

Chapter 4

Department of Finance

Early Retirement Program

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Department of Finance

Early Retirement Program

Background

4.1 The Voluntary Early Retirement Window (VERW) is a major government program that involves a significant expenditure by the Province. VERW is a high profile early retirement initiative that has drawn a lot of interest from the members of the Legislative Assembly, the media and the public. We became interested in conducting an audit of the decision to introduce this program when the significance of the program cost became known.

4.2 When government makes a decision of this magnitude, it is important that a process is followed that ensures a sound decision is made, and that decision-makers have access to the best information possible in order to make a fully-informed choice.

4.3 The retirement program was offered to persons in Part 1 of the public service (government departments and specified agencies). Employees with a minimum of five years of pensionable service who would be 55 years of age on or before 31 March 2002 were eligible for the program. The benefits offered as part of the program included the following:

- retirement as early as 55 years of age with an unreduced pension (normally there is a penalty when one retires before the age of 60 years); and
- receipt of pension benefits consistent with having worked up to three additional years.

4.4 The program was announced on 25 January 2000 and employees had until 15 March 2000 to decide if they wished to participate. The program was designed so the decision to participate in the retirement program was totally that of the employees. It also ensured that the employees would decide on when their retirements would commence, within a two-year period. Government held no control over either of these decisions.

4.5 The Province's 1999-2000 financial statements reflected a VERW expense of \$54.6 million. In addition, the public service superannuation plan will absorb a cost of \$10 million to \$15.3 million. The amount

charged to the superannuation plan will ultimately become an expense to the Province as it is amortized, in future years, as a component of the annual pension cost.

4.6 The total cost of \$64.6 million to \$69.9 million was estimated by an actuary hired by the Province. The actuary provided information to government that divided the cost into three components, corresponding to the benefits offered under the retirement plan.

- Under normal circumstances, when one retires between the ages of 55 and 60 there is a reduction in the amount of the monthly pension to be paid. For every year before the age of 60 that one retires, there is a 3% reduction in the pension. Waiving this reduction under the program resulted in a cost to the Province of \$24.1 million.
- Qualifying retirees were offered credit for having worked up to three extra years if they chose to participate in the program. The cost of this component of the program was \$30.5 million.
- The cost of making pension payments to retirees for a longer period than originally assumed represented a cost of \$10 million to \$15.3 million. According to the actuary, the retirees who took advantage of the VERW retired on average 1.6 to 2.1 years earlier than they would have under normal conditions.

4.7 When VERW was in the planning stages, the anticipated number of participating retirees was 1,000. The foregoing figures are the estimated cost for the actual number of retirees (1,335).

4.8 VERW is one of a number of initiatives introduced by government to address human resources issues. The completion of the program/service review was expected to result in a smaller and more efficient government. The re-deployment program and the hiring freeze were also expected to assist in the restructuring and help accommodate the transition. The final impact on the human resources and the expenditures of the Province will depend upon the results of all of these programs.

Scope

4.9 This audit was an examination of the decision-making process employed by government in developing a major human resources initiative. The audit objective was:

To examine the decision-making process and determine if proper steps were taken in making the decision to introduce the early retirement program.

4.10 This is not the first time we have examined the processes underlying major decisions by government. For example, in 1999 we examined the decision-making process leading to the merger of Extra-Mural Hospital with the regional hospital corporations and the process followed in deciding to build the Fredericton-Moncton highway.

4.11 The specific focus was on the decision to adopt VERW as the solution to the problems identified by government. The program implementation and the subsequent evaluation of its effectiveness were not part of this audit. And we were not examining the decision-making process in light of events taking place subsequent to the announcement of the program. This is an area to be examined as part of the evaluation of the success of the program rather than as part of the decision-making process.

4.12 This audit was not intended in any way to pass judgement on the final decision made by government. This is not our role and we want to be clear that this was not our objective. Our role in this audit was to examine the process that was followed that led to the decisions that were made.

