

**Innovation Case Study:
Empowerment And Workforce Adjustment**

**In The Niagara Area Office of
Human Resources Development Canada**

Kenneth E. Loucks, Ph.D

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Summary

The Niagara Area office of Human Resources Development Canada (HRDC) has been in the forefront of successfully enhancing services while improving performance in a changing industrial and economic environment. In the face of cost and efficiency demands and the changing mission imposed by the federal government on HRDC, the Niagara Area office has absorbed significant reductions in human and financial resources over the past six years. Fourteen years of federal budget cuts and a program of resource realignment regionally, has resulted in a workforce reduced by some 48% in the past five years and a total salary budget decline of over two million dollars per year since 1994. In spite of this climate of severance and downsizing, Niagara has managed to enhance services and set new performance standards locally, regionally and nationally.

Like the private sector, which faced similar challenges in the 1980's, management of HRDC Niagara has had to find the ways and means of doing more with less. This has been accomplished through the introduction of improved work methods and processes and new technology and the transformation of the workforce through a process of empowerment into highly skilled, multi-talented knowledge workers. The result has been a more highly qualified, committed and responsive workforce performing under a non-traditional approach to the management of people.

These achievements were not accomplished smoothly or evenly or without lingering resistance and resentment. As workforce reductions continued and accelerated employees continued to question the good faith of HRDC, the equity of the process, and the credibility of local management. The March 1997 decision to deny, and then reinstate planned separation incentive package applications exacerbated the forces of resistance and resentment to the point that local managers are now questioning whether or not their capacity to successfully manage change has been significantly compromised.

Background

Located between the southwestern shore of Lake Ontario and the northeastern shore of Lake Erie, the Niagara region of Ontario, Canada includes a geographic area of approximately 1,800 square kilometers. Historically, large international manufacturers have dominated Niagara's economy. Niagara relied on these manufacturers to drive its economy for over 45 years following W.W.II, until the local branch plants began to downsize, restructure and, in some cases, close due to the recession or corporate restructuring brought about by the now well-known changes to the global economy. The corresponding economic impact, in particular job displacement, was severely felt in the latter half of the 1980's and early 1990's. These developments resulted in both an increase in the volume of traditional employment insurance (insurance) services delivered by HRDC and a requirement for new or enhanced employment creation (employment) services. Coping with the emergence of this Rust Belt environment put the Niagara office on early alert in recognizing the need for change.

Until the early 1990s, the pace of workforce reduction at HRDC resulting from the diminution of financial resources had been manageable through normal annual attrition and the flexibility inherent in the temporary or contracted portion of the workforce. Displacement took place without impacting people's sense of job security. This position flexibility was reinforced with the introduction of the Operating Budget Approach in 1992. An operating budget approach meant that Area offices were accountable for achieving their mission within salary budget constraints - not in staff complement terms. Henceforth they would account for their workforce in terms of salary dollars and not in terms of the number of people or positions. Area offices thereby had authority for increased discretion to allocate their budgets according to local service and performance needs while continuing to meet the parameters of regionally and nationally mandated services.

In 1991 a new Area Manager was appointed to the Niagara Area office. He inherited an Area with a reputation for good management, in the traditional sense of custody and supervision of inputs, as well as being more progressive than many in its approach to work methodologies and technology. In fact, in terms of technological innovation, the area was a recognized leader. Niagara had served as a pilot project host for such initiatives as the Job Bank and the Business Information Network (later to evolve into the Labour Market Information Network, a very successful programme subsequently replicated by the National Headquarters).

The new director brought with him sensitivity to the recent history of the area and found in the resident managers a commitment to proactive strategic planning in recognition that the future was to be similarly turbulent. The management team understood the implications of the impending introduction of the Resource Allocation Model (RAM) for the Ontario Region in the fiscal year of 1992/93. RAM was an expenditure model whose most significant variables were client population and general population. RAM suggested that, regardless of the basket of services being offered by each HRDC office, an office in Timmins would not be allocated the same resources as an office in Toronto. RAM's anticipated effects upon the Niagara office strongly suggested the likelihood of workforce reduction.

The Transformation Process Begins

The new Area manager in Niagara saw early intervention as critical. He had a clear perception of the need to adapt to trends that appeared to be the tip of the iceberg. His leadership style valued entrepreneurship and employee empowerment through participation and cooperation. A course of action to involve his management team first and then the front-line staff was initiated.

