millions of dollars had been siphoned off and pocketed by some unscrupulous individuals. At the end of the day, what we are actually talking about is less than \$50,000 where the files were not complete. Not one penny was pocketed by anyone. What actually happened is that well meaning front line staff, who had worked with transfer partners for years short circuited some of the inane rules from the centre to ensure that the good work that these partners did continued.

That being said, governments continue to add more and more rules in the name of accountability – and by accountability, they mean unfortunately the negative kind – the shame and blame. Our adversarial political system only highlights the negative – the Minister should resign for any error anywhere. This kind of attitude just reinforces the “risk aversion” that is prevalent in government and stifles innovation. As Hubert Humphrey said – “to err is human, to blame is politics”

The accountability pendulum has swung to a dangerous place. Where will it be in 5 -10 years? Think for a moment about the impact that all these rules, procedures, checks, double checks and triple checks have on the performance of an organization.

How can governments be innovative when the whole structure around them is risk averse? How innovative can you be when, notwithstanding all the proper risk

mitigation strategies and planning, something goes wrong and you have auditors, ombudsman etc pounce on the error and seek someone to blame?

Until government is able to move away from this blame game to one where you learn from mistakes, innovation will be difficult to accomplish. This will take a more mature discussion than presently takes place in the political arenas of the country. Over the next 5 – 10 years, Government and politicians have to develop a more mature view of risk taking; it must move towards a system that has less rules than the mountains of rules that are presently the norm.

We have to remember that the scandals that have occurred in the private sector – such as Enron, Worldcom, etc – were not because of the lack of rules but rather it was the action of unethical individuals. More rules will not deal with unethical people. Some would actually surmise that more rules mean that those that are adept at “getting around rules” are more highly prized.

### **Results/Outcomes**

Over the last 10 years or so, governments in Canada have become more focused on outcomes and the public reporting of results. Governments still, however, speak about the amount of money being spent on a particular file or initiative. But when you measure success as the amount of money you spend, you are pushed to spend more and more money.

There have been some successes in moving to a more results focused approach to government. But let’s not forget that this is not the first time that governments have tried this - in the 1970’s for example governments tried MBO – Management by Objectives. There are still issues with the complexity of the system that departments must adhere to and of course the rules and templates emitted by central agencies. In too many cases the performance measures that are published are not really connected to organizational performance but rather are “public relations” measures.

The challenge for government is to develop a not overly complex performance management system that is used in decision-making. At the same time, we have to understand that these decisions are made within a political context – that sometimes defies “management logic”.

In some jurisdictions – BC and Ontario for example – accountability agreements have been developed between the government and the broader public sector institutions, such as hospitals or universities. These agreements delineate what government expects in terms of results from its BPS partners. The next logical step is for these agreements to cascade down the chain of command and be reflected in individual performance contracts for the CEO, VPs, Directors etc.

So in the next 5- 10 years, governments are going to have to institutionalize performance management and ensure that it is used in decision-making and the allocation of resources, otherwise it will just be a glorified PR exercise.

## **Collaboration**

In the past, government organizations could in many cases develop solutions and policies in isolation. This is no longer possible. We are in an era where collaboration is necessary between departments to achieve the results that citizens expect. If we look at issues such as education, we know that to achieve a child's full potential requires not only top notch teachers and an interesting curriculum, but also that the child have food in their belly, that they have support at home, that they have access to libraries, etc. So we now have quite a few players involved.

The same is true across a wide gamut of policy and program delivery fields. For example take a look at Biz-Pal which is a collaboration of the three orders of government – Federal, Provincial and Municipal. Biz-Pal allows someone trying to start a business to access one website to get information from the municipality, the provincial government and the federal government.

Let's go back to Facebook for a moment. Here we have a tremendous social networking tool. Now think for a moment about using this same technology to connect policy people in governments at different levels, in different countries and with think tanks and others interested in that policy issue. Can you imagine the kind of possible solutions that could be developed by this type of idea "open sourcing"?

## **Conclusion**

In summary, governments are facing significant labour force issues in the next 5-10 years at the same time that public expectations for results are increasing and that increased public scrutiny has created a fish-bowl environment in which the public sector performs its functions.

The performance of government organizations will be determined by how well they are able to mobilize all these forces. On the people side of the equation – the changes of demographics mean that either people will have to work longer to fill the gaps or governments are going to have to rethink what they do with less human resources available. In BC – the government has projected that it will lose 15,000 public servants in the next 5-15 years and given the labour market they will not be able to replace them. Therefore they are looking at how they conduct their business and are re-engineering their operations.

A wider mix of working people will mean that government will also have to provide more flexible work arrangements. They must develop strategies that

allow an employee to go and try something else for a year or two and then return to the public service. And with all the focus on “new professionals” governments should not forget that their next leaders will come from the tail middle of the baby boom generation. It will take a while before the Y generation are in leadership roles.

Governments need to create an organizational culture that will tolerate mistakes – to be able to pursue innovation. What I am talking about is considered risk taking. That is what is needed to be innovative.

The public sector is facing a challenge in the recruitment and especially the retention of the next generation of its workforce. Governments must adapt their hiring practices, their organizational culture and their rules to make their workplace one that is attractive to their employees, both existing employees and future employees.

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