Results in brief

4.13 The process leading to the decision to proceed with the \$64.6 million to \$69.9 million voluntary early retirement program was examined. We cannot conclude that all the proper steps were taken in conducting the decision-making process. This result is reached for two reasons.

4.14 We were unable to establish that portions of the process had taken place. For example, the identification of the alternatives and the analysis of the alternatives could not be examined in the necessary detail because much of the process was achieved through meetings. The information needed to assess the process was not available to us. This left us with some serious concerns about the process, because of questions we could not answer to our satisfaction.

4.15 Another difficulty in the decision-making process was the inability to review a key document. Decisions by the Board of Management require the preparation of specific information in an approved format. Although we have been assured a document was prepared, we were unable to examine the document to establish that all necessary information was presented to the Board of Management for their review.

Characteristics of a good decision-making process

4.16 Following is a description of what we consider to be a good decision-making process. It follows a logical path that should result in the consideration of the relevant issues in arriving at a conclusion.

- 1. The identification of a problem(s) that is the underlying reason for the need for a decision-making process.* The foundation for a good decision-making process is established through the clear identification of the problem to be solved. Without a clearly identified problem, the resulting decision can be misdirected. As a result, even a solid decision-making process could turn out to be ineffective.
- 2. The assignment of responsibility to participants in the decision-making process.* It is essential that there be no doubt in

the minds of the participants as to who holds the responsibility for creating the information to be used as the basis for a decision. This sets up a process that is organized and controllable. Likewise, the party responsible for crafting the possible solutions and making the final recommendation should be clearly identified. Accountability is enhanced when everyone clearly understands their role in the decision-making process.

3. *A search for possible alternative solutions.* Once the problem has been defined and the responsibilities have been assigned, it is appropriate to begin the search for alternatives. The importance of this step is that it identifies various courses of action that will result in the problem being addressed and objectives being met. Failing to identify alternatives limits the success of a process and can mean missed opportunities. The best alternative is not chosen during this stage. The goal is simply to identify the alternatives.
4. *An analysis and evaluation of alternatives using various methods.* The fourth step in the decision-making process is selecting a proposed solution to the problem. Judgement, experience and intuition are to be used as tools in conducting the analysis and in evaluating the alternatives. This is the opportunity to be certain that all relevant facts are made available to decision-makers in ensuring the best decision is made. It is at this stage that one alternative will be identified as the preferred course of action, and this will be supported by quantitative and qualitative analysis.
5. *Authorization of the final result.* A decision is not final until all parties to the authorization process have reviewed the recommended course of action and approved the decision in the appropriate manner. It is important to follow the established process because it protects against the risks associated with unauthorized decisions.
6. *Linking the process to time goals or deadlines.* To ensure a timely and organized completion of a project or assignment, it is important that a commitment be made to an overall deadline. In addition to the deadline, it is also useful to establish interim benchmarks, which can be used to serve notice of progress in relation to the plan and to identify situations where the plan is not being achieved.

4.17 Our audit criteria were established using this process.

4.18 This process follows closely the requirements of the government's *Procedures Manual for Executive Council Documents*. This manual sets out the requirements for preparing and routing memoranda to the Executive Council. The manual includes statements that support an organized decision-making process.

Problem identification

4.19 *New Vision New Brunswick* was issued by Bernard Lord and the Progressive Conservative Party in spring of 1999. This plan to “change how government works” included some information relevant to the problem. In this document a commitment was made for

Building a stronger, professional civil service by recruiting and promoting new, young managers and ensuring opportunities for training and advancement are in place for all civil servants.

4.20 Later in the document the point was made that

young people are leaving our Province because there aren't enough jobs.

4.21 The Department identified a number of issues that composed the problems at hand. During our audit, they pointed out that during the fall of 1999 there were a number of initiatives in place that, on their own, were not going to achieve the restructuring objectives of government. At that time the three initiatives were:

- the redeployment program (ongoing);
- the program/service review (26 August 1999); and
- the hiring freeze (14 October 1999).