Unfreezing and sensitizing the organization was started almost immediately upon the new director's arrival through a three-day management retreat held in Niagara-on-the-Lake. At this retreat the vision of a new organization operating under completely different parameters was unveiled. After three days of liberal discussion the process was initiated with the local office management group through job rotation of each manager. A management area perspective as opposed to a local or Human Resource Centre view was reinforced. One initiative considered during these early stages was the centralization of administrative functions in the Niagara Area. By asking his managers to fill different positions at different times, job ownership was broken down. With his managers filling different positions at different times a cadre of managers was created with a new perspective of broader service demands and keener insight into the needs for a flexible workforce.

Simultaneously productivity improvement was encouraged through the use of microcomputer hardware and the development of software and by increasing the skill level and financial support for what was then a small technology unit resident in HRDC Niagara.

Proactive, participative, forward planning was undertaken with the formation of an Area Task Force consisting of the managers in Niagara. Subcommittees, empowered by mandate and executive support to be creative and take risks in recommending changes to traditional practices and work methods were formed to address the key issues the Niagara office was likely to face.

During 1992 and 1993 a number of development opportunities were brought to the management team. A facilitator was brought in to acclimatize the group to the subtleties of organizational design and the effects of organizational change. A manager's workshop was held in Niagara Falls to continue to build and evolve a team approach to management. Vision workshops became a quarterly event.

Implementation Process

As this process of transformation and planning progressed, externally imposed resource reductions were accelerating and increasing in their magnitude. Over time a number of issues and practices, some unconventional in HRDC if not the entire civil service, were discussed, developed and acted upon. These included:

- restructuring to meet *service and performance* requirements through such devices as centralization, partnerships with community agencies such as the Career Placement Centre, and program design and development;
- increasing *volume of throughput* through changing work methodologies by such devices as client self-service areas and no-counter offices;
- productivity *improvement* through multi-skilling of personnel and the implementation of technology; and
- *lean production* through flatter organizations with greater flexibility and faster response times.

This planning process, in particular the Area Task Force involved a cross section of the key personnel in determining and planning for the mission of the HRDC Area and local offices. The process contributed to a focus on outputs and a commitment to quality service. This was also the beginning of a major *cultural shift* that ultimately engulfed the entire organization in Niagara. The shift from custody and supervision of inputs, inherent in traditional practices, to management of outputs was subtle at first but profound in impact. Increasingly, client services and the quality of those services became the focus for all planning and the litmus test of decisions.

Essentially, the organization was turned upside down for analytical purposes and viewed from the customer's point of first contact. Local office managers identify this change in focus as the turning point that brought about a major cultural shift in the entire organization in Niagara. The culture embraced was not only one of a new *commitment to quality service* as the overriding mission of HRDC Niagara but also one that recognized the centrality of the human resource development approach to achieving that mission through an empowered workforce. Gradually but steadily, the organization increased its capacity to accept, plan for, and manage change through organizational development via participation, cooperation, trust and support.

As an example, an early issue addressed was to seek solutions to workforce adjustment and the attendant structural change that would be required. This process identified that Human Resource planning would be an integral part of this initiative and an ongoing process was established to identify changing organizational needs and methods for workforce realignment through which those needs could be met. In this task, Niagara had the unique advantage of having an accredited Human Resource Staffing Officer on the management team. This allowed for recommendations that were technically sound, credible and therefore regularly and routinely ratified by upper management. (Any reductions via surplus employee designation needed to be justified to the Human Resources Department at the Regional level.) As a result, adjustment decisions were taken in a participative manner thus building commitment to carrying them out; informed by expertise and therefore supported; and ratified therefore reinforcing the process. Over time the organization began to refreeze in the new culture and new management practices.

Adjustment Shock Waves

Throughout the period that the Area was undergoing transformation a number of events served to feed the forces of resistance in that they led the staff to question the wisdom and equity of what was being done. Of the many events some were of such import that they could be viewed as shock waves reverberating throughout the organization. These events included: the loss of all temporary positions through RAM; the loss of permanent positions through successive large salary budget reductions; culture shock due to the Hamilton office amalgamation and then separation from the Region and, ultimately, denial and reinstatement of incentive package applications.

While RAM 's introduction in 1992 had been anticipated its magnitude had not. It required a major reduction in personnel that, given the magnitude and logistical constraints, could only be accomplished by removing the majority of term (contract) staff. Since RAM was based on a formula of regional indicators, the most heavily weighted of which was the unemployment rate, Niagara had a large loss of personnel but due to changes in the service mix, little or no loss of work to do.

