



STATE OF THE SERVICE REPORT 2002-03

STATE OF THE SERVICE SERIES 2002-03



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Australian Government
Australian Public Service Commission

PUBLIC SERVICE COMMISSIONER

The Honourable John Howard MP
Prime Minister
Parliament House
Canberra ACT 2600

Dear Prime Minister

In accordance with the provisions of section 44 of the *Public Service Act 1999*, I present to you the annual report of the state of the Australian Public Service for the year 2002–03.

This State of the Service report for the first time incorporates the annual report of workplace diversity in the APS. The APS Commission will be separately publishing supporting statistical documents, the *State of the Service Employee Survey Results 2002–03* and the *Australian Public Service Statistical Bulletin 2002–03*.

The Joint Committee of Public Accounts and Audit and the Secretary of the Department of the Prime Minister and Cabinet agreed to extend the tabling deadline of the State of the Service report to one calendar month after the tabling date for agencies' annual reports.

Section 34C of the *Acts Interpretation Act 1901* requires that you lay a copy of the Report before each House of Parliament within 15 sitting days after the day on which you receive the Report.

Yours sincerely

A S Podger
27 November 2003



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Section 44 of the *Public Service Act 1999* (PS Act) provides that the Public Service Commissioner must provide a report each year to the Minister for presentation to the Parliament, which includes a report on the state of the Australian Public Service (APS) during the year. The State of the Service report draws on a range of information sources. One of its main sources is a survey sent to all APS agencies employing more than 20 staff under the PS Act.

Eighty-nine APS agencies, or semi-autonomous parts of agencies, employing 20 or more staff under the PS Act were sent the agency survey in May 2003 for completion. All 89 agencies responded to the online survey by the due date. This represents a 100% response rate. Appendix 1 lists the agencies that submitted a response to the agency survey.

To assist with analysis of data from the agency survey in this year's report, agencies have been grouped according to size. Of the 89 responding agencies, 22 were classified as large (>1000 APS employees), 26 as medium (251–1000 APS employees) and 41 as small (20–250 APS employees). These size categories are generally consistent with those used by the Australian National Audit Office (ANAO).¹

Another main information source used in the preparation of the report is the results of the APS employee survey. This year the APS Commission introduced a survey of APS employees from agencies with more than 100 APS employees. The employee survey involved a stratified random sample of 6279 APS employees. A total of 3181 valid responses were received, representing a response rate of 51%. The sample size and number of valid responses allows a number of cross-tabulations with a degree of confidence. The survey was conducted, however, on the clear understanding that individual agency results would not be published, except to indicate agencies with good practice. Individual agency results are available for large agencies that want them for internal management purposes.

While the size groupings for large and medium agencies are the same for the agency and employee surveys, it should be noted that for the purposes of the employee survey 'small' refers to agencies with between 100 and 250 APS employees.

Appendix 2 provides information on the employee and agency survey methodologies.

The APS Commission engaged the services of ORIMA Research to assist with the design, delivery and initial analysis of both surveys. The APS Commission also engaged the Australian Bureau of Statistics (ABS) as a key consultant to advise on aspects of survey methodology.

Assistance for the agency survey was also provided by a number of agencies including the Department of Employment and Workplace Relations (DEWR), the Department of Finance and Administration (Finance), the National Archives of Australia (NAA) and the National Office for the Information Economy (NOIE).

The report has also relied heavily on published reports from parliamentary committees and the ANAO. Input has been sought from central agencies, particularly Finance, DEWR and the ANAO and their

¹ ANAO, *Staffing reductions in the Australian Public Service*. Performance Audit Report No. 49, 1998–99.

assistance is gratefully acknowledged. Contributions were also appreciated from the Attorney-General's Department (AGD), Comcare, the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA), the Department of the Senate, the Department of the House of Representatives, NAA, NOIE and the Office of the Commonwealth Ombudsman (Ombudsman).

This year's report is closely structured around the four groups of the APS Values (as included in the inside cover), which the APS Commission has been using to explain and promote the Values. Chapter 3 deals with the strategies that agencies are using to promote the Values and the Code of Conduct as a whole, and embed them within their agencies. The Values that link to the first group, relations with the Government and the Parliament, are discussed in Chapter 4. The Values that are part of the second group, relations with the public, are covered in Chapter 5. Chapter 6 looks at some of the Values linked to workplace relationships, and Chapter 7 examines the Values that relate to personal behaviour. Although diversity is part of the workplace relationships group, it has been the subject of a separate annual report until this reporting year. Diversity is covered this year in Chapter 8. Building APS capability, which relates in part to the workplace relationships group of Values, is discussed in Chapter 9.

Associated with the *State of the Service Report 2002–03* are two other publications, the *Australian Public Service Statistical Bulletin 2002–03* and the *State of the Service Employee Survey Results 2002–03*.

This report, the bulletin and the employee survey results will be available on the APS Commission website at www.apsc.gov.au. Readers with enquiries about the State of the Service report can email StateoftheService@apsc.gov.au.



CHAPTER 1: COMMISSIONER'S OVERVIEW

In this overview, I wish to highlight some of the key findings in this year's State of the Service report, and provide my own perspective on some of the issues identified.

An important perspective has been added in this year's report, which is that of APS employees. In May–June this year a representative sample of APS employees was surveyed on a range of topics. While the APS Commission has drawn on agency employee surveys in the past, this is the first time the Commission has conducted a survey itself of APS employees. While the results need to be analysed with care, and as a first survey they provide no direct evidence of trends, they do add significant weight to the analysis presented in this report. The views of employees also provide something of a reality check against the perspective of managers necessarily reflected in the agency survey we have conducted each year for these reports.

Apart from providing an important perspective to each of the issues canvassed in this report, the employee survey also provides an indication of overall job satisfaction on a range of factors employees considered important, including good working relationships, flexible work arrangements, interesting work, using and developing their skills, and salary. The vast majority of APS employees (76%) reported that, on average, they were satisfied with the factors they nominated as most important to them.

The high levels of overall job satisfaction reported by APS employees is good news, as is the fact that the two workplace factors that were rated as most important in terms of impacting on job satisfaction (i.e. good working relationships and flexible working arrangements) received the highest satisfaction ratings (over 80%).

THE CHANGING APS

This year's State of the Service report is the fourth prepared under the PS Act. It examines an APS that looks remarkably different from the APS of ten years ago. The structure of the APS, for example, has changed considerably over the past decade. A period of restructure and reduction in size and function has been followed by a recent period of significant growth (Chapter 2). The growth experienced in 2002–03 reflects the Government's priorities in such areas as security and border protection, but also increased workloads in some agencies.

Over the last year there has been a general consolidation of trends towards an older and more skilled workforce. This is shown, for example, in the continuing falls in recruitment at the APS 1 and 2 levels of the APS, a focus on the APS 3–4 levels as the principal level for recruitment into the APS and the high proportion of recruits who have tertiary qualifications. The 'typical' new starter in the APS is now a 31 year old with tertiary qualifications who is at the APS 4 level and more likely to be a woman than a man.

WORKFORCE PLANNING

These demographic changes continue to pose challenges for the APS in managing for its future capability (Chapter 9). The primary responsibility for workforce planning and succession management rests with each agency head, to ensure their agency's business outcomes will continue to be achieved into the future. It is also important to address the capability of the APS as a whole, given the growing importance of whole of government business outcomes, and the need to ensure there is a strong pool available to take on APS leadership roles into the future.

It is pleasing to note that there is evidence of concerted effort by agencies to improve capability and to address the demographic challenge of the impending 'changing of the guard'. Progress is being made in relation to managing people for business outcomes, with evidence of better integration of strategies and increasing attention to workforce planning. Many of these improvements have, however, come from a relatively low base, and agencies will need to sustain priority effort to ensure continued improvement.

DIVERSITY

The report emphasises the importance of diversity to the effectiveness of APS agencies (Chapter 8). Consideration of workforce diversity is critical to the attraction and retention of the skills agencies need, and is also important in improving the responsiveness of client services to an increasingly demanding and informed Australian community. Increased workforce diversity can also underpin agency efforts to create a more broad-based, agile and innovative organisational culture.

We are also required directly under the PS Act to promote equity in employment and, consistent with the Directions, ensure that employment disadvantage for particular groups is eliminated. Unfortunately, while the proportion of women has continued to grow, with steady improvement in representation at more senior levels, the proportion of staff in the other equal employment opportunity (EEO) groups (Indigenous Australians, people with a disability and people from a non-English speaking background) declined slightly during 2002–03. There is now a long-term decline in representation of people with a disability and people from a non-English speaking background in the APS, and the earlier growth in Indigenous employment has clearly stalled. A number of agencies are working closely with the APS Commission to improve Indigenous employment, but work is also needed to analyse and respond to the other growing concerns.

EMBEDDING THE APS VALUES AND THE CODE OF CONDUCT

The Commission's work on *Embedding the APS Values* as well as the results of the agency survey indicate that agencies are working to hardwire the APS Values into management policies, instructions and guidance. This is also reflected in the results of the employee survey, which show that almost all APS employees had heard of the Values or the Code of Conduct and a very high proportion of APS employees being at least moderately familiar with them. Values-based management will, however, require further sustained effort.

Part of that effort, to provide assurance that the Values are being upheld, is to ensure that a rigorous and systematic approach to conducting investigations and dealing with breaches of the Code of Conduct. This is particularly important if agencies are to gain and maintain the commitment of employees to values-based behaviour. The agency survey results indicate that there is a large variation amongst large agencies in the number of investigations of suspected breaches as well as in the imposition of the high impact sanctions.

While I recognise that this may reflect, at least in part, the different importance of particular APS Values and elements of the Code of Conduct to the work of different agencies, I believe that the considerable differences suggests agencies are not using a sufficiently rigorous and systematic approach. The APS Commission will be doing further evaluation work in 2003–04 on the management of breaches of the Code of Conduct. I hope that the results of the evaluation will provide material for a good practice guide on this topic.

PERFORMANCE MANAGEMENT

The effective management of performance has been the subject of considerable attention over the last few years, and agencies have again reported improvements in their performance management systems, with all agencies now having performance management frameworks in place. The employee survey found that on the whole employees are generally positive about performance management, a good sign given the disputes in a number of agencies in the 1990s. However, the survey also revealed there is still widespread unease about how performance is rewarded, and about the handling of underperformance.

Part of the unease about performance pay may reflect a conservative culture in the APS that needs to change further for the modern, competitive era, but the variations across agencies suggest there may also be poor management or poor design of the processes in some agencies.

I cannot ignore the other possible conclusion, that linking pay and performance may in itself have a negative impact on team spirit and organisational performance. My own view is that the primary benefit of linking pay to performance is to ensure performance assessment is in fact managed systematically and regularly, and I am comforted that most employees in the survey agreed their performance pay system did this. The possible benefits of substantial rewards for performance, such as more effort or increased ability to match market remuneration for high performing people, need to be balanced against the risks of dissatisfaction amongst groups or teams of employees: a modest approach to performance rewards may often be wise, particularly while schemes are being bedded down and skills developed.

The appropriate balance will, of course, vary with the level of employee and the nature of the business and the agency's culture. But as the Management Advisory Committee advised in its report two years ago, performance management systems need alignment between the outcomes sought by government, the nature of the business, the agency's culture and history as well as where the CEO wishes to take the organisation. The Committee also noted that performance-related remuneration is only one component of performance management, and the diversity of views and approaches on the subject should be acknowledged.

RELATIONS WITH MINISTERS AND THEIR OFFICES

The interface between politics and administration has always been at the centre of academic and professional debate on public administration. For the APS, the relationship with the Government and the Parliament is formally defined by the Values of apolitical professionalism and impartiality, responsiveness to the elected Government and open accountability. For the most part these Values complement each other, but senior public servants have always been aware that there can be tensions between them in managing a particular issue.

A particularly interesting result from the employee survey is the scale of the interaction between public servants and Ministers and their offices (Chapter 4). Twenty-six per cent of employees reported that they

have had contact with Ministers or their offices in the past two years. Contact may include the most minor of interactions and single requests for information, as well as more substantive policy advising. There is no way of directly comparing results to any past period. Nonetheless, the proportion of the APS reporting contact is very high. The proportion is highest for the Senior Executive Service (SES) (88%), but the proportion of Executive Level (EL) employees (47%) and APS level employees (20%) are both significantly larger than I had expected.

