

Public Institution? or Public Nuisance?

HRSDC, the community sector's increasingly dysfunctional "partner"

By MIKE LEWIS

Across the country frustration and incredulity are infecting thousands of highly dedicated and competent people working day in and day out to transform zones of poverty and exclusion into spaces of opportunity and inclusion. Many feel betrayed; some are down right disgusted.

Why? A once reasonable partner, Human Resource Development Canada (HRDC), has morphed into a platoon of unhappy project officers and local managers encumbered and incapacitated by an increasingly centralized, restrictive, procedure-dominated system. It all appears to be fall-out from the so-called "Billion Dollar Boondoggle" that for months hung Jane Stewart and her department out as the #1 punching bag in Parliament and the national press.

The HRDC of yesterday, described variously as "collaborative, interested in results, capable of learning" and as "partners who respected our work and our competence" seems long gone. Their current organizational culture is very different: keep your head down, avoid appearing to lose money, and above all, make sure no one gets any egg on their face.

It is a dramatic example of what Harvard-based Lisbeth Schorr sums up so well in her book *Common Purpose: Strengthening Families and Neighbourhoods to Rebuild America* (Anchor Books, 1998). Says

Schorr, "We are so eager, as a body politic, to eliminate the possibility that public servants will do anything wrong that we make it virtually impossible for them to do anything right." (p. 65)

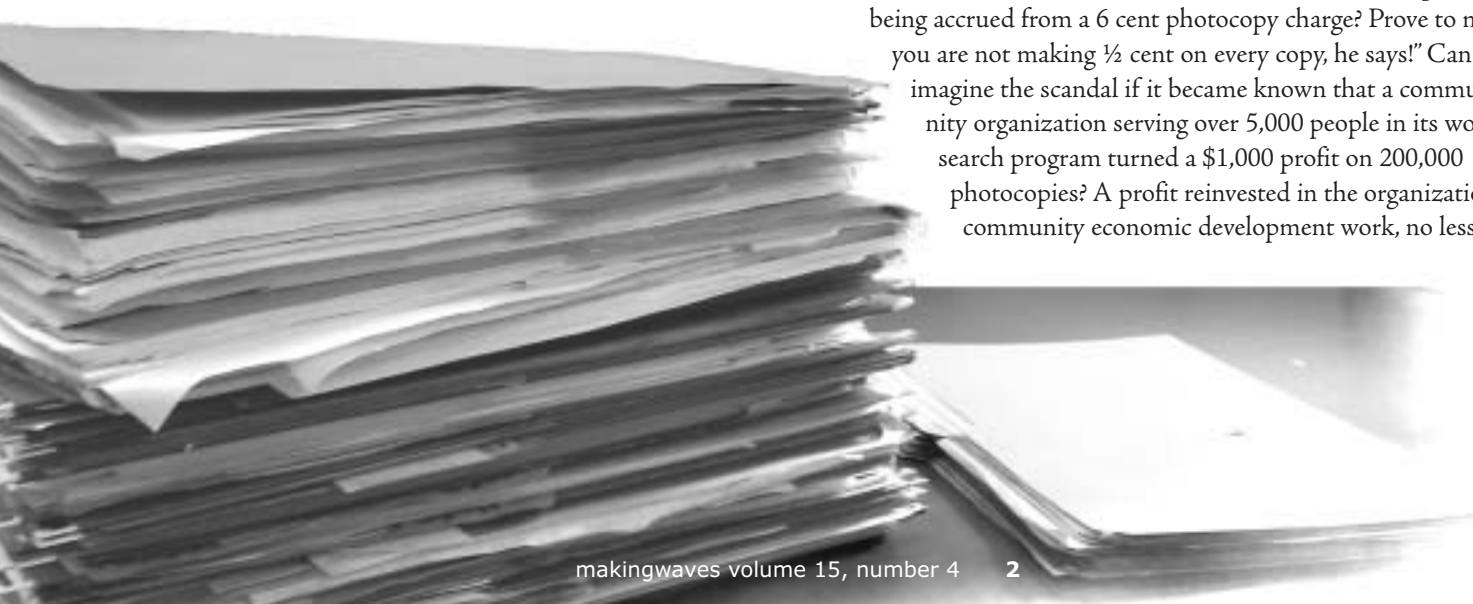
Relentless Harassment: A New Tool of Public Accountability?

