



# At the Crossroads of Change

Human  
Resources  
and the  
Municipal  
Sector



# Table of Contents

Introduction . . . . .	3
A changing municipal environment . . . . .	5
Change as a way of life . . . . .	5
Municipalities in Canada . . . . .	5
The varied municipal sector. . . . .	6
The municipal workforce . . . . .	7
Municipal and professional associations . . . . .	8
New strategic directions. . . . .	9
Economic development . . . . .	9
Sustainable communities . . . . .	10
Municipal legislation . . . . .	10
Accountability . . . . .	11
Corporate management . . . . .	12
Consolidations and amalgamations. . . . .	12
Transferring responsibility and organizational restructuring . . . . .	12
Fiscal realities . . . . .	12
Financial arrangements . . . . .	13
Service delivery . . . . .	14
Service expectations . . . . .	14
Alternative service delivery . . . . .	14
Technology . . . . .	14
The human resources dimension . . . . .	15
Modernizing the human resource function. . . . .	15
Skills . . . . .	15
Morale . . . . .	16
Restructuring . . . . .	16
Labour relations . . . . .	16
Culture Clash . . . . .	17
Pay issues. . . . .	17
Harmonization of policies . . . . .	17
Diversity . . . . .	17
Implications for human resource management. . . . .	18
Recruitment . . . . .	18
Retention and succession planning . . . . .	19
Current and future skill requirements and gaps . . . . .	20
Training needs and plans . . . . .	20
Summary . . . . .	21
Strategic direction and leadership: . . . . .	21
Corporate Management. . . . .	21
Service Delivery. . . . .	22
Next steps: framework for future research . . . . .	22

---



## Introduction

In response to issues raised by the changing municipal sector in Canada, *The Governance Network* (TGN) was asked to undertake a situational analysis of human resource (HR) capacity within the Canadian municipal sector. The project was carried out under the guidance of a Steering Committee consisting of representatives from the *Federation of Canadian Municipalities*, the *Canadian Association of Municipal Administrators*, the *Canadian Union of Public Employees* and *Human Resources Development Canada*. The study included a review of available literature, a survey of municipal human resources managers and interviews with stakeholders, including representatives from municipalities, provincial and territorial governments, labour, municipal associations and stakeholder groups.

The research found that municipal governments are facing major challenges in three areas:

- first, they must pursue new strategic directions. These reflect the need to remain competitive by attracting both people and investment in a global economy, to consider citizen demands for approaches to economic development that are environmentally sustainable, and to respond to increasingly sophisticated taxpayer expectations regarding accountability and performance. These issues play out differently in urban, rural and northern municipalities.
- second, they must deal with changing trends in corporate management. Fiscal realities, organizational restructuring and the transferring of service responsibility and accountability from other orders of government have put pressure on municipalities. Residents want to know how their tax dollars are spent, as well as have a greater voice in public policy development and service delivery.
- third, they must consider new developments in service delivery, including alternative service delivery arrangements, a more discerning and demanding citizen clientele, and new enabling technology.

The study looked at the effect of these challenges on the human resource demands of municipal governments and found that everything from labour relations to the skill sets required by both management and the work force have been affected. This has implications for how municipalities will manage their human resources, including the issues of recruitment, retention and succession planning, turnover, filling skill gaps, and training.

These findings represent a preliminary phase of research. The goal is to build a foundation for good decision-making based on identified human resources priorities, research frameworks and the collaboration of key stakeholders across the country.

The following summarizes the highlights of those findings. First, there is a snapshot of the changing Canadian municipal environment. Then there is a review of the impact of the identified challenges on municipal organizations, as well as an assessment of the human resource issues that have developed from them. This is followed by a discussion regarding actions that can be taken by municipalities to address these issues. Finally, there is a proposal regarding possible further research directions.

## A changing municipal environment

### Change as a way of life

Municipal governments have a direct influence on the environmental, economic and social factors that define the quality of community life. In 1999, they spent more than \$43 billion on providing services and managing the assets of the many Canadian local communities.

#### New Challenges for Municipal Governments

- Formal and informal downloading of federal/provincial/territorial programs
- Mandatory amalgamations
- Voluntary amalgamations/consolidations
- Increased service delivery expectations
- The adoption of business operating principles to municipal public service
- Downsizing as a result of cost savings reviews
- Privatization of some services
- The implementation of an alternative service delivery approach

#### Overview of Typical Municipal Services

- Health
  - Hospital/health care
  - Public health
- Social services
- Housing
- Local democracy
- Public safety
  - Police
  - Fire protection
  - Ambulance services
- Transportation
  - Highways/primary road systems
  - Urban streets
  - Rural roads
  - Urban public transit
- Environment
  - Drinking water quality standards
  - Water supplies
  - Sewers and storm drains
  - Wastewater treatment
  - Garbage removal and disposal
  - Air quality
- Land use planning and development
- Finances and taxation
- Local economic development
- Internal services

But the municipal sector is changing dramatically. As part of an evolving public sector environment that has changed the Canadian landscape over the last twenty years, federal and provincial orders of government have focused on their so-called 'core' functions, resulting in the downsizing and devolution of many responsibilities to municipal government. This has meant that municipal governments have been increasingly called upon to fill the gaps created by absence of federal and provincial government.