While the survey itself cannot measure trends, these results would seem to support other evidence that the APS is far more responsive to the elected Government than it is reported to have been in years gone by. The results also add considerable weight to the importance of training APS employees to understand the Values and to help them make judgments about their application and when a balance needs to be drawn between them. Control through limiting contact, say to SES, is clearly no longer feasible. Other management approaches are needed to ensure services provided to the Minister are of high quality and that accountability requirements are met, and to have confidence in the judgments staff are making.

The other results suggest that, for the most part, APS employees are managing the relationship appropriately. The proportion who said they had faced a challenge in balancing the Values was not surprising, in my view, and I was pleased that most were confident in doing so and most had found that the action they took to resolve the challenge was effective—primarily through seeking advice from supervisors or colleagues, or through discussion with advisers.

I have commented elsewhere on the important role ministerial advisers now play in Australia's system of government, and suggested there would be benefit in a more formal articulation of their role through a set of values and a code of conduct. There are many ways this could be done, but I believe this would help to enhance the professionalism of advisers, and would complement recent APS reforms and our current efforts to improve professionalism in the APS. It could also serve to reinforce the relationship of trust that is essential between the APS and Ministers and their advisers. I believe the evidence set out in this report of wide interaction between APS employees and advisers adds weight to the views I have expressed.



A S Podger
PUBLIC SERVICE COMMISSIONER



This chapter explores current demographic and labour force patterns of staff covered by the PS Act. The main source of data is the APS Employment Database (APSED), maintained by the APS Commission.¹ APSED contains information about recruitment, separation, mobility and diversity for all ongoing and non-ongoing APS employees.² Further information on the size and composition of the APS can be found in the *Australian Public Service Statistical Bulletin 2002–03*.³

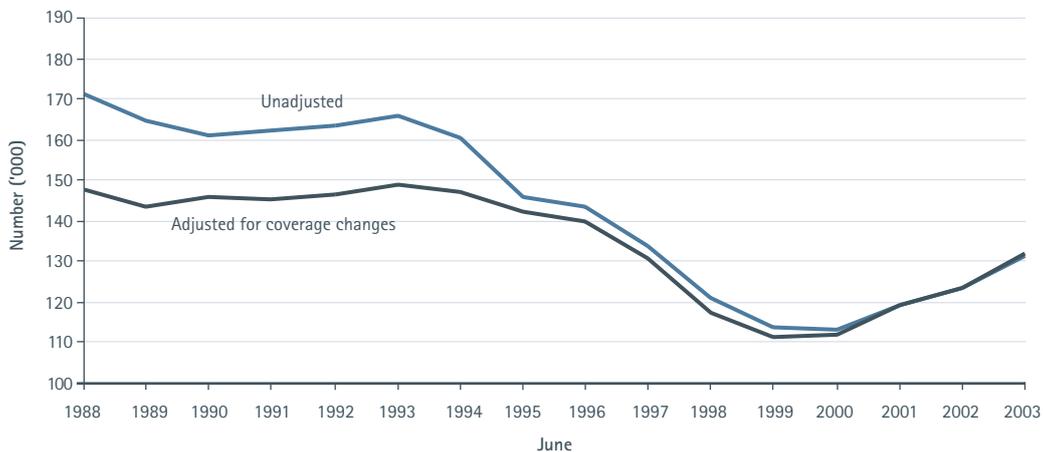
The structure of the APS has changed considerably over the past decade. A period of restructure and reduction in size and function has been followed by recent significant growth. As well, there have been changes in the profile of the workforce, with fewer unskilled jobs, an ageing workforce and an increasing proportion of women (though still concentrated in the lower classifications). These latter trends have been evident for some years, and are likely to persist.

GROWTH IN THE APS

The APS grew strongly during 2002–03, with a total of 131,711 employees at June 2003 compared with 123,533 at June 2002, an increase of 6.6%. This follows increases of 3.7% during 2001–02 and 5.1% during 2000–01. Adjusting for coverage changes, the APS is now back to the size it was in 1997.

Figure 2.1 shows the change in total staff numbers from June 1988 to June 2003. The adjusted line takes account of coverage changes in the APS over the period, by showing those staff employed in those functions that remained in the APS at 30 June 2003.

Figure 2.1: APS staff, 1988 to 2003

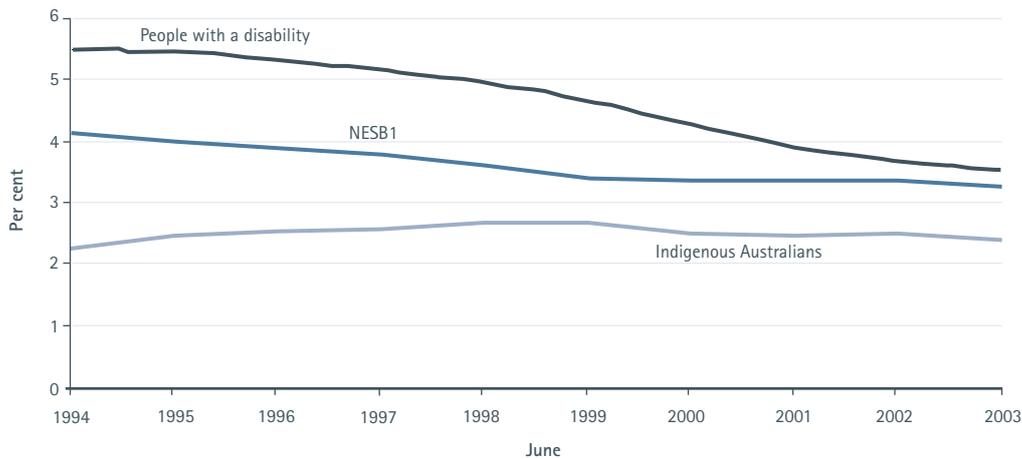


Source: APSED

DIVERSITY TRENDS

Workplace diversity is a major contribution to capability in the APS as well as being important to equity in employment. Trends in diversity, in terms of gender, race and ethnicity, Indigenous status or having a disability, are particularly relevant to monitoring employment-related disadvantage. Apart from gender, statistics on these areas of workplace diversity are dependent upon staff identifying themselves as belonging to these groups.

Figure 2.2: Trends in diversity for ongoing staff, 1994 to 2003



Source: APSED

Women represented 53.7% of total staff at June 2003, a slight increase from 52.8% last year. As shown in Figure 2.2, the proportion of staff in each of the other diversity groups declined slightly during 2002–03. The actual number of employees increased in all groups; however, their growth was not as large as that of the APS overall, so their proportional representation decreased. The number of ongoing employees who identified themselves as Indigenous rose from 2799 to 2879; of those from a non-English speaking background (NESB 1)⁴ the number rose from 3792 to 3920; the number for people who reported themselves as having a disability rose from 4138 to 4287.⁵ The proportion of NESB 1 fell from 3.4% to 3.3% and for those with a disability from 3.7% to 3.6%. These continue previous strong downward trends. The proportional decline amongst Indigenous employees was from 2.5% to 2.4%, confirming that the growth to 2.7% in 1999 has stalled.

A detailed analysis of diversity in the APS can be found in Chapter 8.

⁴ In the absence of alternative measures, the concept 'NESB', representing people from a non-English speaking background, is used with APSED. This captures information about first language spoken, place of birth and parental heritage. NESB1, the measure used here, includes people born overseas whose first language was not English. NESB2 has previously been reported in addition to NESB1 and includes children of migrants, including those who were born overseas and arrived in Australia before the age of five and did not speak English as a first language, those who were Australian born but did not speak English as a first language and had at least one NESB parent, and those who were Australian born and had neither parent speaking English as a first language. Analysis of APSED data has found that this group does not have a substantial employment disadvantage compared to other workers, and is therefore not reported here.

⁵ The number of employees for whom incomplete data are recorded remains a concern, and will be monitored in next year's report. In part, this incompleteness reflects the voluntary nature of providing EEO data. There is, however, a problem with some agencies either not collecting the data, or not having their HR system configured in such a way that the data can be readily provided to APSED.

ONGOING AND NON-ONGOING STAFF

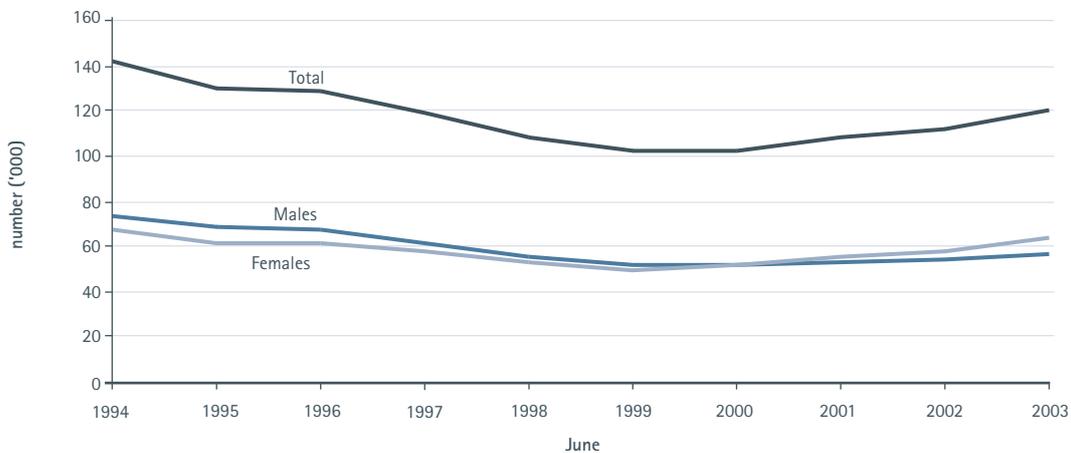
Both ongoing and non-ongoing staff numbers increased over the last year.

ONGOING STAFF

At June 2003 there were 120,062 ongoing staff in the APS, an increase of 7.0% on the previous year. This increase continued the pattern set for the previous two years, although the increase was much higher than either of the previous years (3.3% in the year to June 2002 and 5.6% to June 2001).

While numbers increased for both men and women, the increase was greater for women (8.8%) than for men (5.1%). These trends are shown in Figure 2.3.

Figure 2.3: Ongoing staff by gender, 1994 to 2003



Source: APSED

During 2002–03, the proportion of ongoing employees who were women rose from 51.9% to 52.8%, continuing the upward trend from previous years. At June 2003, women comprised 30.4% of the SES, an increase from 28.3% the previous year, and 37.8% of ELs, an increase from 36.7% the previous year.

The large increase in ongoing staff numbers was mainly due to increases in the Australian Taxation Office (ATO) (2560 or 14.5%), Centrelink (1877 or 8.1%) and the Department of Defence (Defence) (1232 or 7.2%). Smaller agencies that increased significantly in size included Defence Housing Authority (DHA) (185 or 38.9%), and National Museum of Australia (NMA) (45 or 32.1%). Those agencies that decreased their ongoing staff numbers during the year included the ABS (39 or 1.3%) and the National Library of Australia (NLA) (36 or 7.5%).

NON-ONGOING STAFF

Non-ongoing staff numbers rose slightly, from 11,371 to 11,649 at June 2003, although in percentage terms this was a fall from 9.2% to 8.8% of total staff. This fall in percentage continued the trend shown for most of the past decade, except for a slight rise last year. Figure 2.4 provides details of non-ongoing staff as a proportion of total staff from 1994 to 2003. As Figure 2.4 shows, the proportion of non-ongoing employment for both men and women has generally declined over the past decade, and the rate for women has been consistently higher than that for men.

Figure 2.4: Non-ongoing staff as a proportion of total staff, 1994 to 2003



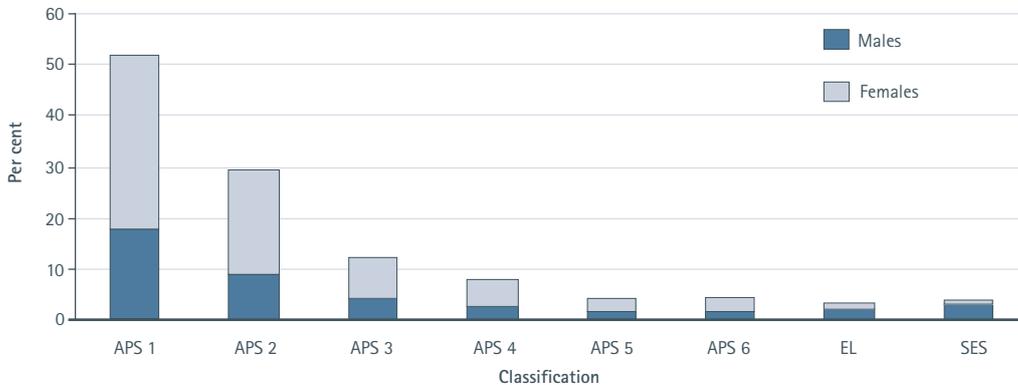
Source: APSED

The number of non-ongoing men decreased from 4377 (7.5%) at June 2002 to 4225 (6.9%) at June 2003. For women, the number increased from 6994 to 7424 over the same period; however, their representation in percentage terms dropped from 10.7% to 10.5% of total female staff. This percentage drop continues the downward trend of the past few years and reflects the large increase in the number of ongoing women rather than a decline in non-ongoing numbers for women.