4.22 We were informed that the specific problems to be solved had not been documented as one statement when they were presented and discussed at the various meetings held by the participants. Rather, we were informed they were contained in a series of documents including those prepared in conjunction with the initiatives explained above. During the course of our work the Department did assemble the individual problems into a consolidated format and they presented this to us in writing.

1. The government was aware of the aging of the work force and made a commitment to rejuvenating the public service by providing opportunities for current civil servants and bringing in new staff.

2. The Program/Service Review (PSR) was implemented to review over 600 government services. The PSR was to:

- *address the structural fiscal imbalance that the New Brunswick government was facing and*
- *focus the government's services on clear public priorities.*

3. Rejuvenation could be jeopardized by PSR and aging of the workforce could be exacerbated if civil servants in the middle of their careers were to be laid off. The government wanted a planned process in place to ensure the above issues were properly managed.

4.23 In addition to identifying the problem(s) to be solved in any decision-making process, it is important to provide some focus by identifying the objectives of the decision. The objectives allow the problem to be stated in terms of what should be accomplished to adequately address the problem. Similar to the situation encountered with the identification of the goals, the objectives were not documented during the decision-making process.

4.24 We were informed, however, that the following objectives were chosen with the involvement of the Board of Management, the Office of the Comptroller and the Corporate Human Resources Management and Budget and Financial Management divisions of the Department of Finance.

- to minimize the impact of PSR on employees;
- to free up some positions to allow middle management and younger people to be promoted;
- to rejuvenate the public service; and
- to help reduce the cost and size of government.

4.25 While we were pleased to learn that the Department had identified three problems to be solved, and had established four objectives, we have some observations to make.

4.26 With respect to the first problem, we would have expected to see documentation demonstrating the lack of opportunity for existing staff and the difficulty of bringing in new staff. It would have been helpful to the decision-makers to understand how significant this problem was. In other words, a major problem here could suggest an expensive solution whereas a minor one would not. We were told by the Department that, "The identification of the problem was a logical conclusion based on the Part 1 public sector demographics as well as on information from external sources, which indicated demographic trends which were very similar to ours."

4.27 We were not able to see any analysis that made the connection between the aging of the work force and the inability to hire new staff and promote existing staff. This obviously is a significant cause and effect relationship. But could it be that other factors such as salary ranges or working conditions were having an impact on whether people wanted to work for the government and how long they were prepared to stay? Without supporting documentation being available for our review it was not possible to conclude on these matters.

4.28 The problem associated with the PSR was related to the government embarking on a major initiative to review over 600 services and a reasonable outcome would be a loss of jobs. While government needed a strategy to deal with these displaced employees, the magnitude

was not clear. Nor was it clear how this related to the “structural fiscal imbalance”.

4.29 The third problem identified by the Department was developed by concluding that lay-offs would not be an acceptable alternative. Again, without documented analysis it was not possible to fully appreciate the problems this alternative would create.

4.30 During our audit we were informed that information relating to the problems was presented and discussed at the various meetings held by the participants.

4.31 As for objectives, we were pleased to see that the government had some, but they were lacking in specific measurable targets. For instance, general targets like “minimize”, “free up some positions”, “rejuvenate” and “help reduce” pose two problems. In the first instance they are not really susceptible to meaningful measurement, and secondly they do not convey the message to decision-makers as to how significant a particular issue might be. For instance there could be a big difference between a solution to “free up 100 positions”, and one to “free up 1,000 positions.”

Recommendations

4.32 Problems and objectives should be formally recognized rather than being discussed at meetings without being documented. This provides more discipline to the process.

4.33 Problems should be accepted by government and assigned to staff for resolution only after they have been validated by the results of documented research.