As a result, municipal governments find themselves providing more public services than ever before, as well as taking on new roles and responsibilities well beyond their traditional mandates. For many municipalities, this has resulted in a fiscal crunch, since their ability to raise capital is limited. All of these changes put their diverse municipal workforces under pressure.

From the citizens' point of view, municipalities have responsibility for the management of public policy issues that matter most to them. Put differently, they deliver services that directly affect the average citizen and have a direct impact on the quality of life at a local level.

### Municipalities in Canada

Municipalities are not recognized as an order of government under the 1982 Constitution Act. The legal authority for municipalities comes from provincial legislation, usually through Municipal Acts. Even though the demands on municipalities are constantly evolving, the legal dependence on provincial authority often limits the ability of a municipality to change. However, while relations between municipalities and their provincial or territorial governments historically have been strained due to the imbalance of power between the two governments, some provincial and territorial governments are updating their

**Factors Increasing the Scope and Complexity of Municipalities' Mandates**

- Municipalities are dealing with policies and programs outside their traditional mandates.
- Changing demographics as a result of amalgamation have increased service scope in some municipalities.
- The population is aging, which affects the type of services delivered as well as the delivery method.
- Societal issues, such as a heightened awareness of security and of health, environment and safety have increased service expectations.
- There has been an increase in crime rates, homelessness, the need for day care and the concern for the quality of education.

municipal legislation to correct this imbalance, signalling a shift toward increased autonomy for municipalities.

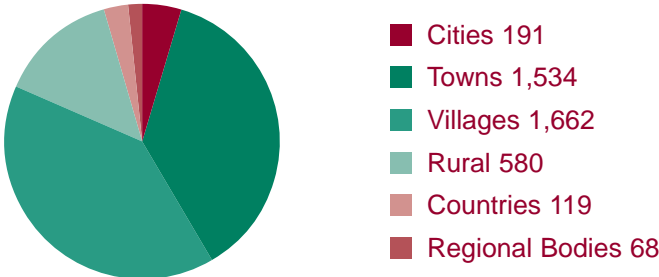
Although relations between the federal government and municipalities are for the most part indirect, federal activity can have an impact on the third tier of government. Federal initiatives such as immigration policy, off-reserve aboriginal policy, or cuts to social housing can have significant consequences for municipal governments. In the 1990s, for example, the federal government offloaded airports and marine ports onto local authorities, eliminated funding for new social housing, and increased the price for RCMP services, all of which placed financial pressure on municipalities. The federal government has also been accused of developing national standards and regulations without consulting how these will affect the municipal sector, including rural, northern and remote communities.

The varied municipal sector

Increasingly, there is a divide between the larger, urban municipalities and those that are rural and northern. Larger municipalities, with more authority delegated to them from provinces, are often able to cope with change better than smaller towns, counties or other rural municipalities. Increasingly, the country's larger cities are becoming the driving force behind provincial economic growth, while rural and remote communities are withering. In fact, rural and remote areas face specific challenges and see themselves as distinct entities. While they face many of the same difficulties in maintaining services for their residents as the larger municipalities, they have the added burden of costs associated with isolation and lack of manpower. Communities in northern and rural areas are also struggling with a population migration to urban areas, further accelerating the drain of resources from these areas.

Figure 1: Municipalities in Canada

Source: Provincial Municipal Associations



## The municipal workforce

In terms of human resources, the municipal order of government employs more than any other. According to the Statistics Canada category of Local General Government<sup>1</sup>, the municipal sector employed 350,717 individuals in 1999.

The human resource pool of the municipal sector is a microcosm of the Canadian labour force, generally representing all occupational groups ranging from professional categories, such as engineers, doctors and accountants, to road maintenance workers, childcare workers and dogcatchers. For smaller, rural and northern municipalities, maintaining and acquiring these staff present real challenges. They often have trouble attracting the wide range of skills and expertise required, since economies of scale that enable financial flexibility don't apply to them. In addition, they lack the political clout to convey the message that they need help from federal and provincial governments.

### Range of Occupations in Municipal Sector

*Source: Statistics Canada - Census 1996*

Management

Business, finance and administrative

Natural and applied sciences

Health occupations

Occupations in social science, education, government services and religion

Occupations in art, culture, recreation and sport

Sales and service

Trades, transport and equipment operators

Occupations unique to primary industry

Occupations unique to processing, manufacturing and utilities

<sup>1</sup> Local General Government in the Statistics Canada Public Sector Statistics is defined as all local government excluding school boards.