Non-ongoing staff are concentrated at lower levels with 76.4% at the APS 1–4 classification levels. This compares with 43.8% of ongoing staff. More than half of all APS 1 staff (51.8%) are non-ongoing as are 29.2% of APS 2 staff. The representation of non-ongoing staff is much lower at higher classifications. This is shown in Figure 2.5, which also shows the proportion of non-ongoing employment for both men and women.

Women account for 63.7% of non-ongoing employees but are concentrated at lower levels. Women outnumber men at all classification levels up to APS 6, with more men than women at higher levels. For example, 68.4% of non-ongoing APS 1–2 employees are women compared with only 18.4% of non-ongoing SES employees.

Figure 2.5: Proportion of total staff at each classification who are non-ongoing by gender, June 2003



Source: APSED

In general, small agencies have a greater proportion of their staff engaged as non-ongoing than do large agencies, with the Equal Opportunity for Women in the Workplace Agency (EOWA) (62.1%), the Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) (51.2%) and the Australian Institute of Family Studies (AIFS) (48.7%) having the greatest proportion of non-ongoing staff at 30 June 2003.

The median length of service for non-ongoing employees who separated during 2002–03 was six months.

PART-TIME

At June 2003, part-time staff accounted for 9.4% of total ongoing staff. While the absolute number of ongoing staff working part-time increased from 10,570 to 11,255 during the year, their proportional representation dropped marginally,⁶ and it will be interesting to see whether this trend continues next year in the light of the findings of the Management Advisory Committee (MAC) report on organisational renewal.⁷

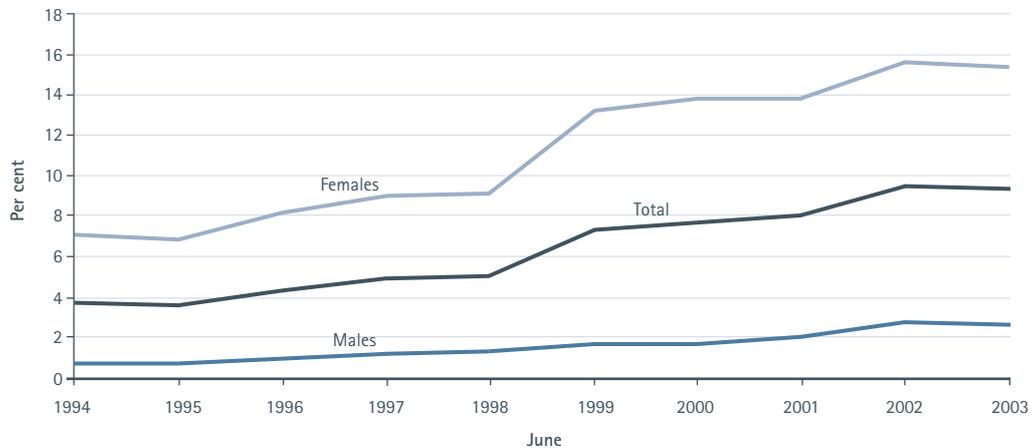
The representation of ongoing women working part-time continued to increase in absolute terms this year, but dropped slightly as a proportion of all women. For men, the trend towards part-time work has reversed slightly; for the first time in over a decade, both the number and proportion of men working part-time dropped slightly.

Female non-ongoing employees are more likely to be working part-time than any other group, with almost a quarter (24.9%) of non-ongoing women working part-time compared with 15.4% of ongoing women. For men the proportions are much lower; 16.6% of non-ongoing and 2.6% of ongoing work part-time.

⁶ While the percentage remained unchanged at 9.4%, there was a slight decrease (from 9.42% to 9.37%) that does not appear when the proportion is rounded to one decimal place.

⁷ MAC, *Organisational Renewal*, Report 3, 2003

Figure 2.6: Part-time ongoing staff by gender, 1994 to 2003



Source: APSED

Part-time work for women is highest in the 25–44 age group (18.5%). Only 2.8% of men in this age group work part-time, although this is still slightly higher than the overall male rate of 2.6%. For both men and women aged 45 and over, the proportion working part-time is lower (2.3% and 11.1% respectively) than the overall rates for men and women. Part-time employment is also concentrated at lower classification levels for both men and women, with 4.7% of ongoing men and 17.9% of ongoing women in APS 1–4 classifications working part-time.

Centrelink continues to be the largest employer of part-time staff, employing 33.9% of all part-time ongoing staff in the APS. These comprise 15.2% of their staff. The AIFS (28.2%), Australian Institute of Health and Welfare (AIHW) (25.0%) and NMA (25.4%) are the agencies with the highest proportion of ongoing part-time staff. Agencies with the largest increase in ongoing part-time staff over the year to June 2003 were Centrelink (an increase of 201 to 3816), the Department of Health and Ageing (Health) (an increase of 90 to 873), the Australian Customs Service (Customs) (an increase of 66 to 658) and the Department of Family and Community Services (FaCS) (an increase of 61 to 601).

CLASSIFICATION STRUCTURES

Table 2.1 compares staff numbers by classification, for June 2002 and 2003. Overall, there were increases at all classification levels above the APS 2 level, with the largest proportional increases at APS 3 and APS 6.

The decline in the proportion of staff at APS 1–2 levels (from 7.2% to 6.5%) continues a very significant long-term trend; the proportion in 1993 was 29.0% and in 1983 was 47.3%.

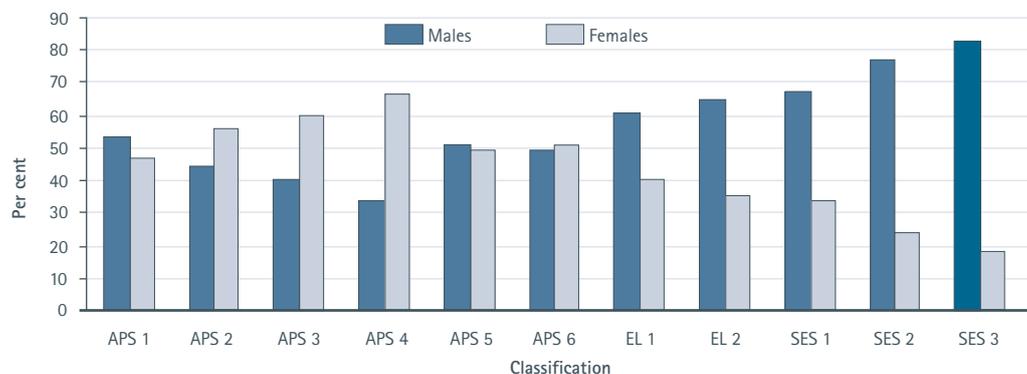
Table 2.1: Ongoing staff numbers by classification, June 2002 and 2003

Classification	30 June 2002	%	30 June 2003	%
APS 1	1548	1.4	1507	1.3
APS 2	6533	5.8	6352	5.3
APS 3	13781	12.3	15585	13.0
APS 4	28452	25.4	29124	24.3
APS 5	11966	10.7	12766	10.6
APS 6	24398	21.8	26969	22.5
EL 1	13100	11.7	14276	11.9
EL 2	9713	8.7	10343	8.6
SES	1730	1.5	1872	1.6
Trainee	388	0.3	363	0.3
Graduate	553	0.5	905	0.8
Total	112162	100.0	120062	100.0

Source: APSED

There is still a considerable gender difference, especially at higher classification levels. Figure 2.7 shows the proportion of men and women at selected classification levels. With the exception of APS 1, women outnumber men at lower levels, with the proportion of women falling sharply at higher levels.

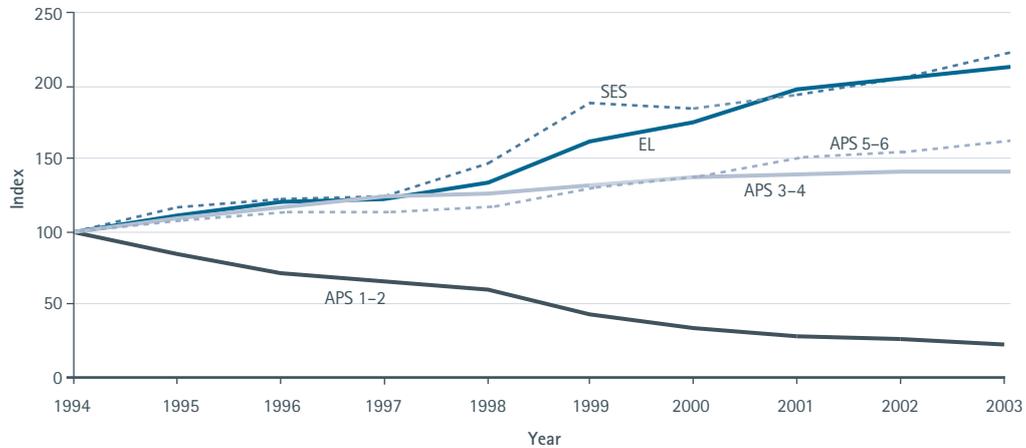
Figure 2.7: Ongoing staff by classification and gender, June 2003



Source: APSED

The very high representation of women at APS 3 and 4 levels reflects in part the high proportion of base grade recruits and graduate trainees now who are women. The pattern of lower representation of women at higher classification levels is slowly changing. Figure 2.8 is based on an index with a base of 100 at June 1994. The value rises and falls proportionally with a particular group's change in the weighted number over time. It shows that the greatest improvements have been at the most senior levels (SES followed by ELs), though obviously these are from the lowest base levels in 1994.

Figure 2.8: Ongoing staff—change in number of women at selected classifications, weighted and indexed, 1994 to 2003



Source: APSED

MOBILITY

Mobility between agencies has varied over the past 10 years, with some decline since 1998–99. As shown in Figure 2.9, the transfer rate between agencies has mostly been higher than the promotion rate.⁸ During 2002–03, the transfer rate between agencies was 1.2%, and the promotion rate was 0.6%. While mobility between agencies has declined a little over the last four years, engagements from outside the APS at nearly all classification levels have increased significantly.

Figure 2.9: Ongoing staff—promotion and transfer rates between agencies, 1993–94 to 2002–03



Source: APSED

⁸ The terminology of ‘transfers’ and ‘promotions’ have been used in this chapter because they are commonly understood by most APS employees. The terminology used in the PS Act is ‘movement at level’ for transfer between agencies. Promotion is defined as ‘the assignment to the employee of duties as a higher classification than the employee’s current classification (whether or not the employee moves to another agency)’.

AGE PROFILE

In absolute terms there were increases in the number of staff in all age groups during 2002–03. In percentage terms, the largest increases were in the 20–24 and 55 and over age groups.

Table 2.2 shows the proportion of staff in 10 year age groups at June 1994, 1997, 2000 and 2003. In the year to June 2003, the largest increase was in the 55 and over age group, which rose 0.7 percentage points. In contrast, the 35–44 year age group’s representation, while the largest of any age group, dropped 1.0 percentage points. This pattern is very similar to that which occurred in the previous year.