4.34 Measurable performance targets should be set to facilitate the measurement of the success of any decision.

Assignment of responsibility

4.35 We were informed that government assigned the responsibility to the Department of Finance to co-ordinate the work needed to prepare a recommendation to the Board of Management. The recommendation was to establish the action necessary to deal with the problems set out under the problem identification section. While there was no documented evidence to support the assignment of this work to the Department of Finance, we did note in our discussions with senior departmental staff that there appeared to be a clear understanding that it was their responsibility. However, it was not clear to us what was meant by the term “government” in this context and exactly who was involved in assigning the work to the Department.

Search for alternatives

4.36 The Department approached the identification of the alternative courses of action in two stages.

4.37 The first stage was the identification of alternatives to address the three stated problems. The Department indicated that the three alternatives considered were layoffs, an early retirement program and attrition.

4.38 The Department explained that this work was done through meetings and there was no documentation of the process.

4.39 Subsequent to the review of these alternatives, we were told that government decided that early retirement was the alternative that would be chosen for further development.

Recommendation

4.40 **Alternatives should be identified and described in writing as it promotes a better understanding by participants and potentially a better conclusion by decision-makers.**

Analyzing and evaluating alternatives

4.41 Most of the work to address the problems, including the alternative identification and analysis process, was done during the period from November 1999 to January 2000.

4.42 As mentioned earlier, the primary alternatives identified by the Department as possible solutions to the three problems included layoffs, normal attrition and an early retirement program. A number of alternatives were later identified and examined under the early retirement option.

Analysis of the primary alternatives

4.43 The analysis and evaluation of the primary alternatives was done through meetings involving the staff of the Department of Finance and the Office of the Comptroller. They concluded that a form of an early retirement program should be selected as the recommended alternative.

4.44 Staff of the Department provided us with verbal commentary on the process that led to the decision to choose early retirement over the other two alternatives. They indicated that, in their opinion, the decision was not difficult given the nature of the choices developed.

4.45 There were no minutes or notes kept of the meetings. As a result, it was not possible for us to examine the processes of analysis and evaluation that were conducted to arrive at the decision that an early retirement program was to be recommended to address the problem at hand.

4.46 Without being able to examine an analysis of the three options we are left with a number of questions. And we are concerned because the final decision to select the early retirement option led to an expenditure of between \$64.6 million and \$69.9 million.

4.47 For instance, why does anybody have to be retired early to create opportunities for current civil servants if, according to the demographics, the work force is already advanced in years? It would appear, at least on the surface, that opportunities for current employees would only be

limited if there were a fairly young work force. And what risk was being taken by accelerating the loss of “corporate memory”?

4.48 What would the outcome have been if the attrition option had been pursued? According to government figures, the average annual number of retirees over the period from 1994 to 1999 was 183. In addition there is an average of 697 persons leaving government each year before retirement age. These two factors alone would appear to make the elimination of 1,000 positions achievable without a retirement program. This doesn’t take into consideration the number of positions that were held open due to the hiring freeze at the time the decision was made. Staff of the Department were unable to tell us how many positions were unfilled at that time.

4.49 And as for the layoff alternative, an analysis would have clearly identified the pros and cons of such an action. For instance it would have indicated the extent to which layoffs would jeopardize the rejuvenation process and how they would exacerbate the aging problem which were the two reasons given as to why this alternative was rejected. But since all analysis was done through meetings for which there is no documentation, there is no evidence to examine.

4.50 A final step we would like to have seen is the preparation of information that identified an early retirement program as being superior to the other two alternatives. This is of particular interest since the actuary points out that the early retirement program (which cost between \$64.6 million and \$69.9 million) resulted in employees, on average, retiring between 1.6 and 2.1 years earlier than they would have.

Search for the best early retirement alternative

4.51 We were told that government decided, based on the results of information presented, that the early retirement option would be chosen for further examination. Once again we were not able to determine who exactly government was, what information they had when they made this decision and when the decision was made.

4.52 This was of great concern to us, because the decision to accept early retirement as the preferred alternative was a significant policy decision.