<b>Population, number of municipal governments and municipal employees by province</b>			
<i>Source: Respective Provincial/Territorial governments, 2001</i>			
Provinces/Territories	Population	No. of Municipal Governments	No. of Municipal Employees
Newfoundland	554,400	291	3,961
PEI	93,764	75	787
Nova Scotia	934,587	55	6,000
New Brunswick	752,999	103	6,975
Quebec	7,300,000	1,492	79,293
Ontario	11,400,000	447	54,299
Manitoba	1,150,107	201	10,980
Saskatchewan	1,024,387	813	13,975
Alberta	2,879,743	350	25,700
BC	4,095,934	181	34,279
Yukon	30,535	8	315
NWT	42,083	33	1,361
Nunavut			

### Municipal and professional associations

Local governments in all provinces are members of associations that bring together these governments under one umbrella to represent them with a united voice in negotiations with senior levels of government. The associations also provide information and forums for the exchange of ideas and experiences for the member municipalities.

At the national level, the Federation of Canadian Municipalities is a key player in representing the interests of most Canadian municipalities. On an individual level, many professional organizations help develop those working in the municipal sector.

## New strategic directions

Against the assumption of new responsibilities caused by the downloading of services and programs by the federal and provincial governments, citizens expect the municipal sector to demonstrate leadership on two key issues: economic development and the pursuit of sustainable communities. Municipalities also face changes on the legislative front, as well as increased demands by citizens for improved accountability.

Over the past twenty years, revolutions in communications and transportation technology have created a global economy in which municipalities must compete for people and investment. At the same time, the growing demand for “green” measures to help protect the environment creates demand for economic growth strategies that are environmentally sustainable.

The need to move in these strategic directions has an impact on the human resources capacity of municipalities, demanding skills related to collaboration and consensus building, as well as knowledge of environmental, infrastructure and governance issues.

### Economic development

The shift toward a global economy has increased the importance of being competitive at the local level. In a global economy driven by innovation and knowledge, a highly skilled work-

force, combined with the availability of research expertise and facilities, can attract investment and people to communities. For example, municipalities with universities and colleges are developing positive working relationships with these institutions.

As well, many municipalities are building partnerships with other stakeholders in economic development activity. For example, Business Service Centres have been introduced as one-stop locations where businesses can obtain information and advice about economic development initiatives. Since information and communication technologies are making it possible for businesses to compete around the world using e-commerce, communities in remote and rural locations are working with other orders of government, the private sector, and volunteer organizations to establish Internet infrastructure as a key component of their community resources.

In sum, Canadian municipalities are looking for new ways to encourage economic development within their regions, supported by the provinces that recognize that prosperous cities can create wealth for an entire region. They realize that trans-

#### Economic Development Challenges for Large Municipalities

- Balancing economic growth against urban sprawl
- Balancing economic development with environmental and other societal issues
- Becoming more strategic in order to plan and manage growth

#### Economic Development Challenges for Rural and Northern Municipalities

- Dependence on diminishing primary industries
- The trend for people to move from rural areas to urban areas, which is expected to continue
- A crisis in the agricultural sector in some provinces
- Limited opportunities for economic renewal, particularly in rural, remote and northern communities without a diversified economic industrial base

**As Supported by the Federation of Canadian Municipalities, a Sustainable Community Achieves Economic, Environmental and Social Health by:**

- Making the most efficient use of resources
- Generating the least amount of waste
- Providing high quality service to its residents
- Living within the carrying capacity of the natural resources of land, water and air

**Building Sustainable Communities Involves:**

- Water infrastructure
- Waste diversion, landfill gas and energy infrastructure
- Integrated multi-modal transportation, including public transit
- Brownfield redevelopment
- Affordable housing
- Canada and the global community
- Connectivity and e-government.

**Being Competitive through Economic Development: Urban Municipalities**

Economic development challenges include:

- balancing economic growth against trend toward urban sprawl
- balancing economic growth with environmental and other social issues
- Being strategic in order to plan and manage growth.

**Being Competitive through Economic Development: Northern and Rural Municipalities**

Economic development challenges include:

- Dependence on diminishing primary industries
- Out-migration to urban areas
- Limited opportunities for economic growth

national companies that make investment decisions do not only look at national and provincial policies; they also look at the quality of life in municipalities, as well as the availability of skilled workers, research facilities, and infrastructure connecting the community to the rest of the world.

## Sustainable communities<sup>2</sup>

The Canadian municipal sector is moving toward sustainable community development in response to increasing demands by citizens for a responsible form of economic development. Municipalities are doing this in spite of decreasing resources and an increasing need to replace decaying physical and transportation infrastructure. As municipalities move toward a more progressive approach to economic and social development, there is an increased need for modernized financial and legislative authority.