Table 2.2: Ongoing staff—proportion by age

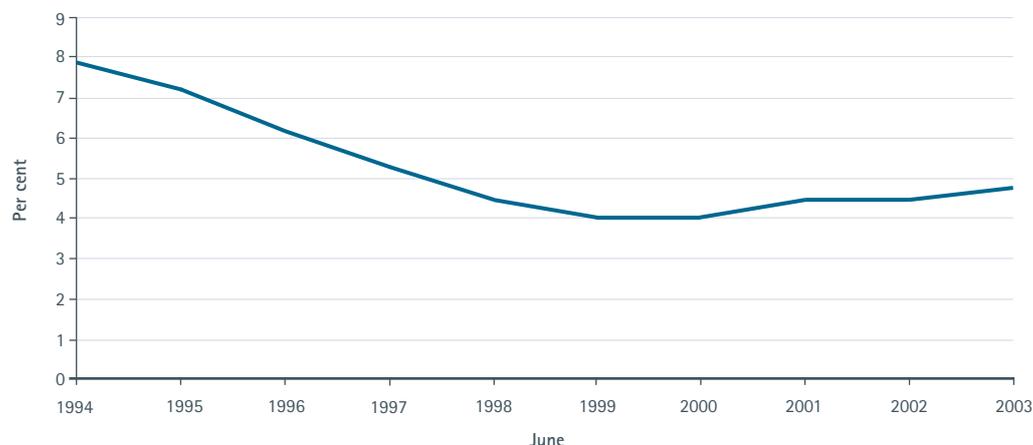
Age group	June 1994 (%)	June 1997 (%)	June 2000 (%)	June 2003 (%)
Under 25	8.4	5.4	4.2	4.9
25–34	30.9	28.3	26.1	26.0
35–44	33.0	34.0	33.5	31.4
45–54	22.1	26.6	29.6	29.3
55 and over	5.6	5.7	6.6	8.3

Source: APSED

In the 10 years to June 2003, the strongest growth, in percentage terms, has been in the 45–54 age group. The group to show the highest percentage decline over the decade was the under 25s, although this is mainly due to decline in the under 20 group. The 55 and over age group has grown steadily over the period, particularly in the past couple of years.

Figure 2.10 shows that the proportion of employees aged 20–24 has recovered somewhat since 2000, after declining substantially for several years. At June 2003, this age group accounted for 4.8% of ongoing employees, up slightly from 4.5% the previous year.

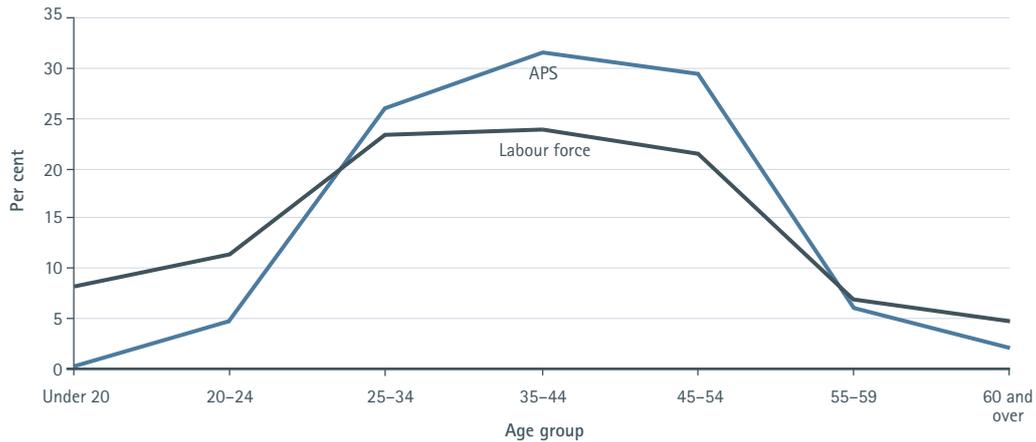
Figure 2.10: Ongoing staff—representation of 20–24 year olds, 1994 to 2003



Source: APSED

Figure 2.11 shows that, in general, the APS is older than the wider Australian labour force, with a significantly lower proportion of young people and more in the 35–54 age group. There is also a lower proportion of older people (aged over 55) in the APS. In 2003, 60.8% of APS employees were aged 35–54, compared with only 45.2% of the labour force.

Figure 2.11: Age profile of APS ongoing staff and labour force, June 2003



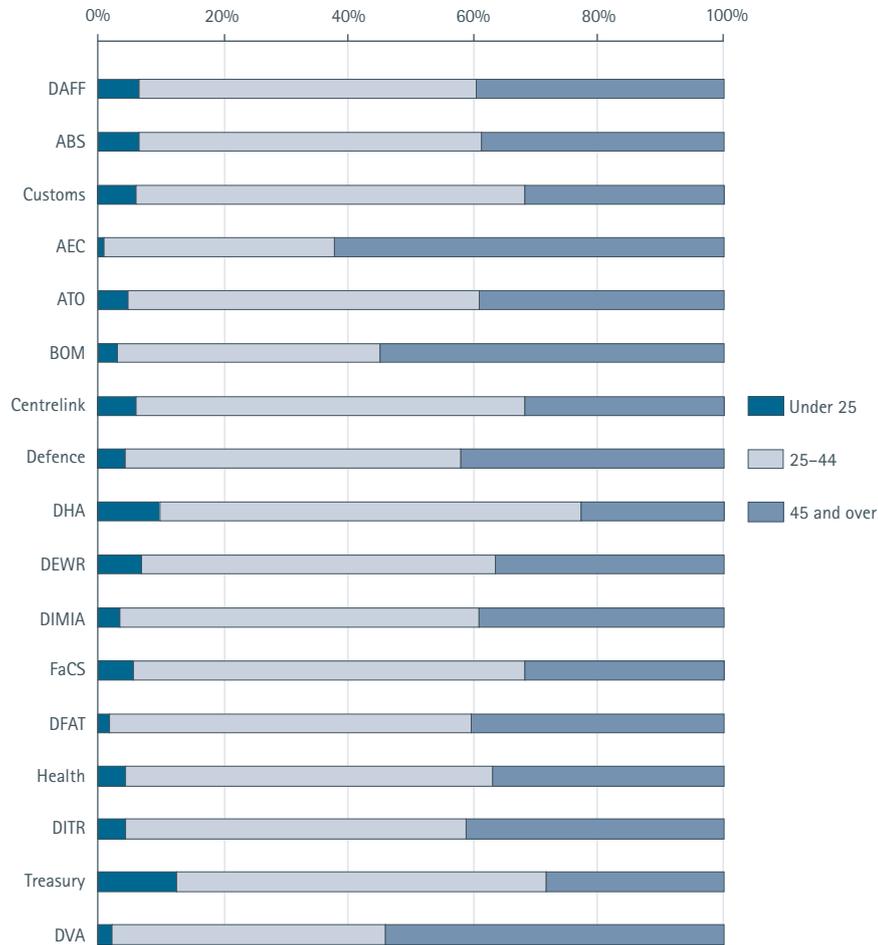
Source: APSED and ABS

In broad terms, the age profile of the APS would seem to reflect four major factors: the ageing of the Australian workforce generally; the large cohort of recruits into the APS in the late 1960s and early 1970s; the skills structure of the APS with its emphasis on graduates and clerical skills; and its superannuation arrangements, offering pensions from age 55.

Staff in the 45 and over age group, who will be eligible for retirement within the next 10 years, account for over a third of ongoing employees (37.6%). They are more likely to be in senior classifications and, in general, have longer length of service than average. The proportion of staff in this age group varies between agencies. For example, only 21.7% of staff in the Australian Protective Service (Protective Service) and 28.1% of Treasury staff are aged over 45, compared with 55.0% in the Bureau of Meteorology (BOM) and 53.9% in the Department of Veterans' Affairs (DVA). More typically, around 40% of staff in Defence, ATO, the Department of Foreign Affairs and Trade (DFAT) and ABS are in this age group.

Agencies' age profiles vary widely. This reflects, in part, the nature of an agency's functions and classification structures. Those agencies with a relatively high proportion of staff aged over 45 may face more critical workforce planning and knowledge management issues than those with a younger age profile. Figure 2.12 shows comparative age profiles for selected APS agencies at June 2003. The graph includes all those agencies with more than 1500 ongoing staff, as well as some others with particularly young or old age profiles.

Figure 2.12: Ongoing staff in selected agencies by age group, June 2003



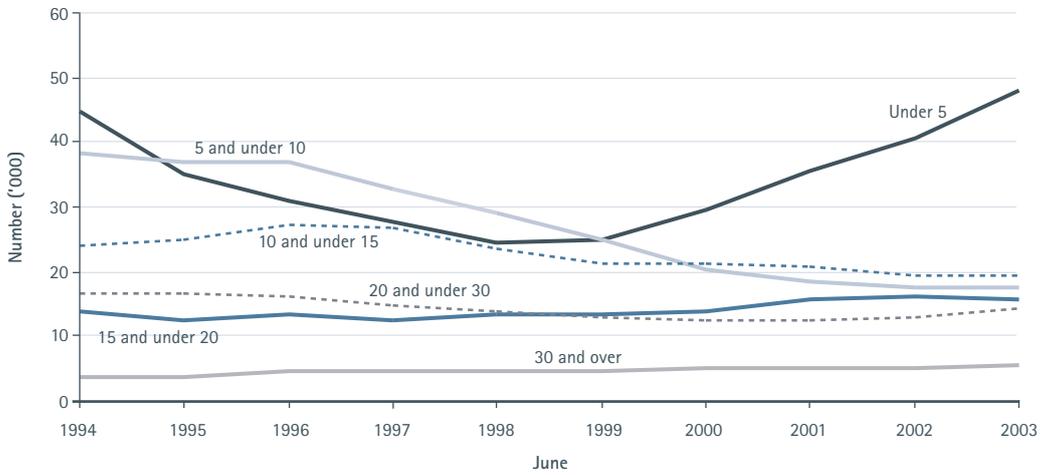
Source: APSED

The ageing of more senior ongoing employees over the last 10 years is particularly pronounced. For example, 27.4% of SES and 18.1% of EL employees were aged 50–54 years at June 2003; compared with 21.1% and 11.9% at June 1994. A similar pattern is shown for the 55 and over age group, with 15.1% of SES and 8.5% of ELs aged over 55, compared with 9.9% and 6.0% 10 years ago. Thus, 42.5% of the SES and 26.6% of ELs could, if they wished, retire with superannuation benefits within five years.

LENGTH OF SERVICE

At June 2003, the median length of service for ongoing employees was eight years. This was a reduction from nine years at June 2002, caused mainly by the continued increase in engagements into the APS in recent years. Men have a median length of service of 10 years, which is considerably longer than the six years for women. Figure 2.13 shows the profile of length of service over the 10 years to 2003.

Figure 2.13: Ongoing staff—Length of service, 1994 to 2003



Source: APSED

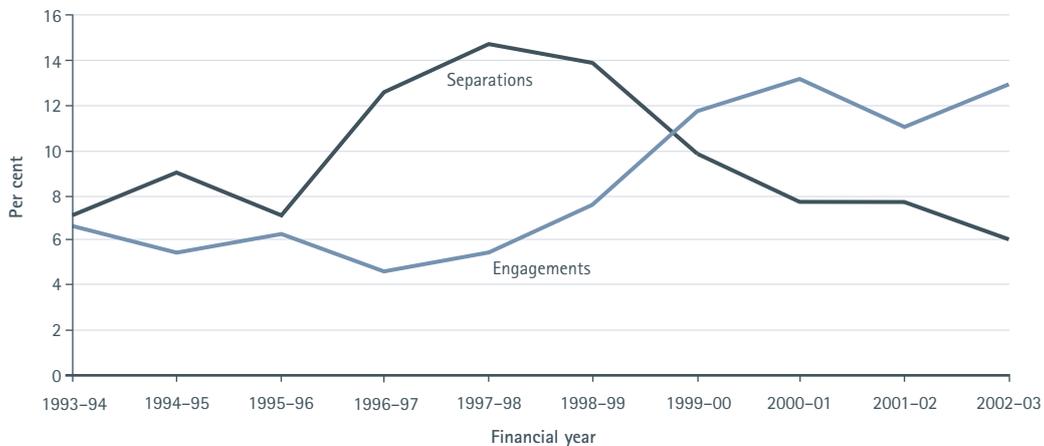
The rise in the number of staff with fewer than five years service, from 24,234 at June 1998 to 47,778 in 2003 reflects the increase in engagements for the past five to six years. As a proportion of total ongoing staff, this group’s representation has risen from 22.4% to 39.8% between 1998 and 2003.

In contrast, the number of staff with between five and 10 years service continued the decline that has been reported in previous years, although the decline levelled somewhat this year.

ENGAGEMENTS AND SEPARATIONS

There were 14,973 engagements and 7070 separations of ongoing staff during 2002–03. Engagements were up and separations were down (from 12,196 and 8560 respectively the previous year). Engagements have more than doubled in the past five years, and separations have halved over the same period. Figure 2.14 shows ongoing engagements and separations as a proportion of all ongoing staff for the past 10 years. The widening gap between engagements and separations during 2002–03 reflects the increased rate of growth in the APS overall.