Welcome to the department now known as Human Resources & Skills Development Canada (HRSDC) dominated by what its former Minister responsible Joe Volpe referred to as "rigorous accounting procedures and principles" designed "to withstand the strictest public scrutiny" in order to ensure "transparency in all that HRSDC does."

"Accountable for what?" asks Joe Valvasori, a senior program manager with Learning Enrichment Foundation. LEF is a widely-respected community economic development organization specializing in getting people willing, ready, and able to enter Toronto's employment market.

It does not take much digging to uncover the stories from across the country that justify Valvasori's question – quite the opposite. Merely bringing up the subject of HRSDC unleashes a torrent of exasperation. Joe has dozens of examples.

His voice takes on an edge as he describes the countless hours wasted by an inexperienced HRSDC project officer. "How, he asked me, is HRSDC to be assured there is no hidden profit being accrued from a 6 cent photocopy charge? Prove to me you are not making ½ cent on every copy, he says!" Can you imagine the scandal if it became known that a community organization serving over 5,000 people in its work search program turned a \$1,000 profit on 200,000 photocopies? A profit reinvested in the organization's community economic development work, no less?



Then there is HRSDC's crippling administrative ineptitude. Valvasori recounts the saga of but one file:

"The program contract was up April 30, 2004. Our proposal was in for weeks but they could not make a decision. At noon on April 30 we were strategizing about how to make payroll the following week. At 3:45 pm, HRSDC phones and gives us a 3-month extension. July 29th arrives and they granted us three more months. In late October, they gave us *another* 60 days. Now it is December and guess what – another generous three months, and with two weeks to spare, instead of the 75-minute notice provided in April."

Every extension required that LEF negotiate amendments and adjust tracking systems and monthly reporting. The result: interrupted planning, staff uncertainty, and paper – lots and lots of paper. In just nine months Valvasori's project file has grown to well over 12 inches high. Among its 1500 plus sheets of paper, only three focus on outcomes and what LEF is learning.

Outcomes, it seems, are not nearly so interesting to HRSDC as ferreting out the surreptitious profit that could be pocketed by photocopying a 12-inch program file in order to keep everybody "well informed"!

"So what is wrong with saving money?" I ask. "Saving money is not really their goal," charges Valvasori. "We were told we had to buy \$25,000 in new computers rather than lease refurbished ones from a social enterprise we run, even though the cost of buying new was significantly higher. Cost was not the issue; the paper trail was the issue. Accounting for whether the lease from that social enterprise was generating any profit – *that* was their problem. A private company selling the computers produces an arm's length receipt, nice and neat and tidy. That is what counts."

Outcomes? Entrepreneurial Capacity? Taxpayer Return? Who Cares!

However, HRSDC's impact on employment support initiatives and social enterprises goes well beyond administrative harassment. More and more restrictive rules are sapping the entrepreneurial energy that is central to social innovation and to the achievement of durable results.

Take the case of London-based Youth Opportunities Unlimited (Y.O.U.). It provides a wide range of supports for young people facing severe challenges, typically a mix of school dropouts, homeless "shelter and couch surfers," substance abusers,

and kids in dysfunctional home environments. Virtually none of them have any real work experience. Over the course of a couple of decades, Y.O.U. has learned a lot about salvaging kids destined for lives of dependence and crime.

One of their most effective tools is *ReUse It*, a type of social enterprise commonly referred to as a training business. Such operations produce and sell real products and services in a highly structured work environment that invests not only in skill training but in the social supports so critical to personal growth and wellness.

From construction sites across the region, *ReUse It* collects, sorts, and reuses materials and feeds them into three additional business divisions: product design, manufacturing, and retailing. Skills learned in one or more of these four businesses are leading 80% of these once at-risk young people into jobs at higher wage levels than the average entry-level pay pack.

Why? Simply put, the quality of their preparation.

"The business format helps participants learn that their performance matters," says Y.O.U. director Steve Cordes. "Understanding revenue targets and customer satisfaction are part of the training," he adds. "It's an important contributor to their success once they hit the labour market. Moreover, knowing they are contributing to the cost of their training in ways that enable young people who come after them to get a hand up becomes of badge of honor for each group moving through the program."