Larger municipalities face a specific challenge related to sustainable development: immigration. In 2001, Canada received 222,411 immigrants and over 250,000 refugees, most of whom gravitated to the larger urban areas. This raises significant social and development issues, notably due to the challenges raised by differences in culture and community.

## Municipal legislation

A number of provincial and territorial governments are currently drafting, or have updated, municipal legislation to outline what municipalities are not permitted to do or enter into, as opposed to the more traditional approach of outlining what a municipality can do. The increased authority and power expected from these changes may raise issues of human resource capacity in the areas such as liability and legal issues.

<sup>2</sup> One of the key elements to FCM's Sustainable Communities concept is Quality of Life. The FCM Quality of Life reporting system recognizes 41 Quality of Life indicators. The main groups are health, community stress, housing, employment opportunities, population resources, community participation, safety, quality of the environment, and social infrastructure.

## Accountability

Citizens are demanding a greater say in policy development and service delivery as well as knowledge about how their taxpayer dollars are spent. Municipal governments are expected to demonstrate increased accountability and transparency in their relations not only with citizens, but with other orders of government as well.

## Corporate management

There are a number of trends facing the sector that affect the corporate management of municipal organizations. From a human resources perspective, these trends are creating challenges for urban, rural and northern municipalities – albeit in varying degrees – that are related to managing and adapting to change, ensuring ongoing human resource capacity (as the need for sophisticated management skills grows), and labour relations.

What follows is a list of the corporate management issues that municipalities are facing.

### Consolidations and amalgamations

Many provincial governments are promoting the consolidation and amalgamation of municipalities. They argue that this will improve efficiency by merging the operations of separate cities and regions; they say it will also improve equity, create more efficient regional planning and economic development, and increase citizen access to services. Many municipalities, especially those in smaller, rural or northern areas are inclined to support collaboration through regional networks and sharing of resources as opposed to forced amalgamation.

From an organizational perspective, although the results of amalgamations and collaborative arrangements have been mixed, it should be noted that the restructuring procedures have strained labour relations and created challenges related to the harmonization of workforce activity.

#### Examples of Services Downloaded Without the Necessary Resources

- The federal government transferred responsibility for regional airports to the municipal sector; stakeholders argue that municipalities were not provided with adequate operating resources
- In some jurisdictions, roads are a provincial responsibility, yet the municipal sector is left to deal with the ongoing costs of maintenance and upgrading
- Municipalities cannot leave people on the streets in winter just because a province is no longer supporting social housing or hostels
- The municipal sector must take on a much greater role in preparing for and delivering disaster and emergency services
- Municipalities have to consider the impact of supporting or not supporting their local hospitals as a result of reduced health care funding at the provincial level

### Transferring responsibility and organizational restructuring

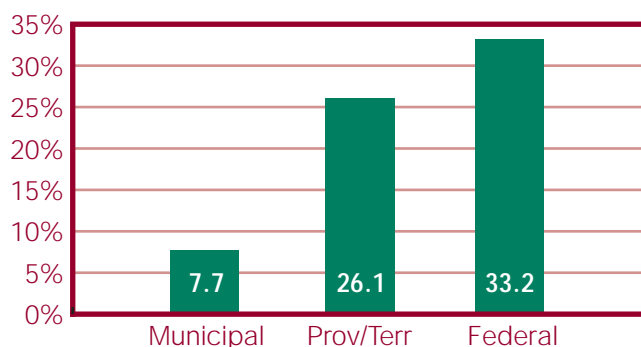
As noted, as services are downloaded from federal and provincial government, the complexity and scope of municipal programs increases. The downloaded services bring attendant costs, which are often not covered or are transferred by the other orders of governments. As a result, the municipal sector often needs to reduce the size of its workforce, even though it is being given added responsibilities for program and service delivery. The restructuring of organizations, the downsizing of workforces, and the consolidation of operations leads to human resource challenges.

### Fiscal realities

Compared to the increase in revenues raised by federal and provincial governments in the past half-decade, there has been

a significantly smaller increase for local government. This has been, in large part, the result of reductions in federal grants and transfers and changes to federal-provincial cost-sharing rules. The financial crunch is prompting a debate about the appropriate range of municipal government activities. Who should pay for these activities? Who should benefit?

**Figure 2: Rise in Government Revenues between 1996 and 2001**



In recent years, the federal government has developed new programs to provide funding to municipalities. However, disputes between the federal and provincial governments often make it difficult for municipalities to get access to this much-needed funding.

The federal Infrastructure Works Program was designed to give communities more say on where money was invested. However, the perception among stakeholders was that many provinces were not comfortable with municipalities having the final say.

In some provinces this has resulted in the introduction of projects or initiatives that mirror those at the federal level, such as the SuperBuild Fund in Ontario. This program, working in conjunction with the federal government's Infrastructure Works Program, has resulted in delayed funding due to the need for tripartite agreements.