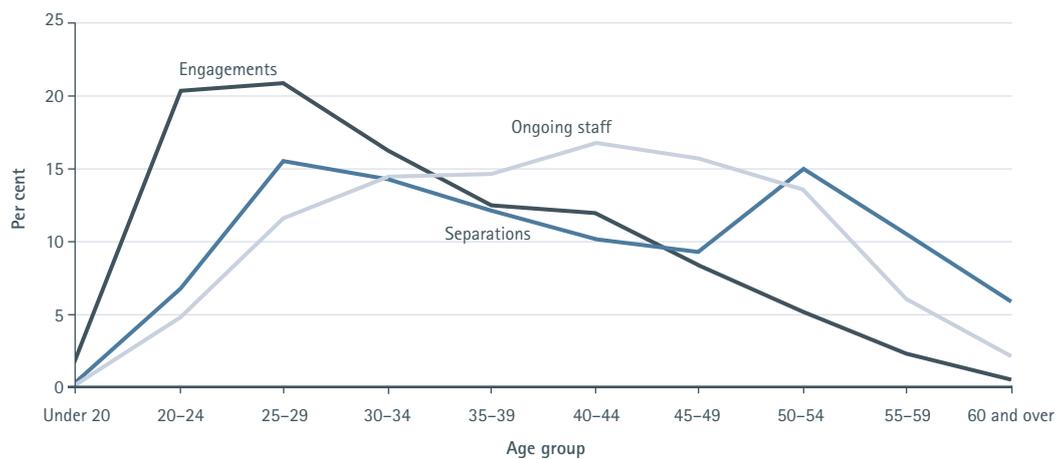
Figure 2.14: Ongoing engagements and separations as a proportion of total ongoing staff, 1993–94 to 2002–03



Source: APSED

Figure 2.15 compares the age profile of engagements and separations during 2002–03 with the age profile of the APS overall. As expected, the age profile for engagements is much younger than for the APS overall. Separations for those aged under 30 are also higher than the APS average. During 2002–03, 22.6% of those who separated were aged under 30. This was a slight increase from 19.5% the previous year. For separations, there are two peaks—in the 25–29 age group and also in the 50–54 age group. For more analysis of ageing trends, see Chapter 8.

Figure 2.15: Age profile of ongoing engagements and separations, 2002–03



Source: APSED

ENGAGEMENTS

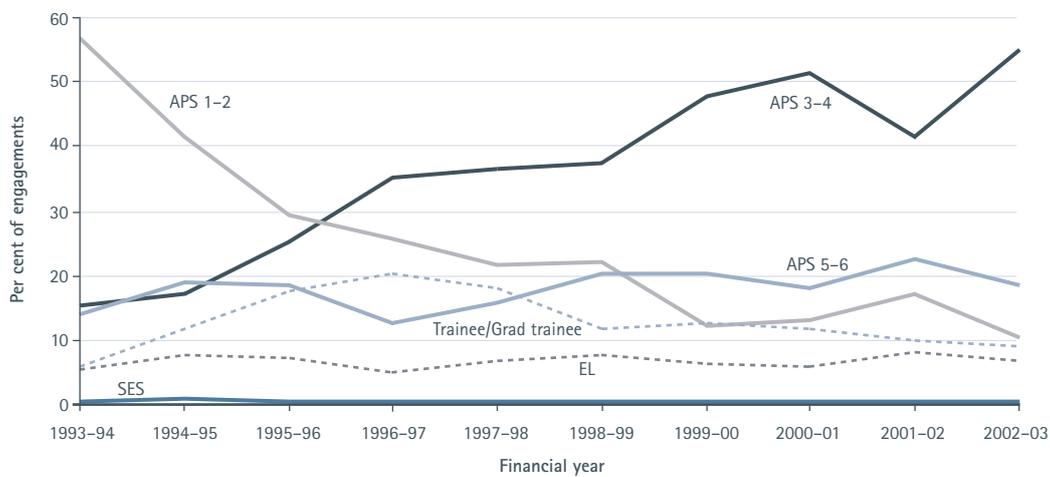
During 2002–03, there was strong growth in engagements, with a rise of 2777 or 22.8%, after a decline the previous year. The number of engagements has not been this high since 1989–90. Figure 2.16 shows the proportion of engagements at all classification levels for the past 10 years. Engagements at the APS 1–2 levels have dropped dramatically over the period, and fell again during 2002–03, after recovering slightly during the previous year. This was the only classification group to fall in actual numbers in 2002–03 except for SES which fell slightly.

Most ‘base-level’ recruitment now is at APS 3–4, and through trainees and graduate trainees. Engagements at the APS 3–4 levels grew again during 2002–03, after falling the previous year. This group accounted for 54.8% of all engagements (over 8200 people), up from 41.7% the previous year. Those recruited as trainees and graduate trainees also increased in number, but fell slightly in percentage terms. The number recruited as graduate trainees almost doubled from 421 to 815, while the number of other trainees recruited fell from 810 to 529. Most of those engaged at APS 3–4 levels (and above), but not as graduate trainees, are believed also to be graduates. Although data on educational qualifications is incomplete, there is sufficient to show that the trend for new recruits to also be graduates has increased substantially, from around 20% in 1985–86 to over 60% in 2002–03.

A high proportion of the engagements at APS 3–4 and trainees and graduate trainees are women (64.9%, compared with the total proportion of women in the APS—52.8%), suggesting that the trend towards feminisation of the APS will continue. (The trend is tempered a little, however, by the higher proportion of women than men amongst separations—see following section.)

Engagements at higher levels (APS 5–6 and ELs) increased in 2002–03, but the strong growth at the APS 3–4 levels meant that the other classifications fell in percentage share. Nevertheless, engagements at these higher classification levels have been growing over the last five years, both in raw numbers and as a percentage of the APS, if not as a percentage of total engagements.

Figure 2.16: Ongoing engagements by classification, 1993–94 to 2002–03

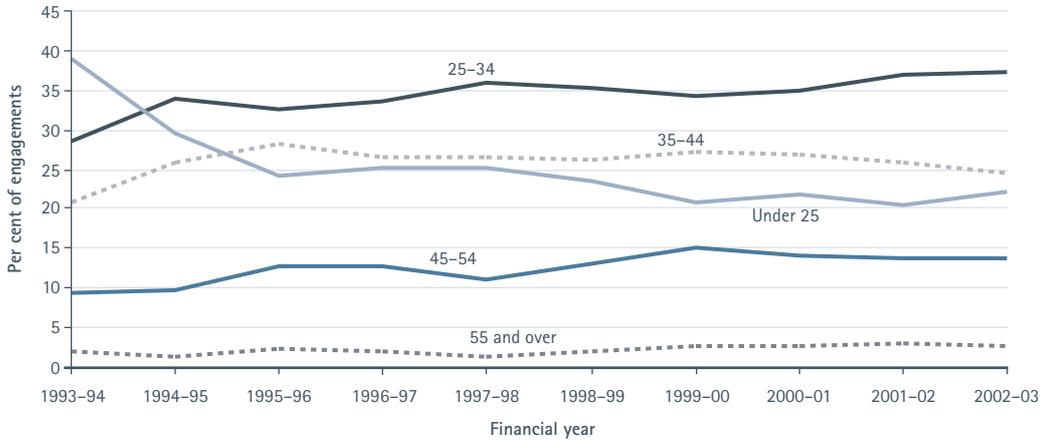


Source: APSED

Figure 2.17 shows changes in the age profile for engagements during the past 10 years. After some years of decline, engagements in the under 25 age group plateaued, and then rose slightly last year, in both actual number and proportion. Engagements in the under 20 age group rose from 188 in 2001–02 to 257 in 2002–03. For the 20–24 age group, the number of engagements rose from 2316 to 3055. The 25–34 age group also showed strong growth, increasing from 4496 (36.9% of all engagements) to 5559 (37.1%). All other age groups also showed growth in real terms; however, their share of engagements fell.

The number of engagements in the 55 and over age group rose again this year to 416, and are now more than double the number 10 years ago. The beginning of this trend corresponds with the removal of the compulsory age 65 retirement provision, with the introduction of the PS Act.

Figure 2.17: Ongoing engagements by age group, 1993-94 to 2002-03



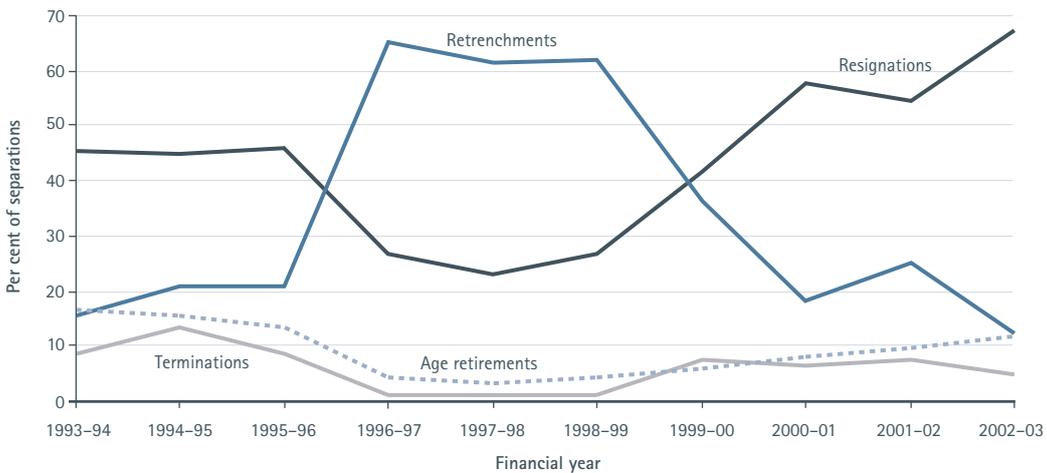
Source: APSED

Engagements were concentrated in Centrelink (3465, up from 2116 the previous year), ATO (3076, up from 242 the previous year) and Defence (2071, down from 2662 the previous year); these three agencies accounted for 57.5% of all engagements. In FaCS, which includes the Child Support Agency (CSA), engagements increased from 316 to 986.

SEPARATIONS

The number of separations fell by 1490 or 17.4% during 2002-03. This decline was mainly due to a fall in retrenchments (from 2137 to 871). This was the smallest number of retrenchments since 1991-92. Separations due to termination of engagement also fell (down from 639 to 344). Resignations and age retirements rose slightly (from 4685 to 4754 and from 802 to 830 respectively). Figure 2.18 shows how the different separation types have varied over the past 10 years.

Figure 2.18: Separations for ongoing staff by type, 1993-94 to 2002-03



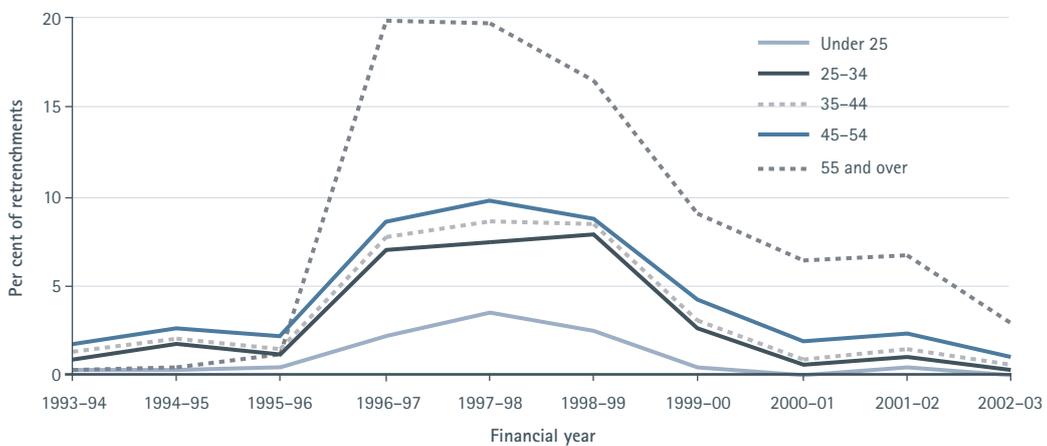
Source: APSED

The decline in separations was mainly due to a drop in retrenchments from ATO (down from 992 to 17). Centrelink (133) and Defence (112) were the only agencies to have substantial numbers of retrenchments during the year.

Women represent 53.1% of separations, dominating resignations in particular (57.1%). This offsets in part the very high proportion of women amongst engagements.