The remaining staff of indeterminate (permanent) employees, while insulated was alerted to the beginnings of a *climate of severance*, which would become considerably stronger in the ensuing years. They were seeing friends and family losing jobs with no diminution of work to be done. In fact, there had been a significant increase in workload as a result of the downturn in the region's economy. There was still a growing trend in the demand for *insurance* operations, while the need for new skill and effort toward enhanced employment services was increasing rapidly.

The RAM-generated budget for 1993 required further staff severance resulting in both the first indeterminate staff being targeted for exit under the existing cash-out provisions of the Workforce Adjustment legislation of 1991, and non-replacement of persons leaving through normal attrition. This was a major shock to an Area that had an employee profile where 60% of indeterminate staff had over twenty years of service. HRDC Niagara historically had a long term, stable workforce with a sense of loyalty in a geographic region that was remarkable for its continued economic instability.

Should these cash out provisions for reduction not have provided sufficient candidates, an involuntary separation process would have had to be invoked. In the absence of any seniority provisions in the Public Service the alternative available for workforce reduction was a *Reverse Order Merit Rating* System. This was viewed by all concerned as a divisive, inhumane process requiring up to nine months to complete and serving only to work against any positive elements in the relationship between staff and

management. The new style of empowerment was in its early phases and was put to a severe test as the workforce was called on to achieve the staff reduction on a voluntary basis. This was accomplished in spite of the remaining staff being placed in the position of absorbing the work by a process that had cost their friends their jobs.

Diminishing resources coupled with severe recession-induced workload increases signaled the need for increased productivity to meet performance targets. It was in this environment that management was asking staff to take a positive, proactive and entrepreneurial approach to preparing for improved services and performance in the face of almost certain further reductions in manpower and financial resources. In effect they were being asked to adopt and embrace a *culture of development in a climate of severance*.

In recognition of the need to provide staff with support in this new environment, *Power of Transition* workshops were arranged for all staff in the Niagara Area. This workshop had been developed at the national level in an effort to provide organizational change exposure to regional and area offices. While the Ontario Region declined this opportunity for the region generally, Niagara independently arranged for its presentation as a means of acclimatizing the staff and further facilitating the establishment of a new corporate direction towards change.

At this time, management relied heavily on the use of staff committees both for input in helping to shape the new direction and as a means of engaging staff and thus eliciting their ownership over the change process. They were used extensively to address specific issues regarding different areas of responsibility. Participation was solicited and received from all staffing levels of the operational departments particularly affected.

The Area Office began to experiment with service delivery options designed around the remaining employee base and the technology unit was given a much higher priority at this point. The first action was to staff the Unit with highly qualified personnel who were at once designers, builders and managers. This allowed the rapid introduction of microcomputer-based systems as an aid to front-line client service delivery and exemplified a move towards a new vision built upon a self-service philosophy. This initiative allowed the Niagara Area to pilot projects concentrating on technologically assisted service delivery that has since been regionally and nationally publicized. The Area management team also endeavored to stress the importance of computer training for their staff. The result was that, with the assistance of the Tuition Reimbursement Plan offered by the National Office, over 90% of staff became literate and functional in this critical area.

In the fall of 1993, a RAM forecast identified a salary budget shortfall of \$359,220 for the 1994/95 fiscal year requiring the severing of more indeterminate staff members. These reductions, requiring a large number of severances under the *cash-out provisions*, again, were fully subscribed on a voluntary basis. The Area Manager was called to a meeting with Regional Human Resources Branch in Toronto to detail the Operational Workplan, which would justify such a large number of cash-out requests. Details of a new Service Delivery Model, created over the previous nine months, were presented. This Model showed sweeping organizational change with the implementation of technological innovation but permitting maintenance and enhancement of the Area mission while absorbing the reductions. The meeting facilitated approvals for the cash outs and tacitly endorsed both the new service delivery model and the transformation of the management organization in Niagara.

The new corporate *Service Delivery Model* was unveiled for the Niagara Area in February of 1994, introducing to the entire staff a vision of organizational re-design, sweeping technological innovation and job reclassification that would require extensive retraining. *The Client Service Officer* was created which combined the responsibilities of the job classifications Agent 1, Employment and Insurance (E&I) Officer and Client Service Representative. Clients would see one line staff member much of the time and the service time required for each client would be drastically reduced. Employees would be given multiple skills through training to assist in this initiative. By January 1995 experimental positions were established to begin the first stage of implementation for this new look staff at the Canada Employment Centers (CECs) in the area.