## Financial arrangements

Municipalities continue to rely on property tax bases for revenue, but are increasingly looking for other sources to meet funding pressures for more public services and for infrastructure maintenance. Meanwhile, many provinces are withdrawing financial support in key areas such as transportation, road infrastructure, school and hospital boards and libraries. Consequently, municipalities are constantly trying to keep up with maintenance requirements, notably in the areas of water and wastewater management.

# Service delivery

The final major trend that affects municipalities and their workforce relates to the changes in expectations among municipal residents regarding service delivery, and the tools available to municipalities to respond. Residents want a high level of service; municipalities are responding by looking for alternative ways to deliver their services, and by using technology to improve efficiencies.

## Service expectations

Citizens and consumers of municipal services are becoming increasingly sophisticated and aware. They expect fast, efficient, reliable and accurate service delivery, and they want the same level of service regardless of where they live. The municipal sector is attempting to respond to these increasing expectations within the constraints of limited budgets.

**Alternative Service Delivery Methods Include:**

- Contracting-out the delivery of a service to the private sector
- Two or more local governments cooperating to deliver a service
- Intergovernmental agreements between a local government and another order
- Use of the voluntary sector to deliver all or part of a service
- Franchising out a service to the non-profit sector
- User fees charged or vouchers distributed to local citizens in order to encourage efficient consumption of service.

“Communities where innovation thrives typically house industrial ‘clusters’—internationally competitive centres of growth. Canadian communities are already leading the way with several mature and emerging clusters but we can support more. Canada’s communities also have to be part of a globally connected world, and broadband will be part of the national strategy. Communities have the potential to accelerate the pace of innovation, attract investment, stimulate job creation and generate wealth.”

Achieving Excellence: Investing in People, Knowledge and Opportunity

## Alternative service delivery

One way in which municipalities are coping by exploring alternative approaches to delivering services through the use of partnerships with, or delegation of responsibility to, other governments and sectors. Although the municipal sector has adopted many private sector operating principles, these arrangements can be complicated, involving the negotiation of complex contractual arrangements, which should be based upon a clear understanding of the need to preserve an appropriate amount of control. Alternative service delivery can also lead to the sharing of service delivery or functions. Smaller municipalities are finding this a useful way to save money: in Saskatchewan, for example, two communities are sharing the Chief Financial Officer.

## Technology

Changing technology has the potential to improve the delivery of municipal government services. Moreover, the demands for citizen engagement in policy and decision-making increase with advances in technology. Changing technology presents challenges for employee training; in smaller and more remote municipalities, there is also the difficulty of attracting employees with the appropriate skills in technology-based activities.

## The human resources dimension

As indicated, change is becoming a way of life for the municipal sector, often through restructuring, but also through the need to deal with new strategic directions, new trends in corporate management, and new demands and resources for service delivery. How do all these changes affect the human resources capacity of Canadian municipalities?

The survey and interviews undertaken for the study revealed that most stakeholders are concerned about the ability of management and employees to respond to the quickly evolving municipal environment. Stakeholders worry that municipalities will have difficulty, particularly in view of their changing needs and the competitive labour environment, in building and maintaining the human resources capacity to meet these new challenges. It is recognized that smaller and northern communities will face specific difficulties in view of their resource constraints, due to shrinking industrial and human resource bases.

What follows is an overview of the human resource challenges that municipalities face when coping with change.

### Modernizing the human resource function

The increased demand for human resource services often surpasses the capacity of HR professionals to respond to change. This is compounded since many line managers do not

fully understand the complexity of the human resource function. Many see HR as essentially responsible for performing a payroll and benefits function, rather than dealing strategically with the many complex human resource challenges that modern changing organizations face.

In general, HR professionals are dealing with challenges ranging from the need to take on a more strategic and advisory role to developing initiatives that will attract and retain top talent.

### Skills

With municipal residents becoming more actively involved in municipal issues, and with municipalities becoming more entrepreneurial in their delivery of services, employees need to develop new skill sets. They must become more client focused, with skills in defining service standards, working in partnerships, and adapting to new modes of service delivery.

#### Key Challenges Perceived for the HR Function

- Shifting HR from 'enforcer and policeman' to a service approach - 'business coach and advisor'
- Developing strategies to improve recruitment and retention, including better wages
- Helping the organization to handle increased service demand associated with urban growth and shifting demographics
- Addressing issues associated with an aging workforce
- Working more closely with provincial counterparts
- Identifying new knowledge, skills and competency requirements
- Helping to develop a performance culture
- Training and development, which includes leadership and management skills, coaching, re-engineering processes and stress management.

## Morale

Stress levels and poor morale increase during major change. Workers are anxious about job security and job loss. They are concerned about changes to their own organization unit, their workplace location, the changed workflow and processes, and changing work relationships. They are rarely given the time to be adequately trained in new skills or equipment. Meanwhile, programs and services are expanding as a result of downloading, while few new workers are being recruited. All this happens while workers are trying to maintain quality, seamless service delivery to the public.

