

Mme. Gaetan Lemay  
Clerk  
Committee on Foreign Affairs and International Trade  
Senate of Canada

20 Sept. 2022

Dear Mme. Lemay,

Attached please find a brief prepared at the request of Senator Peter Harder for consideration by the Senate Committee on Foreign Affairs and International Trade.

The brief recommends that the Committee examine the potential advantages of Separate Employer/Separate Agency Status as the basis for a renewed Global Affairs Canada and a revitalized Foreign Service.

I thank you for the opportunity to submit this brief and would be pleased to assist the Committee further in its review of the subject.

Doreen Steidle  
Ambassador (ret.)

## **Separate Agency Status for a Revitalized Foreign Service?**

### **i. Observations:**

Expert witnesses appearing before the Committee in its first session have attested to the complexity of managing the human resources of Global Affairs generally, and the Foreign Service specifically, to address Canada's foreign policy and service delivery requirements in the 21<sup>st</sup> century.

The issues raised are not new.

As the Committee has heard, the Canadian Foreign Service has been challenged by insufficient recruitment and retention, inadequate or inflexible terms and conditions of service abroad, the concept and promise of rotationality and promotion, as well as integration within the broader Public Service. To address these and other concerns, senior Departmental management have over the years made minor machinery changes to address these and other issues to better align the Department to foreign policy and domestic policy objectives as well as to enhance visa, consular, passport and management service delivery. These machinery changes have included the transfer of entire groups of Foreign Service Officers (Visa, Aid) from their Departments into and then out of the Foreign Ministry, the change of category for Management/Consular Officers from Administrative (AS) to Foreign Service (FS), the movement of Passport Canada and its employees to Service Canada and the creation of an International Platform Branch to better serve the resource requirements of provinces, Crown corporations and other federal Governmental employees abroad. Champions for various groups have been appointed and Locally-Engaged Staff provided with dedicated human resource management.

Yet reports of low morale and poor Public Service Survey results continue.

As the Committee's research will confirm, the challenges and current issues faced by the Canadian Foreign Service are not unique to Canada. Studies of the Foreign Ministries of the US, UK, and Australian Governments reveal common criticisms ranging from detachment from the work of the broader public service, a "risk-averse" culture with heavy compliance requirements and a reluctance to make decisions. Reference material that may be of interest is noted in Annex II. Given the geopolitical environment in which our Foreign Ministries engage, and long-standing employee grievances that appear to be systemic, perhaps it is time to consider a completely new approach to managing the human resources of Global Affairs and the Canadian Foreign Service.

I therefore recommend that the Committee look to best practices within the Government of Canada and consider whether Separate Agency/Separate Employer status might provide the opportunity to reshape and redress these grievances with a new vision for the employer/employee relationship.

## **ii. What is a Separate Agency?**

A Separate Agency, or an Agency with Special Employer Status, operates under customized governance and management arrangements by agreement of the Treasury Board and the Public Service Commission. As listed in Annex I, taken from Part V of the Financial Administration Act, there are currently 27 Separate Agencies in the Government of Canada ranging from large Departments such as the Canada Revenue Agency, with over 42,000 employees, to smaller Secretariats.

The Government of Canada's 1996 Budget announced that Government Departments would be encouraged to seek more cost-effective approaches for service delivery, citing the network of Canada Business Service Centres and the Passport Office as successful examples. Although the impetus at the time was expenditure reduction, there was a similar move among other countries such as the United Kingdom.

Separate Employer Status allows a Department to take a fresh look at its organizational and management structure as well as the classifications of its employees to design a human resource management regime separate from that of the Public Service, based specifically on the needs of its employees, management and their distinct Departmental requirements. Organizations with this status can tailor their labour relations and compensation packages separately from the rest of the Public Service while still adhering to the legal requirements of both the Public Service Relations and Public Service Employment Acts.

Three Departments – Revenue Canada, the Canadian Food Inspection Agency and Parks Canada – became the first to receive this status. Based on their initial success, additional Departments and groups have been granted this authority. The 2003 Public Service Modernization Act provided additional clarification on which authorities remain with the Treasury Board and which are provided to Deputy Heads, i.e. Deputy Ministers, under these new arrangements..

## **iii. Why is this of interest?**

Separate employer status allows for a comprehensive redesign of a Department's human resources regime. Unencumbered by existing categories and compensation arrangements, a new design and organizational structure could emerge that better reflects a Department's challenges in the 21<sup>st</sup> century. Rebuilding a Department based on its future human capital requirements supports both policy alignment and service delivery.

The creation of a unique, Department-designed approach to human resources is particularly of interest for the following activities:

- Employee recruitment;
- Employee appointment;
- Employee classification;
- Compensation and wage determination;
- Incentives for retention;
- Staffing;
- Terms and Conditions of service; and,
- Collective bargaining.

#### **iv. What could it mean at Global Affairs?**

In my view, the recommendations made by expert witnesses to date have had insufficient scope and authority to have lasting and significant impact on the future of the Foreign Service, and of the effectiveness of Global Affairs as a Foreign Ministry. A new and modern root-and-branch exercise with human resources at the heart of a new Agency, as well as the structure and support mechanisms for the Department, is required. The Senate Committee's review provides the opening to consider this opportunity.