During the transformation process, which began in 1992, productivity and performance targets continued to be met and exceeded. Key targets such as insurance productivity, speed of payment and return on investment for investigation and control tasks had met or exceeded all requirements set by the Regional and National levels.

Concurrently, a *Programs and Services Review* was performed in the management area, the findings of which were published in April of 1994. This document resulted from the involvement of over 60 employees of HRDC Niagara from all levels of the organization. In 20 consultative meetings, led at various times by three members of the management team, over 220 recommendations were made in a 127-page document regarding the operation of HRDC in its totality. This study went well beyond the local area in scope to include the Regional and National areas of responsibility in an effort to give those parties a grassroots perspective as the organization was heading into the National Social Policy Reform Debate led by the then Minister for Human Resource Development, Lloyd Axworthy.

The budget brought down in 1995 by Finance Minister Paul Martin was a major shock to the working environment in the Public Service. It demanded the reduction of 45,000 civil servants of which 5,000 would come from HRDC nationally. The Niagara region, after translation into operating budget terms, was informed that their salary budget would be reduced by \$1,036,250. While a reduction had been anticipated, one of this magnitude would have been impossible to forecast. Some adjustment assistance was afforded by amended WFA legislation which offered early leaving incentives through the creation of the Early Departure Incentive and Early Retirement Incentive Packages. This was done to encourage a higher level of voluntary severance to augment anticipated normal attrition. However very little normal attrition was likely to occur while others were cashing out.

A key organizational enhancement was created at the beginning of this year, with the creation of the Workforce Adjustment Committee (WFAC). This committee was made up of the Area's managers and director and union representation from all Human Resource Centers (HRCs) in Niagara. Its purpose was to jointly identify all human resource impacts in the area resulting from the Federal Budget and to make decisions on the best approach to solving these problems. The WFAC would go a long way to establishing the cultural shift desired in the organization. This committee was the consulting body throughout the downsizing tasks regarding, among other things, the feasibility and propriety of the necessary job design and process changes. The line staff was empowered through their union's participation on this committee to help make important decisions regarding their employment lives.

At this time the Hamilton and Niagara offices were amalgamated as a result of Regional re-organization, with the Niagara management team taking the lead in the newly constituted organization. Organizational change initiatives for Niagara were slowed or put on hold as the management team was concentrating on

rationalizing two office infrastructures and the aligning of two very different organizational cultures. One major hurdle was that the Hamilton office had not previously downsized in any way other than by normal attrition. The Niagara Management team, with its radical new vision, was viewed with mistrust as a result heightening the challenge of the task of integration.

Retraining to create a multi-skilled workforce, however, was continued during this time in spite of resistance from some front-line staff who perceived this initiative with suspicion. No other management area was attempting organizational change of this magnitude. In fact, their peers from the region viewed the managers for the Niagara area with some apprehension during this time for similar reasons.

The job design transformation also posed significant challenges from an administrative perspective. Human resource legislation and policies born of the Public Service Act were created in an environment of specific siloed jobs. This mechanistic structure could not allow for the easy movement of staff into the multi-skilled and multi-responsible positions that were now required by the Niagara Area office. As a result, staff was required to "compete" for jobs in the new structure, creating in the process an atmosphere of tension, suspicion and fear.

Some staff members viewed this organizational transformation as an affliction and asked why this was *being done to them* in the face of such a major organizational *shake-down*. Competing for newly designed positions created to perform the same tasks served to amplify an already uncertain environment regarding job security. The challenge of creating an organization built upon teamwork and team effort was made considerably more difficult by this legislative environment and similarly inflexible attitudes amongst staff.

The reductions required in Niagara for the 1995/96 fiscal year were of such a proportion that they were undersubscribed on a voluntary basis. Management initiated a reverse order merit rating process to identify surplus employees in the affected departments of the organization. The process was extremely divisive and was necessarily exacerbated by the multi-skilling job competition. It saw employees openly playing off against one another on the basis of performance. Disgruntled staff worked at less than maximum efficiency and the final outcome was viewed with tremendous mistrust as a wholly arbitrary result. This also served to create a chasm between staff and management that was widened by the amalgamation of the Hamilton and Niagara management areas. Organizational change initiatives were suspended and management's presence, which had been so high previously during the extensive use of staff committees, diminished considerably. The end result was an atmosphere of fear and mistrust between the now very separate groups. The Merit Rating process would take eight months to complete adding significantly to what was already a tension-filled climate.