## Restructuring

As noted, restructuring is a major challenge for municipalities. Rarely do they have experience in undertaking major initiatives related to amalgamation or downsizing; this is especially true of smaller and rural communities. During restructuring, human resource issues are often put on the backburner until the 'who does what' questions are answered. When programs and services are eliminated, reduced in scope, or dramatically altered in terms of staff reporting relationships or workflow and relocation of offices, there can be productivity loss, high anxiety, low morale, and increased stress. Specific issues around restructuring include labour relations, culture clash, pay issues policy harmonization and diversity. Each is examined below.

### Labour relations

Most of the stakeholders interviewed predicted that labour relations were likely to deteriorate unless management and labour worked together to improve their partnering capacity. Labour stakeholders cited jurisdictional battles, reluctance to include Labour in the planning stages, and failure to provide employees with tools and training, as contributing factors to deteriorating labour-management relationships. Management representatives and other stakeholders felt that collective agreements hampered the abilities of some municipalities to pursue alternative service delivery options and strategic partnerships. Both labour and municipal management representatives recognize that the traditional adversarial approach to labour relations needs to change to be replaced by more cooperative and collaborative approaches to resolving municipal issues.

The trend toward government devolution, downsizing and alternative forms of service delivery has particularly strained relations between municipal governments and representative unions. Unions have been fighting against contracting-out clauses and fighting for greater job security provisions. Many of the restructuring and amalgamation initiatives appear to contravene collective agreements and/or cause equity-related issues. As a result, the number of grievances and labour board hearings has increased. Finally, union representatives are often frustrated at not being invited to the table as equal partners during amalgamation discussions.

In general, unions do not feel adequately consulted by municipal leaders. As a result, they have resisted changes to governance structures and traditional service delivery frameworks. Many union representatives feel they are only invited to participate when management is obliged to be consultative in the collective agreement, and/or that management only consults labour as window-dressing, to be able to say that they had met with all stakeholders.

#### Labour Representation in Canadian Municipalities

- Canadian Union of Public Employees – 105,446 employees in 513 locals
- International Firefighters Association – 17,000 in 165 cities and towns
- Canadian Police Association – 30,000 members
- Amalgamated Transit Union – 28,000 members

#### Human Resource Challenges for the Municipal Sector

- Recruit and retain managers who are strategic thinkers and good communicators, who can build effective work teams and develop effective service delivery approaches.
- Provide training and upgrading programs to give employees the skill sets and competencies required in the new 'business' environment, and to optimize the use of enabling technologies.
- Prioritize training needs to address skill deficiencies.
- Develop adequate resources to develop and deliver municipal programs and services: "doing more with less" is not a viable option.
- Promote more cooperative and collaborative labour relationships.
- Develop recruitment and retention strategies to build a stable workforce in smaller communities.
- Address the issue of an aging workforce.
- Share best practices across the sector.

#### Culture Clash

When communities amalgamate, they bring with them different processes, procedures and organizational cultures, as well as historical and regional animosities. Some service areas experience acute culture clashes that make amalgamation extremely difficult for the workforce individuals involved.

#### Pay issues

Amalgamation often creates problems in terms of pay parity/harmonization. After amalgamation, many workers find themselves in situations where a co-worker, doing the same job, is either being paid substantially more or less than they are. This is a major factor leading to adversarial labour relations, and engenders poor morale throughout the organization.

#### Harmonization of policies

Challenges arise with amalgamation when original municipal organizations have different policies and approaches in areas such as finance, human resources and procurement. Policy and operational harmonization affects all workers, including white collar workers. At the same time, the standardization of policies, procedures and technologies can lead to the 'de-skilling' of some positions, and can increase the skill and qualification requirements of others.

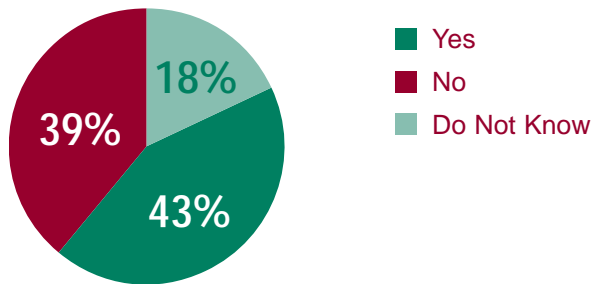
#### Diversity

Diversity and language issues have emerged in several municipalities. These occur as a result of amalgamations/consolidations that alter the demographic profile of the population. In addition to serving new needs, the municipal workforce must also reflect the diversity of the community that it serves, with resulting implications for staff recruitment and retention.