Figure 2.19 shows the impact of retrenchments all age groups over the past 10 years, with the impact on those aged 55 and over particularly noticeable. While retrenchments fell for all age groups during 2002–03, the drop was greatest in the 55 and over group. In 2001–02, 6.7% of those aged 55 and over were retrenched; in 2002–03 the proportion fell to 2.9%.

Figure 2.19: Ongoing staff—retrenchments as a proportion of total ongoing staff by age group, 1993–94 to 2002–03



Source: APSED

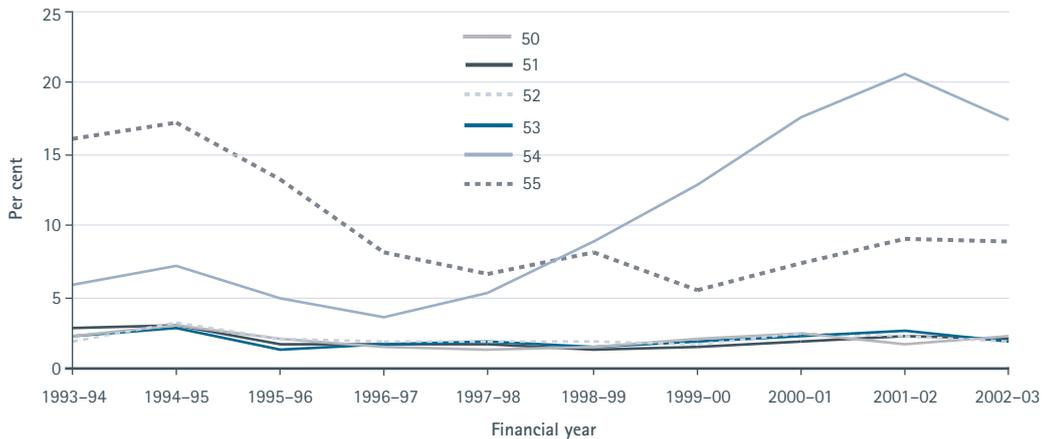
The Public Service Commissioner wrote to all APS agency heads on 6 May 2003 about the need for agencies to consider the appropriateness and nature of redundancy packages for people approaching retirement, particularly in the light of the abolition of a compulsory retirement age. The Commissioner stated that careful management of these processes is essential to avoid creating expectations that anybody who leaves should receive a redundancy benefit, and stressed that it is essential that redundancy arrangements are not used as an alternative to rigorous performance management processes.

Overall, separations decreased in all age groups, with the greatest decline being for the 50–54 age group (down 439 or 29.3%). Figure 2.20 shows the magnitude of resignations at age 54, compared with others between age 50 and age 55. The sharp rise in resignations between 1996–97 and 2001–02 is most likely due to the effect of the financial incentive for some members of the Commonwealth Superannuation Scheme (CSS) to resign just before their 55th birthday (the 54/11 effect).

This issue of the impact of superannuation was dealt with in detail in MAC’s report on organisational renewal, including by looking at projections of the size of the 54/11 effect into the future.⁹ Based on current

trends of around 40% of all CSS members who are approaching age 55 taking a 54/11 exit, MAC estimated that the numbers of 54/11 resignations may rise to just above 600 in 2004–05 before gradually falling to around 300 in 2016–17.

Figure 2.20: Resignation/retirement rate for selected ages, 1993–94 to 2002–03



Source: APSED

The rise in resignations at age 54 appears to be quite closely matched with a reduction in retirements at age 55, suggesting that, in most cases, employees may have brought their retirement plans only slightly forward. In any case, the trend to resignation at age 54 reversed this year and the number of age 54 resignations fell for the first time in almost a decade from 550 to 479, a decline of 12.9%. This change will be monitored to see if it continues. Despite the fall, age 54 resignations still accounted for 64.7% of all resignations in the 50–54 age group.

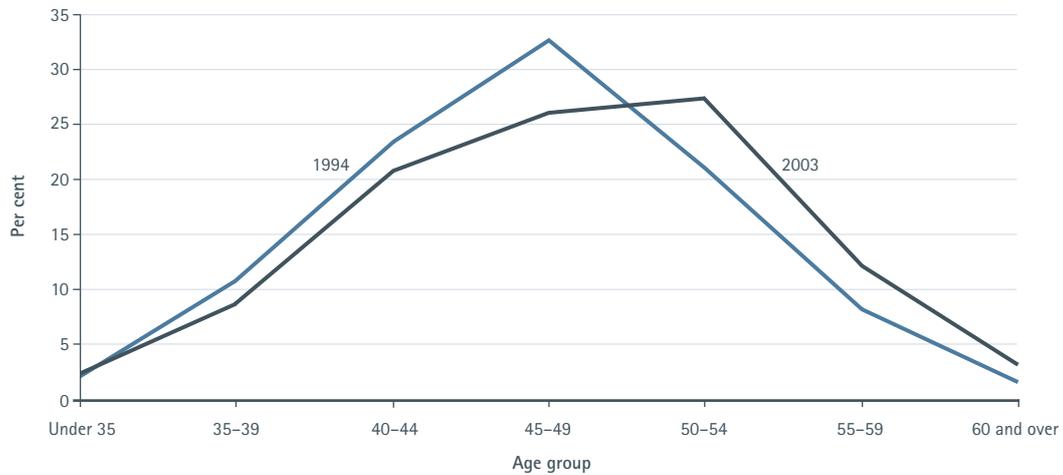
DEMOGRAPHY OF THE SES LEADERSHIP GROUP

The SES constitutes the senior management and leadership group of the APS, comprising 1.6% of total ongoing APS employment at 30 June 2003, a slight rise on the figure for 2002 (1.5%).¹⁰ The size of the SES has fluctuated slightly over the past decade, decreasing from 1777 in 1994 to 1543 in 1998, but returning to 1730 by 2002, and increasing over the last year to 1872 in 2003. Band 1 executives make up the largest proportion at 74.4% of all SES employees. Band 2 executives comprise 20.5%, and Band 3 5.1%.

The proportion of women in the SES has increased steadily over the last decade from 17.1% in 1994 to 30.4% at June 2003. Women are more likely than men to be at Band 1 of the SES (81.2% of all women in the SES compared with 71.4% of all men) and less likely to be at Band 2 and 3 of the SES (15.8% and 3.0% compared with 22.6% and 6.1%). Put another way, women comprise 33.3% of Band 1s, 23.4% of Band 2s and 17.7% of Band 3s.

Figure 2.21 indicates the changing age profile for the SES as a whole. The shift of the age profile between 1994 and 2003 indicates an ageing of the SES workforce. Since 1994 the proportion of SES employees aged less than 45 has fallen from 36.4% to 31.6%.

Figure 2.21: Changing age profile for ongoing SES, 1994 and 2003



Source: APSED

The age profile for female SES is younger than for male SES: 40.9% of female SES are less than 45, compared with 27.5% of male SES.

Table 2.3 indicates that the 45–49 and 50–54 age groups are the most populous for Band 1 and Band 2, with over half the SES in these two bands (53.0%) in this age range. The age profile for Band 3 SES is older, with the 50–54 and 55–59 age ranges being the most populous (64.6% of SES at this level). This is a change from 2002, when the most populous age ranges for Band 3 were 45–49 and 50–54 (61.9% of Band 3 staff).

Currently 57 SES employees (3.0% of the SES) are aged over 60 years and 43 (2.3%) are aged less than 35 years. However, the youngest age group for Band 3 employees is 40–44 years, with 9.4% of total Band 3 employees in this age group.

Table 2.3: SES by age group, gender and classification at 30 June 2003

Age in years	Band 1			Band 2			Band 3			Total	
	M	F	Total	M	F	Total	M	F	Total		%
<30	2	-	2	-	-	-	-	-	-	2	0.1
30–34	21	19	40	1	-	1	-	-	-	41	2.2
35–39	89	64	153	4	4	8	-	-	-	161	8.6
40–44	192	124	316	42	20	62	7	2	9	387	20.7
45–49	241	123	364	73	31	104	12	6	18	486	26.0
50–54	255	100	355	92	26	118	34	6	40	513	27.4
55–59	103	31	134	60	9	69	19	3	22	225	12.0
60 & over	26	2	28	22	-	22	7	-	7	57	3.0
Total	929	463	1392	294	90	384	79	17	96	1872	100.0

Source: APSED

CONCLUSIONS

There has been strong growth in the APS in recent years and this trend continued in 2002–03. This growth reflects government priorities in such areas as security and border protection, but also increased workloads in agencies such as the ATO and Centrelink.

Over the last year there has also been a general consolidation of trends towards an older and more skilled workforce. This is shown, for example, in the

- continuing falls in recruitment at the APS 1 and 2 levels
- a focus on the APS 3–4 levels as the principal levels for recruitment
- a doubling in the number of graduate trainees recruited after a fall in the previous year
- the high proportion of all recruits who had tertiary qualifications
- an increased number of engagements at more senior levels.

The ‘typical’ new starter in the APS is now a 31 year old who is at the APS 4 level and more likely to be a woman than a man.

The older APS workforce is consistent with the general ageing of the Australian workforce. However, the APS faces specific challenges, notably the passing through of the large cohort recruited in the late 1960s and early 1970s, and the incentive for early retirement from its superannuation schemes.

The representation of women in the APS continues to grow, including through slow but sustained growth in the proportion of women employed at more senior levels. The number of women at these levels is set to increase further, given the high proportion of engagements of women, their increasing representation in feeder groups to senior levels, and the impending ‘changing of the guard’ over the next five years or so, with those senior people leaving being predominantly men.

The trends in representation of other diversity groups highlight some concerns which are discussed in more detail in Chapter 8. In particular, the downward trend in the employment of people with a disability and employees from non-English speaking backgrounds is now firmly in place, and previous growth in the employment of Indigenous employees has clearly stalled and is now falling as a proportion of the APS.

A key factor in these trends has been the fall in recruitment at the APS 1–2 levels. Apart from its impact on diversity, a continued decline in engagements of APS 1–2s might be cutting off an alternative source of potentially high performing APS employees in the future context of stronger market competition for talent.



CHAPTER 3: EMBEDDING THE VALUES AND CODE OF CONDUCT

The APS Values set a framework of enduring principles that define the institution that is the APS. They replace the former employment control framework based on detailed central rules, to allow the flexibility necessary for the modern Service to drive different business tasks and to respond quickly to changing circumstances.

Since the PS Act came into operation in late 1999, the Public Service Commissioner has progressively promulgated directions and advice on how the Values should be embedded in agency operations, and each State of the Service report has highlighted the importance of agency efforts to promote the Values and ensure compliance with the Code of Conduct.

Last year, the State of the Service report used for the first time a useful grouping of the Values, which emphasises the role of values-based management in defining key relationships and behaviours that underpin the integrity of an organisation's decision-making process in the absence of detailed, central rules. For the APS, these are:

- the relationship between the APS and the Government and the Parliament
- the relationship between the APS and the public
- workplace relationships
- personal behaviour.

This year's report is even more closely structured around these four groups of the APS Values.

Over the past year, the APS Commission has extended its work, particularly through its Values in Agencies evaluation project, leading to the release in August of a good practice guide for agencies on embedding the Values, and a new guide for APS employees on official conduct. Part of the value of these new guides is that they draw upon international experience.

There is now broad interest in values-based management and recognition that, effectively implemented, it offers organisations a long-term ethical framework without unduly constraining flexibility and adaptability. International and Australian research links organisational ethics with high levels of employee performance and the capacity to attract and retain staff.¹

Research also confirms that leadership is crucial to the successful operation of a values-based management system. Even with leadership support, values need to be managed strategically and 'hardwired' into systems and processes, to ensure consistency and coherence.

While the link between ethical and effective organisational performance has broad-based relevance, it has been identified as critical to public service organisations. A number of Organisation for Economic Cooperation and Development (OECD) countries, including Australia, have updated their core public service values sets in recent years, resulting in new values being added to reflect the increasingly results-

¹ F Vogl, *Corporate integrity and globalisation—The dawning of a new era of accountability and transparency*, lecture delivered at the Pennsylvania State University, 23 March 2001; Independent Commission Against Corruption (ICAC), *Ethics—The key to good management*, NSW, 1998; ICAC, *What is an ethical culture? Key issues to consider in building an ethical organisation—Summary report*, NSW, 2000, <http://www.icac.nsw.gov.au>

based public service culture. The OECD advises that governments need to ensure that ethics are placed centre stage in the reform process, along with the goals of economic efficiency and effectiveness. Again this is consistent with the Australian approach where the *Financial Management and Accountability Act 1997* (FMA Act) requires financial management to be based on the efficient, effective and ethical use of resources.