In late 1995 HRDC National Headquarters introduced the concept of the Human Resources Investment Fund. The Niagara HRCC was asked to be part of a pilot to develop an approach to the formulation of business plans for HRCC's with a changed mission, primarily focused on the provision of enhanced employment services. Key to this was the assumption that all services would be provided in concert with a number of community partners built upon assets already present in the geographic region. The plan was created as an exercise with the voluntary participation of approximately ten staff and management in an accelerated time frame of three months. However, it did identify the need to introduce technological innovations to the employment side of the operation and more importantly signaled the requirement that the employment staff needed to follow the same multi-skills training that the insurance staff received in early 1995.

This would prove to have its own difficulties due to the uneven implementation of training in HRDC Niagara. The insurance side of the operation was brought on line rapidly after the 1995 budget announcement and it was anticipated that the employment staff would be integrated shortly thereafter. However, with the amalgamation of the Niagara and Hamilton offices, employment staff training was necessarily delayed due to a lack of managerial capacity, diminished while integrating an area that had virtually no technological facility.

While much of the Niagara staff had participated in the computer literacy training generated through the Tuition Reimbursement Programme, these skills largely atrophied for the employment personnel during a period in which the promised new work methods were not introduced. People became skeptical and resistant to their subsequent attempted introduction in 1996. After two years of its implementation for the insurance staff, the employment staff perceived the introduction of multi-skilling as a tremendous threat to their employment environment. They too vocally questioned why they were being forced to change so radically when no other HRDC Area office was doing so.

For the 1996/97 fiscal year the Niagara management area received another salary reduction of \$705,780. In addition, further regional re-organization in early 1996 saw the Hamilton Area reconstituted as a separate management area once again. The only relief from these shocks for the Niagara area was that the previous reverse order of merit process was perceived as so unpleasant by area staff that the salary reductions were fully achieved through voluntary separations under the WFA program by March 31, 1997.

In anticipation of the final year's salary reduction for Niagara from the 1995 Federal Budget for Niagara, the management team began planning for the 1997/98 budget year in May of 1996 with the full participation of the union. A *total disclosure policy* was practiced in regard to all budgets allocated to the Area and human resource planning became the responsibility of the entire organization. The open disclosure policy was seen by the management team to be the means by which their sincerity and credibility could be established and to garner the necessary staff and union support for the final round of staff reductions.

As part of its strategy, management was prepared to assume a level of risk in managing the budget in the event that sufficient volunteers were not available to leave under the WFA Program. This was to be accomplished by anticipating a percentage of budget to be freed up based on traditional unplanned non-paid leave situations which occur on an annual basis. Staffing levels were identified and mutually agreed upon and volunteers were solicited from the staff.

By October 1996 sufficient volunteers had not come forward even to the level that the management team was prepared to risk, so *all staff* meetings were held throughout the area indicating a projected salary shortfall for 1997/98 of \$545,000. Staff was advised that a reverse order of merit process would be necessary if sufficient deployments, transfers, retirements or volunteers for early leaving initiatives could not be found to meet the salary targets. By the end of the month 22 applications for the WFA Program were in hand eliminating the need to proceed with the merit rating process. Even with the 22 applications, the management team had not met their total salary reductions for the coming year. They were however, prepared to risk manage the balance of the reduction through the non-paid leave strategy.

A further complication was also affecting morale amongst staff in relation to their job security. As part of the Area's Service Delivery Network strategy, some of the smaller HRC's in the area were slated to close and be replaced by Third Party delivery agreements which would provide the continuation of rudimentary HRDC services. These agreements afforded the continuation of specific programs and services to be delivered to the community by contracting with a local delivery agent; they utilized program funds thus allowing a diminishing salary budget to be dedicated to the major Centres within the area. While practical in terms of optimizing the area's salary budget, the initiative was seen by many staff and the union as a sell-out of their jobs, eventually leading to involuntary separations for many staff. In addition, the move was seen as adding to an already escalating amount of work for staff who remained in the organization with the perception that management was indifferent to the situation. Morale diminished and a growing mistrust of management started to become evident in debates regarding further organizational changes in Area meetings and in union-management meetings.