## Implications for human resource management

The pressures of change on the human resources of the municipal sector raise serious issues for human resource management. A significant minority (39%) of stakeholders consulted felt that their municipality did not have the human resources capacity to meet future challenges. The survey of municipal HR stakeholders undertaken for this study found that the top four issues were: recruitment; retention and succession planning; skill gaps; and training needs and plans.

**Figure 3 : Whether a Municipality Has the HR Capacity to Meet Future Challenges**

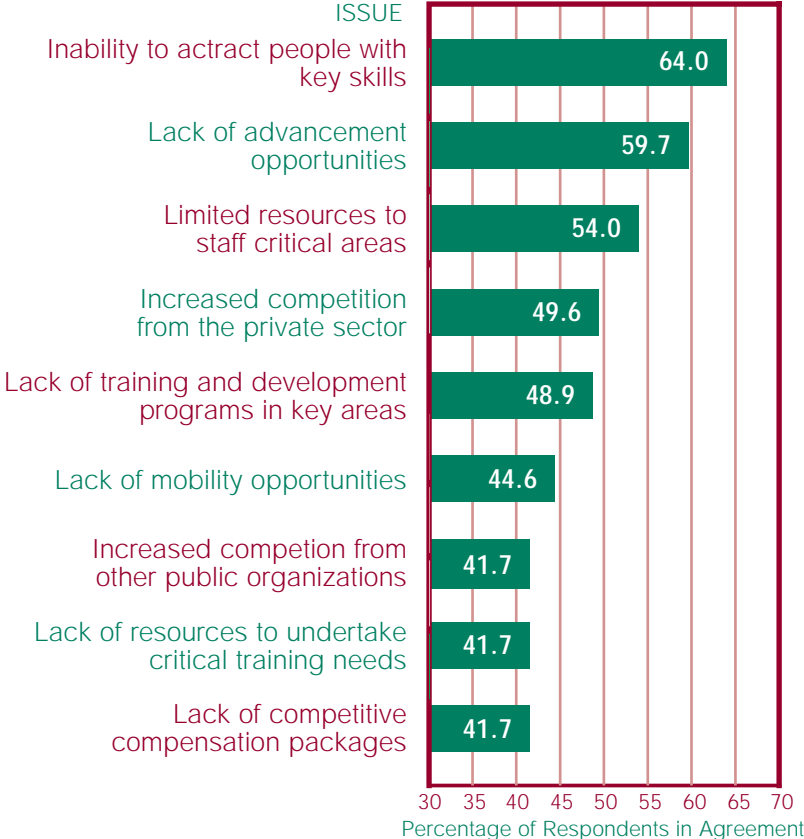


### Recruitment

The municipal sector competes with the federal and provincial/territorial public sectors, as well as the private sector, to recruit positions in key areas, particularly leadership and management roles, particular professions and trades people. The problem of attracting well-qualified people is even more difficult in the rural municipalities and northern isolated communities. Difficulties include quality of life issues, compensation, and out-migration as talented people move to regional employment centres.

As the workforce ages, municipalities have an opportunity to recruit employees who are flexible and mobile. There is a need to establish strategies for recruiting and retaining youth. However, since younger workers generally plan to work for several organizations in the course of their careers, and also expect a fair amount of autonomy and responsibility, there is a perception that they will be difficult to recruit and retain in the workforce.

**Figure 4 : Selected Human Resource Challenges Facing Municipalities**



### Retention and succession planning

As noted, municipal governments face the problems associated with an aging workforce. Many feel that they have not begun to effectively plan for and manage future succession requirements. In some cases, whole departments could retire within the next two years. Occupations where this problem is particularly acute are the trades, building departments, as well as middle and senior managers. While most municipalities appear to recognize the extent of the problem, few have developed or implemented strategies to deal with it, often because of lack of funds.

High turnover undermines the trust built in working relationships and requires staff to continually go over old ground by training new managers. Municipalities are faced with the need to develop policies to address these issues in order to slow the rate of turnover.

### Tensions between the Government Sectors Send a Negative Signal to Existing and Potential Municipal Workers.

As a result

- The municipal sector is no longer perceived to be a stable and secure work place
- In many cases, job competitions have elicited no response
- The municipal work environment is viewed as negative and stressful
- After years of devolution and downsizing, it is difficult to support a positive work-life balance and promote municipalities as a positive workplace
- Negative attitudes about the public service prevail and this affects the sector's ability to attract top talent both today and in the future
- Municipal managers need to be trained to market the opportunities and potential of working in municipal government

### Hot Skills Areas

- Information systems technology
- Knowledge management
- Financial management—ability to develop sound business cases
- Risk management
- Contract management—tendering processes, managing and overseeing contracts, developing and monitoring service level agreements, developing, applying and interpreting performance metrics
- Project management—understanding controllership and accountability issues, financial management, risk and liability management, understanding business process reengineering
- Certified sewage and water operators
- Trades people
- E-business skills—web design, customer service orientation to electronic transactions
- Collaborative skills—ability to consult with a wide variety of stakeholders, including new arrivals and those from other cultures
- People/team building skills—ability to implement alternative service delivery methods, alternative dispute resolution, building community teams for sustainable economic development, negotiation skills, problem-solving skills

