

# sector Councils' Assessment Project

## Preliminary Results

Presentation to the CLFDB/Sector Councils Committee  
September 4, 1996

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September 20, 1996

## **Preamble**

This preliminary report is the result of some six weeks of interviews with the executive directors or board members of nineteen of the twenty-one sector councils in operation in July-August of 1996. The intention of this report was to identify the key elements needed for the success of Human Resource Development Canada sectoral initiatives, as perceived by the sector councils, and as deduced by the writer, to serve as a starting point for identifying and implementing changes where needed.

While the text was reviewed for accuracy by a small group of Sector Council representatives prior to presentation, any errors or omissions contained in the report are the sole responsibility of the author.

PHP,  
September 20, 1996

# OUTLINE

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## Origins of This Project

At the February 8 meeting of the CLFDB/Sector Councils Committee, members discussed how best to direct its energies and resources to determining — from an industry perspective — what are the key elements needed for success of sectoral initiatives. There was a great deal of support for the idea of developing a “roadmap” capability to help guide both emerging and existing councils in the day-to-day operations of their organizations, including the design and delivery of programs for their constituents. This exercise would provide an opportunity to analyse strengths, weaknesses, opportunities and threats to sectoral initiatives.

To make the Sector Council initiative a lasting and central part of labour force development in Canada, the CLFDB Sector Council Committee will undertake an activity which will ultimately answer the question: *Why the Sectoral Approach?*

The above quotation from the minutes of that meeting is the basis of this project to carry out an assessment of the Sector Councils from the perspective of the Councils themselves.

At the July 10 meeting of this committee, a questionnaire to be

used to interview the chief operating officers of each of the Sector Councils was reviewed and amended. The questionnaire was sent to all Sector Councils seeking interviews over the period July 25 through August 20. A total of nineteen of the twenty-one Sector Councils were interviewed during this period. And again, it was made clear that the assessment of the sectoral initiatives should be one which reflected the views of the Sector Councils, and not necessarily the views of officials of Human Resource Development Canada, or of the Canadian Labour Force Development Board.

## The Purpose of the Sector Councils

In order to assess anything, one must have a model or purpose against which the item, project, program, or organization can be assessed. As a point of departure for this project, some historic documents were consulted, and what was found provides the seed for an answer to the question *Why the Sectoral Approach?*

[From *Sector Studies: Achievements and Prospects*. Sector Studies Division, SPP, CEIC, 26 March 1990]

### Purpose

The purpose of this paper is to provide an overview of the ... sector studies program. It is in two parts. The first is a discussion of the program's strategic value in promoting human resource studies under the direction of industry stakeholders that can lead to a plan of action which serves to "energize" the industry, and can result in the requirement for seed funding to implement solutions. . . .

### Strategic Context

The new Labour Force Development Strategy (LFDS), announced in April 1989, stated the Government's objective to mobilize a national effort to increasing the skill levels and adaptability of the workforce in response to competitive pressures, technological and demographic changes. One key element of the LFDS was to encourage a major expansion of human resource planning and training in the private sector through the sector study process.

A sector study is a dynamic analysis of an industry sector's

human resources requirement in responding to market and technological change.

The Government is encouraged by the potential of this approach to lever private sector commitment to labour force upgrading. Sector studies led to the establishment of joint business-labour human resource councils in both the Canadian Electrical and Electronics Manufacturing Industry and the Canadian Automotive Repair and Service Industry. . . .

Through such forums, business and labour are cooperating to develop human resources as a strategic investment rather than an operational expense. Given the enormous amount of work to be done to make human resources planning and training common features of the employment culture, the most efficient place to start is with sectoral initiatives which can mobilize large numbers of firms on the basis of their similarities in product and process technologies. With a sectoral focus, there is also greater likelihood that our LFDS seed funding will be supporting training in portable skills and to recognized standards.

The future benefit in terms of sectoral training is expected to be significant. . . . As these sectoral initiatives multiply and sufficient information becomes available, a business case will be developed to show the potential net savings or benefits that are expected to accrue from the sector study process. . . .

Human resource sector studies have been undertaken by . . . EIC since 1984. . . . In large part, these have been initiated through industry request and are considered diagnostic in nature. For industry, the benefits of the sector study approach are twofold. It provides the opportunity for industry stakeholders to come together and collectively address common concerns; it also is a way to establish a cooperative, consultative process to deal with critical human resource concerns outside of the collective

bargaining environment. By bringing different interests together and orchestrating a process whereby the industry “buys in” to making changes, a great deal can be achieved through the sector study process.