This chapter discusses the ways in which agencies are integrating the APS Values and the Code of Conduct into their systems and processes, and transforming them into daily decision making and behaviour. Information has been obtained from three sources. The first is the findings of the APS Commission's Values in Agencies project. Second, drawing on self reporting by agencies through the agency survey, the chapter examines the measures agencies have taken in 2002–03 to promote an understanding of the Values and the Code. Third, the chapter examines the views of employees, gathered through the employee survey, on issues relating to the Values and the Code.

VALUES IN AGENCIES PROJECT

The studies of the six agencies—ABS, AGD, Centrelink, Defence, DOTARS and ITSA—that took part in the Values in Agencies project found that, in general, the APS Values are viewed by employees as common sense for the public service and common practice, and it was evident that each agency had developed and implemented a range of strategies to promote particular Values or aspects of the Code of Conduct. However, there was no strategic or holistic approach to promoting the Values or the Code as a complete package by any agency in the study. While there is no legislative requirement for an agency to adopt such an approach, project conclusions and the research undertaken strongly support doing so.

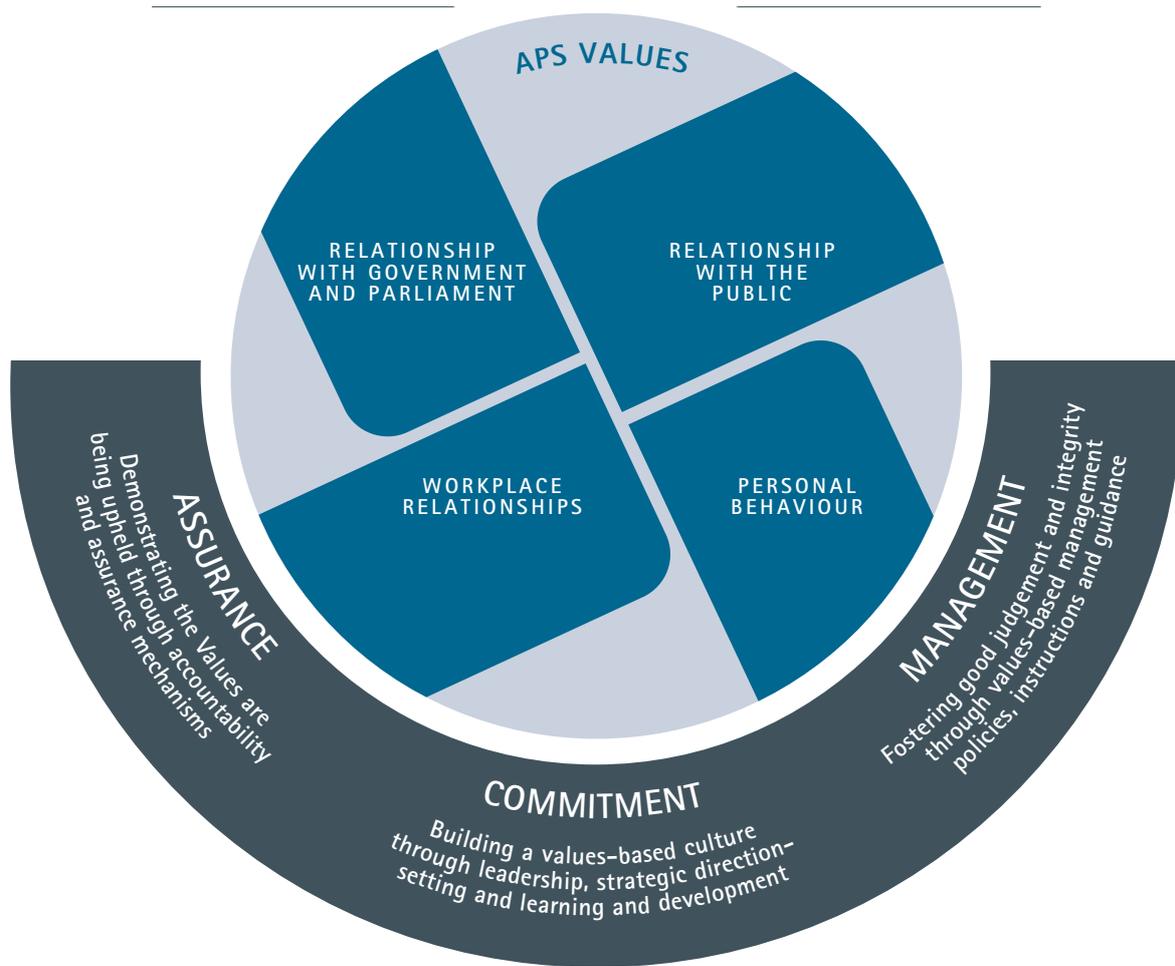
The broad conclusions of the Values in Agencies project were that:

- A strategic and integrated approach is required to promote and maintain a values-based culture within an organisation. Such an approach requires effective leadership that establishes a fair and robust values-based culture with complementary learning and development strategies. It also requires 'hardwiring' of the Values into instructions and guidance and effective control and assurance systems.
- Leadership is crucial to inspiring and motivating employees not only to achieve desired organisational outcomes but also to consistently apply the expected values and behaviours.
- To foster and sustain a culture based on the APS Values, agencies need to guide and work with their people so that employees are aware of the APS Values and Code and develop good judgement in applying them to their everyday duties.

THE APS VALUES FRAMEWORK

The project found that, in addition to grouping the Values as outlined above, embedding the Values into the culture of an agency requires an integrated approach by the agency to build the robust management environment necessary to promote and uphold the Values, and to inspire public trust and organisational performance.

Figure 3.1: THE APS VALUES FRAMEWORK



**BUILDING A FAIR AND ROBUST ENVIRONMENT TO INSPIRE PUBLIC TRUST,
GIVE APS EMPLOYEES CONFIDENCE AND IMPROVE ORGANISATIONAL PERFORMANCE.**

The APS Values Framework was developed to assist agency heads, leaders and managers to embed the APS Values. It is specific to the APS, but draws on and adapts international experience and work undertaken by the OECD.² The three supporting elements at the base of the framework—commitment, management and assurance—are key to the successful integration of the APS Values into an agency and to transforming the APS Values into daily decision making and behaviour. The measures that agencies have taken in relation to each of these elements, the views of employees, and particular findings from the Values in Agencies project, are discussed below.

COMMITMENT

The Values in Agencies project concluded that promoting and upholding the Values requires commitment from the top reflected throughout the organisation. Employees from the six agencies which took part in the project gave consistent messages about the importance of leadership in ensuring that the Values and the

² OECD, Public Management Committee, *Ethics in the public sector—Challenges and opportunities for OECD countries—Draft ethics checklist*, OECD, Paris, 1997,

Code are taken seriously. These included that leaders must have the highest standards of integrity, that the SES and senior managers must set the right example, that leaders perceived to be modelling the Values are strongly supported, and that unethical behaviour by leaders and managers would cause employees to consider the Values and Code as mere rhetoric and to lose confidence in them. Research also pointed to a correlation between the perception that senior managers adhere to agency values and job satisfaction levels among employees.

The employee survey conducted for the State of the Service report contained two questions asked of SES level employees only. The first of these asked SES employees whether, in 2002–03, their agency head had communicated to them the importance of acting in accordance with the APS Values. The second asked whether their agency head had, in 2002–03, communicated to them the importance of developing in other staff an understanding of the APS Values. A high proportion of the SES respondents to the employee survey (80%) indicated that, in 2002–03, their agency head had communicated to them the importance of acting in accordance with the APS Values. A slightly smaller proportion of SES employees (72%) indicated that, during the year, their agency head had communicated to them the importance of developing in other staff an understanding of the APS Values.

These are encouraging results overall, which reflect a good level of appreciation of the importance of leadership in fostering a values-based culture, though there is clearly room for improvement.

Commitment to the APS Values is also expressed through the integration of the Values into induction activities, leadership and development programs aimed at leaders and managers, and by making available to all employees learning and development programs that address their responsibilities under the Values and the Code. In broad terms, the evidence suggests increased effort by agencies to promote the Values and Code amongst their employees in the last year, but there is still some way to go to ensure all employees are familiar with their responsibilities under the PS Act.

Nearly all agencies (96%) are continuing to take steps to inform new employees about the Values and the Code as part of induction orientation. There continues, however, to be less effort devoted to supporting a consciousness and understanding of the Values and the Code among employees who are not new. Just over half of all agencies (55%) reported that they held sessions on how the Values and Code should operate in practice. The majority of these agencies indicated that this training was targeted at all employees. Twelve agencies reported that 50% or more of the total number of agency employees participated in such training in 2002–03. Large agencies indicated greater use of sessions on how the Values and Code should operate in practice (86%) than medium and small agencies (46% and 44% respectively). Online training on the APS Values and the Code was provided by a small number of agencies (15%). Most of this training was directed at all employees, but in some cases new employees were the target group.

Responses to the employee survey indicate that 53% of employees had participated at some time in their APS career in training that included an emphasis on the APS Values. There was a wide spread of results for employees in the 21 large agencies for which valid agency-specific results were available, varying between 30% and 78%. Those with the highest participation rates were DIMIA (78%), the Department of Transport and Regional Services (DOTARS) (68%) and DVA (67%). Of all APS employees who had participated in such training, just under half (47%) participated during 2002–03. The three large agencies with the highest participation rates in the last year were DVA (89%), Defence (75%) and DOTARS (68%). Agencies with

high participation rates (either overall or more recently) required employees to participate rather than left participation to self-nomination.

A large proportion of agencies (81%) used some other approach to learning about the APS Values and the Code. Responses to an open-ended question that asked agencies to specify what the other approaches were indicated that the distribution of relevant material, particularly APS Commission's Values and Code bookmarks, and the display of posters and pamphlets were the most common. Six agencies also indicated that they make information available on their intranet. As agencies were not specifically asked whether they make information about the Values and the Code available on their intranet, it is likely that the actual number of agencies that provide this information is much higher.

Indicators of the success that an agency has had in creating commitment to the APS Values include:

- the views of employees on whether the agency has a clear set of values about the behaviour expected of employees
- the level of familiarity of employees with the Values and the Code
- the views of employees on the relevance of the Values and the Code
- employees' confidence that others in the organisation act in accordance with the Values.

Most employees (89%) felt that their agency had a clear set of values about the behaviour expected of employees. The difference between the views of employees in the 21 large agencies was not great, varying from 80% to 97%.

Most employees who responded to the employee survey were either familiar with the APS Values and the Code of Conduct or had heard of them but were not fully familiar with their detail. Only very small percentages of employees who responded to the survey had not heard of the APS Values or Code (two per cent and one per cent respectively). Of those reporting familiarity with the Values and Code, the majority rated their levels of familiarity as high (47% and 46% respectively) or moderate (46% and 44% respectively), and only small percentages rated their levels of familiarity as low (7% and 10% respectively).

The proportions of employees in the 21 large agencies who responded that they were familiar with the Values and the Code of Conduct varied quite widely, between approximately 61% and 91%. The three large agencies with the highest percentages of employees who responded that they were familiar with the Values and the Code were DFAT, the Aboriginal and Torres Strait Islander Services (ATSIS³) and DVA.

The results of the employee survey show that familiarity with the Values and the Code of Conduct varies according to age, length of service, and classification level, with older employees, those with more service, and those at higher classification levels reporting the highest levels of familiarity. Not surprisingly, employees who are familiar with the APS Values have a higher level of agreement that their agency has a clear set of values about the behaviour expected of employees than those employees who are not familiar with the Values.

The Code of Conduct requires that APS employees must at all times behave in a way that upholds the APS Values and the integrity and good reputation of the Service. APS employees need to have not only a broad

³ Previously part of the Aboriginal and Torres Strait Islander Commission (ATSIC).

understanding of what the Values are, but also how to apply them in the performance of their duties. In an environment where there are fewer rules and there is greater scope for discretion in decision making, the Values can guide employees to make the most appropriate decisions in all circumstances. In response to the employee survey, most employees rated the Values as highly relevant to their organisation's business, and only three per cent of employees rated their relevance as low. Relevance of both the Values and the Code to the employee's own daily work was also rated highly by large percentages of employees, with the variation in responses from employees in the 21 large agencies ranging from 64% to 88% in relation to the Values, and from 71% to 92% in relation to the Code. The large agencies in which the highest percentages of employees rated relevance in relation to daily work as high were DFAT, Centrelink and CSA for the Values, and DFAT, ATSI and the Department of Agriculture, Fisheries and Forestry (DAFF) for the Code.