4.53 Following this decision, the Department of Finance was asked to examine the early retirement alternative and to propose a recommended course of action. The Department indicated that it had to conduct its work within several guidelines. The project was expected to be financially sound, they were working under the four project objectives and there was a time deadline.

4.54 However, no precise targets (cost, nature of retirement incentives and number of retirees) were fixed at the commencement of the Department’s work on the early retirement option. As a result, staff were

able to work without major restrictions on the possible configurations of the plan.

4.55 The analysis of the early retirement options included extensive involvement by the actuary. In addition to participating in the meetings, three written communications were provided by the actuary between 19 November 1999 and 19 January 2000 which included estimations of the financial impact of various early retirement options. The actuary also provided estimates of the “degree of interest” in the various options. The Department’s instructions to the actuary and the actuary’s estimations of “degree of interest” were conducted verbally.

4.56 It was an important consideration that the benefits offered in the early retirement plan were of a nature that would draw interest from an appropriate number of potential retirees. At the same time however, it would not be wise to create a program that drew too much interest and cost the Province more than necessary. The decision on the nature of the benefits to be offered through this program was reached by departmental staff using actuarial information that was made available at their request. One thousand participants were anticipated.

4.57 The process of examining the information and deciding on the best early retirement option was accomplished through meetings for which no minutes were prepared and, although there was some input information available, it was not possible to examine this aspect of the decision-making process in detail. The Department indicated that some matters were not documented for this retirement program because of the familiarity staff had with this type of initiative.

4.58 The Department made it clear that the retirement option chosen was designed to be “employee friendly” to serve the needs of the employee first. The consequence was that any employee who met the qualifications could leave, even though the employee may be a valuable or indeed a critical resource. As well, the employees were permitted to leave at a time that was most convenient to them.

4.59 We were told that the reason for permitting all qualifying employees to retire was because previous early retirement programs had provisions that tended to prevent key departmental employees from participating. There were to be no restrictions with this program.

4.60 And as for the difficulty in refilling key positions or making up for lost experience and capability, the Department of Finance pointed out that these people would be leaving at some point in any event and the same problem would still arise. VERW just caused this to take place earlier than expected.

4.61 The Department of Finance went on to say that the responsibility rests with departments to find the replacements for the staff they are

losing. The departments are accustomed to the challenge of replacing people when they leave whether it is for vacation, leave of absence, another job or retirement.

4.62 The Department generated information explaining the potential for savings by government if the VERW was chosen. An expected number of 1,000 retirees were used in the calculations.

4.63 The costs associated with implementing the early retirement program, based on actuarial estimates, were included as an offset against the expected savings to be realized by not having to pay the salaries and expenses as a result of the retirements.

4.64 The savings analysis prepared by the Department covered an eight-year period beginning with the year in which employees could first retire under the program and ending when the last person turned sixty years of age. Below is a schedule that shows the estimated cost of the early retirement program and the projected savings.

Year	(Cost) Savings
1999-00	\$(52.1)
2000-01	8.6
2001-02	16.4
2002-03	48.7
2003-04	50.9
2004-05	53.1
2005-06	55.4
2006-07	57.8
Total	\$238.8

4.65 In preparing the information on costs and savings the Department made the following assumptions:

- that 280 employees would retire before 31 March 2000, that another 140 would retire during 2000-2001 and the final 580 would retire during 2001-2002;
- that the average annual salary and benefits of a retiring employee in the year ended 31 March 2000, would be \$49,000;
- that vacancies would not result from any reason other than the early retirement program; and
- that each retiring employee would create a vacancy, which would not be filled.

4.66 Our main concern with these assumptions is that no recognition is given to the fact that an average of 183 employees have been retiring each

year. While it was assumed that the early retirement program would encourage 1,000 employees to leave early, certainly a fair number of these employees would have taken normal retirement prior to 31 March 2007.

4.67 We also question the assumption that each retiring employee would create a vacancy and a resulting financial saving. We raise this issue because since the program was “employee friendly” there was a high risk that key positions could become vacant that needed replacement.