The government takes the role of facilitator in creating a consensus-building environment, ensuring that a thorough, unbiased analysis of the problem is undertaken. Once the human resource problem is clearly articulated, the government provides expertise and seed-funding for a follow-up plan of action. The process allows industry to design and implement the corrective actions that makes most sense for industry. In short, the process becomes industry-driven.

This program of sector studies was expanded and funded as the Sector Partnership Initiative in 1992, but the key logic as to *why the sectoral approach* should be taken was articulated in 1989 — at least from a policy perspective.



What it comes down to, from a policy perspective, is that the sectoral approach provides

1. An industry-driven approach to addressing human resource problems of the labour force — and thus achieve more effective results than a government-driven approach could achieve
2. Leverage for inducing greater expenditure by the private sector on training — thus redressing Canada's poor record of private sector training.
3. A reduction in the ongoing reliance by both employers and employees on the Employment Insurance fund to handle workforce adjustment — by reducing layoffs through constant upgrading of existing staff — and thus a reduction in charges against the Employment Insurance account.
4. A reduction in problems in transition from school to work by identifying more clearly industry competency requirements — and thus a reduction in charges for unemployed youth against the Employment Insurance account.
5. Vehicles to improve the industrial relations culture climate

However, the answer as to *why the sectoral approach* from a private sector perspective is somewhat different. Based on my interviews with the Sector Councils, they provide one or more of the following:

1. A forum for labour and management of a sector of the economy to address immediate operational problems threatening the viability of firms and jobs of employees which can be addressed through changes in human resource management practices
2. An institution the stakeholders in a sector of the economy can use to address longer term human resource issues which appear to threaten the growth or competitiveness of that sector in international markets and the jobs of those currently employed in that sector
3. An institution which can bring the collective wisdom of the stakeholders in a sector of the economy — including management, labour, educators, suppliers clients, and governments — to bear on the issues of that sector improving the management of the firms, and the industrial relations, in that sector.

## SOURCES OF COUNCILS

One of the issues which has been raised in the past is: aren't the Sector Councils supposed to be forums to bring employers and labour together? If so, how come several do not reflect this model.

The answer lies in part in the sources of the councils: the sector studies. Barry Carin provides this part of the answer in a memo of April 12, 1990 [”Expansion of Sector Studies Program” Memo of April 12, 1990 from Barry Carin, then Senior Assistant Deputy Minister, Strategic Policy and Planning, CEIC to Martha Hynna, Executive Director, Personnel Services, CEIC. p. 2]

These sector studies are initiated through industry requests and usually referred to LMOSA through our Labour Market Services (LMS), the CEIC Commissioners, other Departments such as Industry, Science and Technology, or by Ministerial discretion.”

Thus if a group approaches the Department, and the composition of the group does not reflect all the stakeholders, but several of them, and the purpose for which the group seeks assistance matches the intent of the sector studies program, the study will apparently be carried out, for the purposes of the program are matched.

Once the study is carried out, then seed funding for establishment of a Sector Council can be made available if the private sector stakeholders wish to proceed. Labour may not be brought together with management, but this would appear not to

preclude a sector study being done; nor would it preclude the application of an industrial adjustment service agreement to establish a council if the other objectives of the program are in fact addressed, and generally providing that workers are fairly represented on the council in some way.

## The State of the Councils

1. Most have made progress on getting the sector stakeholders to focus on
  - A. Human Resource Management Issues
  - B. Human Resource Issues they can agree to work on together
  - C. Occupational standards, standard curricula, and training
  - D. Other Human Resource Issues



**A net increase by the private sector on human resource planning and training expenditure**

2. All are focused on self sufficiency:
  - A. Bringing products or services to the fore to generate revenues
  - B. Searching for ways to generate revenues
  - C. Generating revenues



**Some of the maturing Sector Councils may have to scale down their activities once seed funding ends, but it appears most can survive.**

3. All council staffs are over-taxed by the combination of demands
  - A. To provide services to their sector Board and members which do not generate revenues, such as administrative support to the Sector Council Board and members, and marketing the Council to possible members
  - B. To develop and then market products and services to the firms served by the Sector Council, and to others, on a surplus-generating basis
  - C. To provide extensive administrative detail to Human Resource Development Canada in order to generate funds (short term funding)
  - D. To cooperate with Human Resource Development Canada in areas of possible interest (longer term funding)
  - E. To respond to Ministerial initiatives



**Actions have to be taken to either increase the resources available to the Sector Councils to meet these demands, or the demands on their current resources have to be altered.**