By January 1997, escalating resentment and indifference was openly displayed by staff and the union towards any further changes to the existing organization. The 22 applications for incentive packages were awaiting approval at Regional Headquarters in Toronto and Human Resource Plans had been submitted detailing workforce reduction through to the end of the 1997/98 fiscal year.

On March 5, 1997 Regional office communicated with all Area Directors that any outstanding applications for the WFA Program would not be approved due to an over-subscription to the program. All 22 applications from the Niagara area were therefore no longer being considered for approval. This decision sent a shock wave throughout the Niagara area, and indeed all of HRDC in Ontario. In Niagara as elsewhere in the Region, outrage spilled in to the open, the Intranet crackled and the media circled. People had made life-altering decisions based upon their applications. Some had sold houses in an effort to relocate for future employment. Others had retirement plans prepared based upon the severance package they were to receive. Local and Area managers were left to take the full brunt of the staff's ire for a circumstance that was totally incomprehensible since budget cuts had been responsibly met and no previous exit applications had ever been denied. The sudden, unexpected refusal was seen as a denial of all that had been done to humanely achieve the organization's mission and financial objectives.

The staff that were unaffected by the decision's reversal reacted as well, for when the applications were refused they realized the budget shortfall still needed to be addressed. And if those who had volunteered to leave were not in fact exited the question arose as to how the Area would meet its obligation. There were two alternatives that were assumed; either there was more money available that Area management had squirreled away or no job was safe. Staff feared that Area management would make their decisions unilaterally regarding the budget deficit and that they would, again, be the ones to pay the price.

As the 'shock wave' was still reverberating two days later, a second communication was received from Regional office reversing the decision. All 22 applications were approved but a moratorium was placed on all future severance applications.

The effect of these decisions was still being felt almost two months after they were made. Staff mistrusted not only the decisions that their managers made and the reasons behind them but also their ability to manage the local environment where decisions made locally could be arbitrarily changed at other levels of the organization. Henceforth, management's credibility in terms of operational change would be severely questioned.

Reflections on Empowerment in the Niagara Office

The process of empowerment in the Niagara Area has evolved on two levels - the management team level and the front-line staff level. The former only facilitates the latter. The Region gave a degree of autonomy and latitude to the local offices, empowering them with the introduction of the Operating Budget Approach, to manage their local budgets according to local needs. In Niagara's case, the organization was given a freedom and capacity to manage with a degree of risk that allowed the local management team to refocus the entire organization.

On a micro level, the new manager of the Niagara Area and his management team saw that participation and empowerment were the most effective tools they could find to achieve lasting, long-term organizational realignment. The first actions were to empower the management team and this resulted in the simple yet powerful guideline: Commitment to Quality Service. Decisions were rarely if ever made top down and all members assumed ownership of decisions as a group. Just as Niagara was to do with their line staff, the Niagara management team was the embodiment of multi-skilling. Job rotation allowed for individuals to function in areas not necessarily familiar to them. Access to consultants gave them alternate perspectives towards different organizational issues such as ethics and restructuring. Focusing on the service delivery outputs gave all a more intimate knowledge of the establishment's operation through a bottom up viewpoint.

Empowerment became an organizational philosophy, which was necessarily carried to the staff level. Any massive change to the organization would require the participation and acceptance of its front-line staff for that change to be truly effective. The alternatives are usually extremely costly in either resistant work practices or extremely high turnover with its attendant high training costs. Hence, the use of informal staff committees to address individual operational issues was given priority.

The first official action taken in this manner was made in regard to the preparation of the Programs & Services Review document, published in April of 1994. This document extensively involved employees of HRDC Niagara from all levels of the organization. In 20 officially sanctioned consultative meetings and focus groups over 220 recommendations were made in a 127-page document regarding the operation of HRDC in its totality. Speaking to local, regional and national issues not only allowed for upward communication but also gave the organization a very detailed self-portrait. The formation of the Workforce Adjustment Committee, which involved management and all levels of staff through representation from its union executive was another key event in the transformation. In fact, four months after inception of this committee a directive was received by the Niagara office from the Regional Executive Director requiring that all Area offices form just such committees. That very appearance of the Niagara management being proactive in this matter gave them a degree of credibility. As well, attempting to place the staff's employment future in the hands of those most affected created a bond between management and staff and was an important step toward advancing an organization-wide culture of development

Participatory practices were, and still are, an important attribute of this empowered organization in maintaining the *culture of development*. This was again evidenced by external recognition in the planning and preparation of the 1996 Business Plan. While this was an exercise in strategic planning completed internally, it was another forum through which to communicate the developing vision of the future to the organization. Most notably though, was the fact that this plan was prepared with the

voluntary participation of staff members indicating a depth of commitment and loyalty resident in the Niagara Area.