4.68 For the reasons set out in the previous two paragraphs, we do not agree with the Department’s projected savings of \$238.8 million.

Recommendations

4.69 We recommended that government analyses clearly investigate alternatives and documentation be prepared and retained to not only record the basis for decisions between alternatives, but also to add to the discipline of the decision-making process.

4.70 We recommended that all key assumptions used in any analysis be carefully chosen and reviewed for appropriateness.

Authorization

4.71 We were informed that a Memorandum to Executive Council (MEC) was prepared on 11 January 2000. This memorandum included the recommendation on the course of action to be taken with respect to the early retirement options.

4.72 The Board of Management approved the terms of the VERW on 19 January 2000 after examining the information included in the MEC. No costs were specified in the board minute but the Department indicated they were included in the submission.

4.73 The Minister of Finance publicly announced the program on 25 January 2000.

4.74 One of the features of good decision-making is a commitment to a logical process that guides decision-makers when they are called upon to examine facts and choose the best course of action. In 1994 the Province established the *Procedures Manual for Executive Council Documents*, which we referred to earlier. This manual sets out the requirements for preparing and routing memoranda to the Executive Council. It establishes the process to be followed to ensure decisions are “made with the most complete knowledge of the circumstances that necessitate a decision and of the effect of the chosen action”. According to the manual, “its key importance is in assisting government to make the best decisions possible and to leave a permanent record of the rationale of such decisions”.

4.75 The requirement applies to submissions to the Executive Council and to its committees, including the Board of Management.

4.76 The Department informed us that the process set out in this manual was followed in making the final decision on the early retirement program. Unfortunately, the Department could not supply our Office with a copy of the documents, as it is not government policy to do so. As a result we were unable to establish that the process was conducted in accordance with the requirements of the manual. The Department pointed out that the Board of Management would not conclude on the matter without a proper submission.

4.77 Although we were satisfied that the final action was approved by the Board of Management, we were surprised that the involvement of the Board took place only at the end of the process. We would have expected that a decision as important as the choice between the primary alternatives would have been made at the Board level. As mentioned earlier this decision was made by “government”.

4.78 We note that the *Procedures Manual for Executive Council Documents* has some guidance on this matter. In Section 2 it states, “The decision-making process of the government uses a system of Cabinet Committees. Two of these committees are ... the Policy and Priorities Committee and the Board of Management.”

4.79 In reviewing Section 3 we note that the mandate of the Policy and Priorities Committee is to “... recommend to Cabinet the establishment and direction of all broadly based government polices and priorities”. Furthermore the terms of reference for this committee make reference to initiating and/or approving proposals for new policy formulation.

4.80 Section 3 also refers to the Board of Management and the matters this committee deals with. For instance there is reference to “personnel management; and determination of the human resource requirements of the public service.”

4.81 We are of the opinion that either one of these committees should have been involved earlier in the decision-making process. This would have involved the decision-makers in a manner that appears to be contemplated in the manual and would have added a more formal structure to the process. In support of this opinion we again quote from the manual, the Introduction of Section 3. “The committee system of the Executive Council is designed to provide fora for the consideration of complex or specialized matters by a number of Ministers prior to presentation to the full Executive Council. Meeting in committee, the Ministers are able to devote more time to discussing an issue than would be available if the issue were only discussed at a meeting of the Executive Council.” As well, central agency and department staff with an interest in a particular subject attend committee meetings at the invitation of the Chair, and can participate in the discussion and help clarify any points that Ministers bring out.

Recommendation

4.82 We recommended that care be taken to ensure that all aspects of the Procedures Manual for Executive Council Documents be followed.

Establishing deadlines

4.83 According to the Department, an overall deadline of mid to late January 2000 was set for the completion of the necessary work on this project. The Department indicated that this deadline was tight and not a lot of time was available to complete the decision-making process. The significance of this deadline to government was that the VERW announcement was scheduled to allow the 1,700 eligible employees to make decisions based on their own personal situations. Employees were not expected to make the retirement decisions based on the disappearance of programs or the restructuring of departments, both of which were to take place at a later date.