4. Impact of C-12 is mixed:

- A. Those operationally decentralized Sector Councils have the least problems
- B. Those Councils relying on federal block funding for training and hence on the continuation of these funds by the provinces have the most problems
- C. The lack of a partnership between the Sector Councils and HRDC at least as a resource in determining a strategic approach to the provinces leaves all Councils at a loss for determining the most effective approach for them to address the provinces or HRDC



**A key problem is that the federally funded Sector Councils, their roles, activities, and products are not well known to the provinces**



# SWOT Analysis of the Sector Councils

## STRENGTHS

A strong commitment from stakeholders

A desire to do something of value for their sector

A desire to be self-sufficient

Some means to become self-sufficient

## WEAKNESSES

Not enough resources to do all that is needed or desired by all stakeholders

Lack of familiarity or ability to cope with the demands of government bureaucracy (federal or provincial)

Uneven skills/knowledge of strategic thinking, of strategic marketing, of management, or of product marketing

Cash flow from products/services may not be sufficiently high to replace seed funding when it runs out

## OPPORTUNITIES

The markets for currently available products or services have not been fully tapped

Not all products or services which could be provided have been developed or market tested

Not all sources of funds have been explored

Partnerships between the Councils and specific firms within a Sector have not been fully utilized

## THREATS

The fear that cash flow inadequacy at the end of seed funding may force the shutdown of potentially viable organizations

Demands — changing demands — by Human Resource Development Canada may divert human and financial resources to such an extent as to render some councils non-viable

Internal focus on self-sufficiency may preclude the provision of needed services and may undermine the *raison d'être* of some councils.

Basic assumptions about the time or energy it would take to convince companies which normally compete with each other to work together on human resource issues have been in error.

Basic assumptions about the readiness of, and techniques for bringing together, employers of unionized and non-unionized employees to address human resource issues have been in error.

The Sector Councils continue to be viewed as creatures of the federal government rather than private sector organizations.

## ACTIONS REQUIRED

There are a number of actions required to

1. change the current relationship between the councils and the federal government from one of mutual misunderstanding, to one of true partnership — of two equals coming together to apply their different skills and resources to mutually defined objectives;
2. eliminate the current conflict between organizations which are results driven (the Sector Councils), and organizations which are process driven (Human Resource Development Canada units) owing to the incompatibility of two different perceptions of what constitutes “results”;
3. establish a truly cooperative relationship between the Sector Councils and Human Resource Development Canada ensuring continuing mutual advantage past the seed funding years of each council.

## SELF SUFFICIENCY

Issue: Sector Councils wish to be self-sufficient, and the Sectoral Partnership Initiatives program structure requires that they be self sufficient, but self-sufficiency is not well understood by either the Councils or HRDC.

- Factors:
1. Sector Councils have effectively three functions:
    - A. Address the human resource issues of the sector for which they are responsible on an ongoing basis
    - B. Develop, market, and deliver products and services to implement human resource planning on a cost recovery basis (i.e., basic costs of development and delivery plus adequate overhead expenses to ensure continuation of the program as long as it is needed)
    - C. Carry out an advocacy role within the sector and with the various levels of government, provide advice to stakeholders within the sector and to all levels of government.



**Self sufficiency seems to mean only covering the second of these roles, but all roles must be funded if the Sector Council is to be truly effective in changing the culture in the private sector regarding training/human resource development.**

2. International management and finance literature,

from academia, and from business practitioners, on the starting up of a small business indicates that the entrepreneur should have sufficient capital to fund *at least* the first three years of operation and generally five years.



Based on this literature the current approach of the Sectoral Partnership Initiatives program to provide three years of seed funding on a sliding scale, would indicate inadequate start-up funds are provided to the Sector Councils. Based on the experience of maturing councils to date, the evidence supports the literature, not the funding policy of the Program. It would appear that up to five years' funding should be available for any Sector Council.

3. Sector Councils are provided seed funding to achieve the objectives of their business plans. No funding is provided to support the provision of advice to governments, to carry out advocacy activities, or to participate in cooperative efforts to improve federal policies or programs, either during the seed funding period or after.



Since it is in the interest of the federal government that the advice of field practitioners be used in the development of labour market policy and programs, it is proposed that the Sector Councils be provided with separate funding (either a per-diem or a

flat fee to be negotiated) to pay for these services. This will help cover unfunded costs of operation of the Sector Councils, and will impose a budgetary discipline on Human Resource Development Canada officers in seeking Sector Council input.