And so it should. They generate an average of \$85,000 per cohort (about 20% of the overall cost) which is linked to Y.O.U.'s goal of significantly increasing their self-sufficiency.

However, new rules set in place by HRSDC totally undermine the entrepreneurial incentive. "It is unbelievable," sighs Cordes, "but HRSDC has told us in no uncertain terms that we are not allowed to make any revenue. Every dollar we earn reduces by \$1 the support we receive."

Cordes and his board did not like it and went back to HRSDC with an alternate proposal: Y.O.U. would take responsibility for raising \$85,000 of its own budget through sales. "All HRSDC had to do was write up the contract minus \$85,000," states Cordes. "No way," said HRSDC – they could not factor in the revenue before it was earned.

"The contract is very damaging all around," concludes Cordes. "We were forced to request more than we wanted. No matter how much we earned the budget was fixed, robbing us of an entrepreneurial incentive. No longer can we honestly market our products

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as having a clear social benefit. To top it off, the Canadian taxpayer is shelling out \$49,000 more for the program than what we proposed.”

The damage had started months before, however. After a 3-month extension at the end of March (sound familiar?), Y.O.U. – on the last day of June, right in the middle of a ReUse It program – received 19 *new* questions about the proposal from the regional office in Toronto. Neither local HRSDC staff nor Cordes had any idea such a ridiculous demand was coming down.

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Y.O.U. faced a difficult choice. It could either close the program until HRSDC got its act together, or draw on a reserve of \$23,000 set aside for investment in a new social enterprise. They decided on the latter. The young people stayed. Y.O.U.’s \$23,000 however is gone, along with the capacity it represented to invest the next stage of innovation. All snuffed out by bureaucratic bumbling.

Things are very different in Québec. There, the province vigorously supports many training enterprises or *enterprises d’insertion*. Most participants accepted to training programs are receiving state assistance or are destined to, on account of a range of challenges (mental health problems, addictions, brushes with the law, low education, etc.)

Rigorous research based on five years of results from these programs tells an important story. The cost per program participant is \$7,600; the annual state assistance to a single person is \$8,000. The fact they are moving into becoming productive citizens is saving provincial taxpayers \$400 within the first year. If one adds the other benefits – taxes generated by new employees, costs saved in addressing long-term problems, the likelihood of reduced intervention – then it is arguable that the program is cheap at twice the price.*

Surely HRSDC is aware of such research? If not, why not? If so, why is it not bending over backwards to enhance and leverage all the capacity it can from organizations like Y.O.U., if for no other reason than the return they produce on taxpayer investment?

Hyper-Categorization in Place of Program Design

Perhaps the most troubling trend within HRSDC is its propensity to design narrow, categorical programs that get wrapped into tightly prescriptive legal contracts.

“They are fragmenting the way contracts work to the detriment of good results,” alleges Valvasori. “We take pride in the outcomes we achieve through an integrated approach. We treat each participant as a whole person, tailoring our supports to wherever they are in the process of changing their lives for the better. But it is becoming more and more difficult!”

Valvasori cites the distinction that HRSDC draws between wage subsidy programs and job search programs as an example. The first is for people with barriers to employment. The second is for “normal” people needing preparation to find a job on their own.

“People on the wage subsidy have to wait by the phone for a call from the job developers. HRSDC has ruled that this category of people cannot conduct their own job search or benefit from our job search program. Those in the job search program, on the other hand, are not supposed to talk to the job developers. Meanwhile we run both programs so the participants do not even know the difference – they are all people who need help in making significant life adjustments.”

“The results of this twisted micro-management are bizarre,” charges Valvasori. “If a person in the wage subsidy program is placed in a job that is *not* subsidized, it cannot be counted as a success, thus conditioning organizations to provide a subsidy to employers in order to meet contracted targets. Rather than making us accountable for overall performance, the categorical definitions promote waste and inefficiency.”

This hyper-categorization and the program rules that stem from it interfere with coherence, prevention, and scaling up success. This conclusion is very much in line with Schorr’s extensive research. “The judgment among the rule-scarred veterans,” she states, “does not differ on the fact that the conditions tied to categorical funding, each with its own rationale, add up to chaos.” (pp. 80-83)

(above) Joe Valvasori and the unreality of HRSDC record-keeping.