4.84 The final decision was made by Board of Management on 19 January 2000. Although a final deadline was established, interim benchmarks had not been set for the period spanning the problem identification to the final decision. Such benchmarks are valuable in tracking the progress of a project and to identify situations where the plan is not being achieved. However, we do recognize that in this particular situation, given the tight time frame of approximately two and one-half months to reach a final decision, there may have been limited opportunities to establish interim target dates.

Departmental response

4.85 The Department provided the following response to our audit report:

... we wish to repeat important clarifications that were made at the outset of your work. We began by restating the government's policy as it relates to the confidentiality of cabinet documents. The policy does not allow us to share such documents with your office. Although you reference this limitation under the heading Conclusion on the Process (page 5), it is not until page 14 that you make clear to the reader that the government does not share cabinet documents. We believe this point is crucial to the reader's understanding of the audit findings and should have been clearly stated up front as a limiting factor to the audit process.

Our comments

4.86 The Department is correct in stating that from the outset of our work we were told that cabinet documents would be confidential. We were not concerned about this at the time because we felt there would be a lot of analysis and documentation which we would have examined leading up to the preparation of the report to Board of Management. Unfortunately, as the results of our audit reveals, there was very little for us to review.

Departmental response

4.87 *You suggest that the intent of VERW could have been achieved through attrition. A turnover of 880 people per year out of 10,000 employees working Part 1 of the Public Service is insufficient to*

“rejuvenate” the public service. This normal rate of turnover allowed almost no progress through the ranks and was not providing sufficient opportunity for individuals to enter the public service. The situation was further compounded by the Program/Service Review as we were expected to find work for the hundreds of employees affected. In order to provide the flexibility needed to address all objectives ..., government was prepared to let more than 1,000 additional people elect retirement under VERW.

4.88 You are correct in reporting that VERW accelerated pending retirements and that responsibility for replacement of key positions and accounting for lost experience rests with the departments which would lose staff through the process. If you continue with the logic, it would also be clear that VERW actually gave departments up to two years advance notice of many retirements. Normally, this amount of lead-time would not occur. It allowed for time to develop succession plans which, by definition, are designed to not only determine potential replacements for key positions but also to ensure organizational continuity through the development of organizational talent.

4.89 You question the assumption that every retiring employee would create a vacancy and a resulting financial savings. Broadly speaking, every retiring employee creates a saving that then leads to a decision on re-investment of some or all of the savings. The investment in VERW had a net saving; some of those savings will be re-invested in rejuvenation, promotion, and placements for people redeployed because of the Program/Service Review.

Our comments

4.90 We agree that spending the savings does not mean that the savings did not take place. However, there is a significant difference between retaining the savings and spending the savings when one looks at the impact on total expenditures or surplus/deficit.

Departmental response

4.91 (We) noted that the Program/Service Review and an aging workforce could jeopardize rejuvenation if layoffs were a component of government’s overall strategy. This point was acknowledged in the objective statement – To minimize the impact of Program/Service Review on employees. This objective came from the Cabinet Task Force on Waste Reduction, which was the Cabinet Committee responsible for Program/Service Review. This Committee, which was made up of a number of Ministers who were also on the Board of Management, was concerned about the potential impact of layoffs on employees. Their work began well in advance of the decision of the Board of Management to implement the VERW. Therefore, with the minimization of layoffs as an objective, two feasible alternatives to meet the remaining two objectives remained.

Our comments

4.92 As we have indicated earlier, our objective in this audit was to examine the decision-making process and determine if proper steps were taken in making the decision to introduce the early retirement program.

Although the process for authorizing the problems and the objectives is important, our concern with the results was that we were unable to establish that portions of the process leading to the decision had taken place.