Not only did this identify areas and issues of concern but it, again, gave ownership to the decisions and actions required. Employee participation in the ongoing restructuring and realignment was at once a vision of the management team and a reality created by the willingness and cooperation of the front-line staff.

There is another important and subtle aspect to the establishment of a potent empowerment philosophy. If capacity to manage is to be enhanced during periods of workforce reduction then the way in which staff is exited is critical. The management team of the Niagara office gave their employees freedom of choice when considering indeterminate staff reductions through voluntary severance from the beginning. This had the effect of allowing individuals to control their employment lives. The alternative of reverse merit rating reduction was seen to be a divisive tool and detrimental to the ongoing working environment. For in practice, reverse merit rating is akin to the employment equivalent of capital punishment - not dissimilar to summary termination or firing.

When reverse merit rating was relied upon due to undersubscription to the WFA program in 1995, management and staff were very aware of a poisoning of the workplace atmosphere as employees played off against each other regarding their performance. Bitterness from the severed employees upset the survivors and those that were left behind were left with even less security due to the perceived arbitrary nature of the merit rating system and the knowledge that further downsizing was imminent. This was affirmed when, in October 1996, the alternative of merit rating was proposed to achieve further cuts. Within a month the requisite voluntary subscriptions were in the hands of management allowing them to meet their budget target. It is apparent that employees will, if empowered to do so, leave an organization more readily on their own terms if not in their own time.

The Current Situation

The success of the Niagara Area's initiatives was readily apparent by the beginning of 1997. Performance targets were largely exceeded and a more effective and efficient workforce had been established, assisted in large part by the implementation of advanced technological tools. Measures such as Speed of Pay were vastly improved; insurance productivity had soared to over 1200 clients per staff member; and the Return on Investment for Investigation and Control had exceeded \$12.00 for every dollar spent. All of this was achieved with 147 fewer staff members as compared with the 1991 compliment.

The Area management team has expressed the opinion that this radical improvement in effectiveness and efficiency could not have occurred at such a rapid pace without the participation and cooperation of the entire organization. Yet little external recognition for these achievements has been communicated to the Niagara Area operational organization to date. This might, in part, explain why employees, as late as October 1996 in a Risk Model Survey, questioned the direction that management was taking them when other areas were seen as staying the course. Some even requested a return to the old service delivery system.

Conclusion

During its transformation this organization absorbed major externally imposed shocks. Organizational capacity to achieve this change was obtained through the intelligent management of staffing, technologies, and organizational structure mediated by credible, compelling leadership. Empowerment through team building and cultural sensitization created a capacity to survive the upheaval of a climate of severance and, in fact, to thrive in its midst.

Maintaining a *culture of development* is seen as key to the continued growth and improvement of HRDC Niagara as an organization. The culture has been severely, if not fatally, shocked by the cancelling and then reinstatement of severances under the WFA Policy in March 1997. There exists as a result of this shock an undercurrent of fear and skepticism to be closely monitored. Whether the capacity to continue to develop has been crippled by these events will only be determined as tests that will inevitably emerge from such events as the Labour Market Agreement negotiations or the next round of salary budget cuts bring on the next wave of shocks while the organization attempts the multi-skilling of the secondary levels of service.

About the Authors:

Ken Loucks is Professor of strategic management in the Faculty of Business at Brock University in St. Catharines, Ontario. He holds three degrees in Business from the University of Western Ontario and has held faculty appointments at Western, Laurentian and Brock universities. Ken has been involved in the creation of a number of innovative community economic development organizations that support self-employment, small business creation, and entrepreneurship development. This work has received international recognition and Ken has been engaged by a number of bilateral and multilateral development organizations for design, evaluation and consultation of policy, strategy and projects in this field in many countries of the developing world. He is Chairman of DEV-21 Consulting Ltd., a community economic development consultancy focusing on social capital programming.

Michael B. Robertson is a consultant with the Niagara Canada Community Investment Plan and research associate of Ken Loucks and other professors at Brock University.