### Current and future skill requirements and gaps

The contracting out of services, and arranging other alternative approaches such as private-public partnerships, requires a new set of skills that have not been characteristic in the municipal sector. Increasingly, municipal employees need leadership skills, project management and contract management skills, the ability to analyze financial statements, the ability to write contracts, and skills in consultation, negotiation, and relationship building. In addition, several skills for specific job descriptions are becoming increasingly important and hard to fill. (See “Hot Skills Areas.”)

### Training needs and plans

Many municipalities are not addressing the training and upgrading needs of staff. Less than a third of the municipalities surveyed had developed unique training or development programs. Several stakeholders maintain they do not have the funds to pay for training and associated travel. This is particularly true of smaller rural and northern municipalities.

## Summary

Canadian municipalities are being forced to manage what is sometimes dramatic change as they adapt to a changing environment that includes more responsibilities, often without the financial resources to undertake them.

This means that municipalities are facing a number of significant challenges. One relates to labour management relations – and the need for labour and management to find better ways of working together. Another relates to recruitment, retention and succession planning, and the need for both attract and retain skilled blue and white collar workers. A third relates to training, related to the need to maintain critical infrastructure.

These challenges brought on by change can be divided into three broad areas, each of which raises issues of human resource capacity and management in the municipal sector.

### Key Issues Affecting Municipal HR Management

- The effect of recent restructuring initiatives, including amalgamations, downloading, re-alignment, downsizing and, in the North, the effect of land claims settlements and emerging self-government models.
- The effect of recent and upcoming amendments to municipal legislation and regulations.
- The increase in the number and complexity of the types of service municipal governments are expected to deliver.
- The need to re-think what skill competencies are required for municipal government.
- The lack of human and financial resources to deliver municipal services.
- An aging workforce.
- Lack of recruitment and retention strategies to address labour supply and demand issues.
- Deteriorating labour relations.
- Lack of resources to deliver training and professional development.
- Lack of understanding of what impact alternative service delivery arrangements will have, both on the workforce and on the services delivered.

### Strategic direction and leadership:

In many municipalities, particularly the smaller ones, there is a need for increased leadership capacity to provide the strategic thinking and future planning that is needed. In terms of federal, provincial and municipal responsibilities, the question of “who does what” often remains unresolved. In general, municipalities tend to react to issues rather than anticipate where they need to be in the future. They do not have sophisticated policy development processes in place, nor do they have the policy skills required to create them.

### Corporate Management

In municipalities, the lack of skilled middle management capacity is a concern, including the areas of human resources, decision-making, financial management and governance (accountability). Human resource departments tend to have a lower status in municipal organizations than finance and operations. Many services delivered by the municipal sector now require certification and other occupational and national standard requirements. Financial constraints pose several challenges for municipalities with the result that many have difficulty recruiting and retaining financial professionals.

#### Major Challenges for Municipal Governments

- They must become more strategic in how they plan and build for the future, and take into consideration what the long-term HR requirements are likely to be.
- They must do more to give management the skills required to manage strategically in a changing environment.
- They must ensure the workforce has the capacity to support municipalities as they respond to changing demands by exploring alternative service delivery, and applying new technology.
- Above all, they should embrace the human resource function as a strategic player that can help address these kinds of issues.

#### Service Delivery

Because of its close proximity to citizens, the municipal public sector has traditionally been the most customer-driven. However, there are now even more demands for improving customer service as a result of rising expectations, enabling technologies, and the availability of different delivery models. This requires specialized skills as the sector negotiates complicated alternative service delivery arrangements, engages citizens and the private and non-profit sectors, and works closely with other orders of government to provide customer service that is citizen-oriented.

## Next steps: framework for future research

During the interviews and the surveys conducted for this study, it became evident that further research is needed to gain a better understanding of how municipalities can respond to these challenges. Three models for future study of the municipal sector are considered:

- a five-part study that would conduct one overarching study with four distinct but linked sub-studies based on the size of the municipality;
- economic sub-sector studies that would analyze the human resource needs and capacities of the municipal sector within different economic sub-sectors.
- a study that would analyze the entire municipal sector and focus on several human resources priority areas.

Of the three options, the first is seen as the most effective in addressing the issues that have emerged in the course of preparing this report, and has elicited the most support from the interviews and survey results.

The full report, *Situational Analysis of the Municipal Sector*, may be obtained from:

Federation of Canadian Municipalities  
International Centre for Municipal Development  
24 Clarence Street  
Ottawa, Ontario K1N 5P3  
international@fcm.ca

This report is available in English only.