As witnesses have noted, the current classification and composition of Global Affairs is exceptionally complex. Among the rotational, non-rotational and Locally-Engaged staff there are further subdivisions among Executives and non-Executives, various professional and specialist categories, and administrative support. Heads of Mission may be rotational, non-rotational or political appointees. Rotational officers are further subdivided by area of expertise; non-rotational officers are also brought into the Department for particular sets of skills, and all are represented by different unions. From Heads of Mission to Deputy Ministers, managing such workforce diversity is exceptionally challenging particularly when the levers to effect meaningful change reside elsewhere.

If the ultimate objective is a more agile, modern, and responsive workforce to advance Canada's interests abroad I believe a solid, comprehensive internal review to prepare for a move towards Separate Agency status and the out-of-the-box creative thinking this exercise would encourage would ultimately benefit the Department and the Canadian Government.

For example:

- All current classifications could be eliminated in favour of new and fewer levels;
- Explicit requirements for rotationality could be identified as well as explicit Departmental commitments;
- Union membership could be at the Departmental level for all Global Affairs employees in Canada and abroad;
- Global Affairs could determine the frequency of recruitment and the wages and benefits offered to new employees in new categories;
- The Department could set the Terms and Conditions for overseas service and offer bonuses or incentives as needed;
- It could take into consideration emerging societal and international trends such as the need for elder care, and for enhanced medical care for employees and their dependents abroad, and on their return home;
- The new human resources management structure could be designed specifically to take into account the need for both surge capacity abroad and for exchange with the broader Public Service.

**v. Recommendations:**

1. That the Senate Committee request a briefing by Treasury Board and Public Service Commission officials on the potential applicability of Separate Agency status for Global Affairs, identification of any barriers to success and provision of a practical roadmap to implementation;
2. That the Senate Committee call former Deputy Ministers of the following significant Departments with Separate Agency status – CRA, CSIS, CSE – for their observations and recommendations on the advantages and disadvantages of this status for human resource management, and its applicability to a revitalized Foreign Service; and,
3. That the Senate Committee call upon Presidents of key unions to discuss the experience of union members in the above Separate Agencies to determine whether this is a model that unions could recommend.

It seems to me that a holistic and complete re-examination of the human resources required by Canada's Foreign Ministry in line with new authorities and models for service delivery is overdue. A new vision and model for the future may be a 21<sup>st</sup> century moonshot but worth the investment of time and resources by the Committee and the Department for further examination.

*Doreen Steidle is a former career Foreign Service Officer, Head of Mission in Singapore and Hong Kong, CEO of the former Passport Canada and Assistant Deputy Minister (Corporate Services) at the Department of Foreign Affairs and International Trade. Following her retirement from the Public Service in 2011, she was HSBC's Regional Head for Asia-Pacific Government Affairs, a CANADEM election observer in the Ukraine, and a Fellow at Harvard University.*

## **Annex I: List of Separate Agencies**

The Financial Administration Act (Schedule V) lists the following as Separate Agencies:

- Canada Investment and Savings
- Canada Revenue Agency
- Canadian Energy Regulator
- Canadian Food Inspection Agency
- Canadian High Arctic Research Station
- Canadian Institutes of Health Research
- Canadian Nuclear Safety Commission
- Canadian Security Intelligence Service
- Communications Security Establishment
- Financial Consumer Agency of Canada
- Financial Transactions and Reports Analysis Centre of Canada
- Indian Oil and Gas Canada
- Invest in Canada Hub
- National Capital Commission
- National Film Board
- National Research Council of Canada
- National Security and Intelligence Review Agency Secretariat
- Natural Sciences and Engineering Research Council
- Northern Pipeline Agency
- Office of the Auditor General of Canada
- Office of the Correctional Investigator of Canada
- Office of the Intelligence Commissioner
- Office of the Superintendent of Financial Institutions
- Parks Canada Agency
- Social Sciences and Humanities Research Council
- Staff of the Non-Public Funds, Canadian Forces
- Statistics Survey Operations

## Annex II: Recent Reviews of Key Foreign Ministries

1. Burns, Nicholas, et al. "A U.S. Diplomatic Service for the 21st Century." *A U.S. Diplomatic Service for the 21st Century*, Harvard Kennedy School, 2022, <https://www.belfercenter.org/publication/us-diplomatic-service-21st-century>.<sup>1</sup>
2. Durrant, Tim, and Jordan Urban. "How Should the Foreign Office Change Now?" *How Should the Foreign Office Change Now?*, IfG Insight, July 2022, <https://www.instituteforgovernment.org.uk/publications/foreign-commonwealth-development-office>.
3. Sedgwick, Steve. "Capability Review: Department of Foreign Affairs and Trade." *Australian Public Service Commission*, 4 June 2021, <https://www.apsc.gov.au/initiatives-and-programs/workforce-information/research-analysis-and-publications/capability-review-program/capability-review-department-foreign-affairs-and-trade>.

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<sup>1</sup> Nicholas Burns is a career diplomat with the U.S. State Department and currently serving as U.S. Ambassador to China.