"Things have to change," asserts David LePage, National Policy Council Chair of the Canadian CED Network. Based on its research, HRSDC is going to lose many of its best community partners. "Those of our members who work with HRSDC are fed up with their systemic dysfunction: outcomes are not valued; community partners are not trusted; innovation is not recognized; and at times, performance is punished." (For more on CCEDNet's response, see "No Place To Go But Up," next page.)

Valvasori says the same. "In one of our recent programs we exceeded our contracted targets by 25%. All the thanks we got was a charge that we obviously did not need as much money to do the job we had contracted for." Can you, the reader, imagine shareholders of any private company complaining that profits were 25% above projections?

Bob Gilson, director of Tradeworks Training in Vancouver's Downtown Eastside, thinks it's time for the government itself to get its story straight. "We must get to a relationship with government where we are rewarded for performance and where surpluses generated can be reinvested back into the organization's mission in the community. Why does government venerate entrepreneurial behaviour in the private sector and penalize it in the community sector?"

Chris Fyles would agree. He is director of LakeCity Employment Services Association in Dartmouth, Nova Scotia. LakeCity runs several social enterprises that launch scores of mental health consumers into employment. The organization owns its own building, but HRSDC is uncomfortable about a \$7 per square foot program rental fee when they are paying \$45 per square foot to a private, for-profit landlord just down the street.

Fyles is exasperated with the mentality. "They are worried about us benefiting because they think anything they do with a nonprofit should be 100% revenue neutral." "Isn't it strange?" he concludes. "We are doing the work in the community to realize the mandate of HRSDC. You would think they would see that the stronger we are the better outcomes we are able to achieve. But outcomes are not their priority!"

"The HRDC scandal a few years back had absolutely nothing to do with organizations like ours," says Fyles. "Yet, in some ways, we are being treated like we are the enemy. It is a damn shame! Can they not figure out that LakeCity generated \$200,000 in HST last year – that's more than the grant we received, never mind the taxes paid by the 120 chronically marginalized people we got ready to join the workforce. We are making them money! Meanwhile, they shoot themselves in the foot and get the blood



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all over us. They remind me of a gardener who, every time he sees a new leaf on a once healthy tree, cuts it off."

It is a sad story. A useful public institution has turned into a public nuisance, damaging our collective capacity to solve problems and empower change. We cannot let this pass unchallenged. At a time when the federal government has recognized the promise in CED and the social economy, and has pledged to work in partnership with the voluntary sector, it is both strategic and crucial to get HRSDC back on track. We need to get the ministry focussed on outcomes and performance, to get it away from a narrow, punitive, nitpicking approach to accountability.

There is too much to do, too many challenges to address. (Wondering what you can do right now? See below.) We need an accountability focused on results, on learning, and on enhancing our capacity in communities to manage change towards health, vitality, and sustainability. Let's get on with it!

Reference

* Patrice Rodriguez et Lucie Chagnon, "Évaluation de l'entente complémentaire sur les entreprises d'insertion de l'île de Montréal: Rapport final" (Montréal: June 2000), p. 82.



MIKE LEWIS is Editor of **making waves** and Executive Director of the Centre for Community Enterprise, a member of CCEDNet. He also serves on CCEDNet's National Policy Council and is chair of its International Sub-Committee. Contact Mike at (tel) 250-723-1139 or ccelewis@island.net. Photos courtesy of the Learning Enrichment Foundation, Toronto.

No Place To Go But Up

The Canadian CED Network has initiated discussions with HRSDC about the policies and contractual terms and conditions that are undermining the effectiveness of CCEDNet members. Many HRSDC staff share this profound concern. CCEDNet is committed to working with them to bring about changes that will allow CED organizations and government to work together to meet the challenges of human capital development across Canada.

In September 2004, CCEDNet conducted an initial consultation with members about the difficulties they are encountering. (Go to www.ccednet-rcdec.ca/en/pages/resources_2.asp for a summary of the findings.) CCEDNet would like to document these issues more fully and is interested in your input.

What has been your experience in dealing with HRSDC? Have you encountered difficulties? How has this affected your organization and the community members it serves? What solutions would you propose?

Please send your comments to CCEDNet at info@ccednet-rcdec.ca. All personal and organizational names will be held strictly confidential, at your request. Your experiences and ideas will be used to highlight the problems community organizations are experiencing and to determine practical responses. ■

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