4. Sector Councils deliver programs on behalf of Human Resource Development Canada, currently on a strict cost recovery basis. This leads to a degree of administrative detail which is costly to the Councils and serves little if any purpose.



Human Resource Development Canada should amend its rules, or its approach to funding to permit the Sector Councils to charge either a flat administrative fee (a percentage of the fund to be administered, or a fixed minimum amount), or a combination of administrative fee and expenses. Such an arrangement would be mutually beneficial to the Department and to currently developing Sector Councils, and fully self-funded Councils in the future.



5. Funding of Sector Councils should bear some relationship to the contribution of the members of each council's constituency to the Employment Insurance fund since funding for the Councils, seed or otherwise, since July 1, 1996, comes from the Employment Insurance fund.



Since reducing the charges against the Employment Insurance fund is one of the desired objectives of having the Sector Councils, it could be useful to know the following.

- A. How much a sector contributes to the Employment Insurance account; this would permit knowing how much the funds allocated to a Sector Council represents in terms of the contributions of that sector to the Employment Insurance fund. It could also be a good measure for determining how much funding to a Sector Council is reasonable, or as to whether a sector is sufficiently large to warrant the creation of a Sector Council.
- B. How much a sector draws against the Employment Insurance account. Changes in charges could provide one measure of the effectiveness of the work of the Sectoral Council assuming mutually acceptable methodology could be arrived at.

## COMMUNICATIONS

Issue: A communications program in relations to the sector councils must create a context for the successful evolution of the sectoral approach and of the sector councils. To do this the program must be:

- A. Strategically focused
- B. Designed for maximum tactical advantage
- C. Engage all partners in the federal sectoral approach
  - ⇒ the Sector Councils
  - ⇒ Sector Council members/constituency
  - ⇒ the Sector Council Steering Committee
  - ⇒ Human Resource Development Canada
  - ⇒ PCO/PMO and all other federal departments
- D. Be better funded



The current practice of letting the Sector Councils alone underwrite the communications program is too narrowly focused, places an unfair burden on the Councils, and sets up the sectoral partnership program for under performance, if not for failure. A redefinition of roles and responsibilities is required.

## ROLES FOR A SECTORAL COMMUNICATIONS PROGRAM

### Human Resource Development Canada (HRDC)

- 1 Develop a WEB site which describes/promotes the Sector Partnership Initiative and the Sector Councils[in consultation with the Sector Councils]
- 2 Promotes Sector Councils throughout HRDC
- 3 Promotes the Sector Councils throughout the Federal Government
- 4 Promotes the Sector Councils with the Provincial Governments
- 5 Promotes the Sectoral Approach nationally i.e. across Canada
- 6 Redesigns its approach to working with the Sector Councils from one of short term support, to one of long term partnership through achieving synergy in objectives and results measurement.

## Sector Councils' Steering Committee/Secretariat

- 1 Develop a WEB site [in cooperation with HRDC] to provide
  - A history of the Councils,
  - B hot-link to all Councils & their products and services
  - C hot-link to related data bases
  - D news/developments page for councils to post their news
  - E a bulletin board/chat page open to councils only to pose questions, get answers
- 2 Provide services to all councils where common services make sense to the councils
- 3 Provide a central clearing house for information
- 4 Provide management consulting services to the Sector Councils , such as
  - A strategic planning facilitation,
  - B staffing assistance,

- C organization design and development,
  - D communications/marketing planning facilitation assistance.
- 5 Provide efficient means for communications such as
- A hosting monthly meetings for the Councils to exchange ideas or to achieve other objectives — format to be worked out with the Councils
  - B developing seminars and workshops to address specific needs of the councils
  - C developing/promoting national and regional press coverage of Sector Council activities
- 6 Facilitate the development of new markets for Sector Council products
- 7 Facilitate improved relations of the Sector Councils with the Provincial Governments

## Sector Councils

- 1 Facilitate strategic human resource planning on a continuing basis
- 2 Foster a cooperative approach to human resource development throughout the sector through the promotion of the strategic benefits of the sector council
- 3 Foster high and appropriate participation by the sector constituency members in the work of the Council
- 4 Develop products and services demanded by clientele which will generate revenue
- 5 Develop communications and marketing plans and products (including a WEB site) to promote the purposes, products, and services of the Council and to generate revenue
- 6 Provide counsel and assistance to member firms, to various governments, and to others on a cost-plus basis wherever possible
- 7 Develop ways and means acceptable to the sector's constituency to generate sufficient revenue to cover the ongoing work of the Sector Council.
- 8 Work with other Sector Councils and others where there is potential mutual benefit to all parties.