Views on relevance of the Values and the Code to daily work vary according to gender, location, and level, with a higher percentage of women, employees who are not in the ACT, and employees at SES classification levels rating relevance as high. Views also vary according to familiarity with the Values and the Code, as higher percentages of employees who rate their levels of familiarity as high, compared with those who rate their levels of familiarity as moderate or low, also rate the relevance of both the Values and the Code to daily work as high.

The level of agreement by employees that other employees act in accordance with the APS Values is generally quite high. Levels of agreement that colleagues and immediate managers act in accordance with the Values are very similar (around 80%). Responses indicate lower levels of confidence that the most senior managers act in accordance with the Values (63%). This may largely be an issue of distance from the activities of the most senior managers. It does, however, highlight the importance of senior leaders demonstrating visible and strong commitment to the APS Values.

Employees who rate their level of familiarity with the APS Values as high are more likely to agree that colleagues in their immediate work area, immediate managers and the most senior managers act in accordance with the Values. Amongst the 21 large agencies the variation was greatest in relation to agreement with the statement that the most senior managers act in accordance with the Values. Responses from two large agencies showed the rate of agreement was less than 50%, including one of 40%; the highest rate of agreement for a large agency was 79%, from employees in CRS Australia (CRS).

The results generally support the effectiveness of strong action by the leadership cadre in agencies to promote the Values, but the variations in survey results also suggest the challenge varies with the business responsibilities of the agency. Those with more sensitive relationships with clients and stakeholders need to promote the Values more firmly, and communicate more clearly and consistently with employees how ethical dilemmas should be and are being managed.

MANAGEMENT

The Values in Agencies project concluded that 'hardwiring' the Values into management policies, instructions and guidance was necessary for the integration of the APS Values into an agency. The agencies that took part in the project took differing approaches to articulating, raising awareness of and committing to the Values and Code in their corporate documents. These approaches included references to the Values and Code in corporate plans and strategic direction statements, Certified Agreements (CAs) and Australian Workplace

Agreements (AWAs), as well as in management guidelines, particularly people management guidelines.

The views of non-SES employees consulted during the project about the effectiveness of these strategies were mixed. While some employees were satisfied that their agency followed through on commitments in corporate documents, others believed that the words stayed on paper and were not always translated into action. Employees in general recognised that articulation of the Values in key corporate documents needed to be supported by other actions to embed the Values in an agency.

Responses to the agency survey indicate that a number of agencies have incorporated a commitment to the APS Values in a variety of corporate documents. Most agencies (89%) include such a commitment in their CA with a higher percentage of medium and small agencies (100% and 88% respectively) doing so than large agencies (77%). Many include it also in AWAs (74%).

More than half of all agencies express a commitment in their corporate plan (58%), although there is a wide variation in results for small, medium and large agencies (41%, 65% and 82% respectively). Nearly two-thirds of all agencies (63%) have developed their own agency-specific values, principles or behaviours, and just over half of all agencies (52%) express a commitment to the APS Values in the agency's own values/behaviours statement. The Values in Agencies project recognised the benefits of agencies identifying values and behaviours of particular relevance to their business priorities, but encouraged a clearer mapping between those statements and the statutory APS Values, particularly drawing on the four groupings of the APS Values suggested by the APS Commission. This clearly remains an important area for improvement, and for clarification amongst employees.

Less than a third of all agencies reflect the Values in their service/client charters (28%). The number of agencies that reflect the Values in their Chief Executive Instructions (CEIs) has risen only slightly in the last year, from 39% to 40%, with results varying from 32% for small agencies, to 59% for large agencies. This again is an area where the Values in Agencies project's identification of good practice could be far more widely taken up. A number of agencies reflect the Values in various human resource policy documents.

It is particularly important that performance management policies take account of the APS Values and the Code. The 2001 MAC report, *Performance management in the Australian Public Service: A strategic framework*, identified an increasing emphasis on the need for a balanced performance management system that takes account of both the outputs delivered and the leadership behaviours and organisational values displayed. Both the MAC report and the Values in Agencies project considered that, in the APS, values expressed in performance management systems should continue to be based on and complement the APS Values.

In assessing individual performance, 61% of agencies require that an assessment is made about the extent to which employees demonstrate and consistently apply some or all of the APS Values and/or agency-specific values/behaviours. The spread of results by agency size is not great. The most common measure adopted to ensure employees are assessed on how they demonstrate and consistently apply values/behaviours is the inclusion of an assessment of values/behaviours in performance assessments. This method has been adopted by 81% of agencies and is being developed by a further 18% of agencies.⁴

⁴ It should be noted that last year's report advised that 74% of agencies assessed values and behaviours in the context of individual performance assessments. This result is not directly comparable with data obtained from this year's survey since the question was asked in a different way.

A higher proportion of medium agencies already use this method (94%) than small and large agencies (77% and 74% respectively). Other methods used by agencies include regular multi-source feedback (30%) and training of all staff on how values/behaviours relate to effective performance (36%).

Agencies reported that employees are most frequently assessed against all the APS Values, as a set (34%). Small agencies indicated greater use of assessment against all the Values (43%) than medium and large agencies (22% and 32% respectively). Assessment against agency-specific values is the next most common (25%), with medium agencies indicating greater use of this type of assessment (44%) than large and small agencies (21% and 17% respectively). Around one-fifth (21%) of agencies assess employees against the APS Values that are most relevant to the duties being performed, with greater use of this type of assessment in small agencies (33%) than in medium and large agencies (11% for both). Seven agencies reported that employees are assessed against the APS Values as well as agency-specific values.

Employee responses indicate that, in their most recent performance assessment, a higher percentage of employees were assessed against agency-specific values (44%) as opposed to all the APS Values as a set (24%), the APS Values most relevant to the job (20%) or behavioural indicators (five per cent). These results indicate that for two-thirds of all employees, performance assessment included discussion of behaviour. Some clearer mapping of agency-specific values to the (four groupings of) APS Values would provide employees with more clarity about their obligations.

Interestingly, the results for the 21 large agencies show no apparent correlation between employees' awareness of the inclusion of an assessment of behaviour as part of performance assessment and whether agencies require such an assessment. For example, for those agencies that reported that they require such an assessment, employee agreement that such an assessment was required ranged from 50% to 85%. These results may indicate that agencies need to communicate more clearly to employees the requirements for assessing behaviour as part of performance assessment.

Employees who indicated that their behaviour had been included in the most recent performance assessment also had a higher level of agreement that their agency had a clear set of values about the behaviour expected of employees. A higher proportion of employees who had been assessed against all the APS Values, the most relevant Values, or agency-specific values, compared with those who had not, were also familiar with the APS Values, and rated their level of familiarity as high. The results of the employee survey show that assessment of behaviour as part of performance appraisal is correlated with higher levels of agreement that colleagues, immediate managers and the most senior managers act in accordance with the Values.

ASSURANCE

The Values in Agencies project concluded that compliance with the Code of Conduct is one of the accountability and control mechanisms that can be used to sustain compliance with the APS Values. A best practice agency is one in which employees are comfortable with reporting wrongdoing; suspected breaches of the Code are investigated fairly and reasonably; and sanctions have substance and are respected by employees.

The agency survey indicated that there is wide variation amongst agencies in the number of investigations into suspected breaches of the Code of Conduct and that this variation is not explained by agency size or

employee classifications. The results show that the nature of the breaches investigated also varies, as might be expected given the varying types of work undertaken in different agencies. There is large variation in the imposition of high-impact sanctions by large agencies, indicating that some agencies may take a harder line with the imposition of sanctions than others. These findings may reflect, at least in part, the importance of particular APS Values, elements of the Code, or particular agency values, principles or behaviours to the work of those agencies. They may also indicate that some agencies take a stronger line in relation to the Code of Conduct, or that other agencies are relatively lenient in their approach. In either case, this would be of concern if the practice reflected that breaches were not being addressed in a timely, rigorous or systematic way.

The issues of how suspected breaches of the Code and the imposition of sanctions are dealt with in different agencies and how it is ensured that appropriate and consistent measures are used across the agency to investigate suspected breaches of the Code and to impose sanctions are covered in more detail in Chapter 7 on personal behaviour.

WHISTLEBLOWING

Public Service Regulation 2.4 requires agency heads to establish procedures for dealing with whistleblowing reports. The Public Service Commissioner's Direction 2.5 (1)(d) provides that an agency head must put in place measures in the agency directed at ensuring that APS employees are aware of the procedures for dealing with whistleblowing disclosures, and are encouraged to make such disclosures in appropriate circumstances. The agency survey did not ask whether agencies have in place whistleblowing procedures as required by the Regulations. This issue will be followed up in future reports. It did seek information on the measures agencies have used to facilitate staff reporting of breaches of the Code of Conduct, including making use of the whistleblowing procedures. A small number of agencies (10%) reported that they have set up visible reporting mechanisms (e.g. hotlines). Sixty-seven per cent of agencies reported that they make employees aware of whistleblowing provisions (e.g. as part of induction or by placing information on the intranet).

This may go some way to explaining why, in response to the employee survey, only 65% of employees indicated that they had been made aware by their current agency that they could report a serious breach of the Code to an authorised person in the agency. Examination of responses indicates that the proportions of employees who have been made aware are lower for younger employees and those in medium and small agencies. They are also lower for employees in the ACT, and employees in the EL and APS classifications. In the 21 large agencies, there was a wide spread of responses from employees who indicated that they had been made aware that they could report a serious breach of the Code to an authorised person, ranging from 35% to 82%.

Responses to a question about how employees would act if they observed an employee in their agency engaging in behaviour that they felt was a serious breach of the Code⁵ indicate that a significant proportion

⁵ The employee survey asked respondents to indicate what they would do if they observed an APS employee engaging in behaviour that they felt was a serious breach of the Code. Examples of 'serious' breaches included fraud, theft, misusing clients' personal information, sexual harassment and leaking classified documentation.

of employees (21%) fear victimisation and discrimination for taking action where the person they suspect of committing the breach is more senior. Where the person suspected of committing the breach is at the same level as the employee or where the person is more junior, these fears are small (eight per cent and five per cent respectively).

The action most likely to be taken by employees where the suspected breach is committed by someone at the same level or more senior is to inform another senior manager about the breach. Where the suspected breach is committed by someone more junior, employees are most likely to raise the matter directly with the person they felt had breached the Code. Employees indicated that they would be more likely to make a formal whistleblowing report where the person committing the suspected breach is more senior (32%) than they would if the person was at the same level or more junior (17% for both).

Fear of victimisation and discrimination for reporting a suspected breach varies according to age and classification, with higher proportions of younger employees and those in the lower classification levels reporting that they would take no action because they would not be confident of being protected from victimisation and discrimination. The proportion of people who reported that they would take no action because they would not be confident of being protected from victimisation and discrimination was lower for employees who had been made aware by their current agency that they could report a suspected serious breach of the Code to an authorised person in the agency than for employees who had not been made aware. It was also lower for those employees who agreed with the statements that their immediate manager or most senior managers act in accordance with the APS Values.

STAFF SURVEYS

The Values in Agencies project found that staff and client surveys are key quality assurance mechanisms to monitor adherence to the APS Values throughout the agency and to improve agency practice. The agency survey indicated that 26% of agencies conducted an agency-wide staff survey in 2002–03 and another 42% of agencies had conducted one within the previous two years, so that 67% of agencies have conducted a staff survey in the last three years. Large agencies indicated the greatest use of staff surveys in 2002–03 (41%) and medium agencies the least use (12%).

Seventy-one per cent of all agencies indicated that they intended to conduct a staff survey in the next two financial years. At least 26 agencies indicated they had either never conducted a staff survey, or had not done so in the last two years, and 15 of those agencies currently have no plans to do so. Six of those agencies are large agencies, one is a medium agency, and eight are small agencies. While for some small agencies, formal staff surveys may not be a cost effective way to get staff views, other agencies that do not make use of staff surveys to assess how the agency is upholding the APS Values are not making use of one of the key assurance tools and may be missing out on valuable information about the culture of the organisation and compliance with the Values and the Code.

AGENCY-SPECIFIC VALUES

The Values in Agencies project found that four of the six participating agencies had developed and were actively promoting their own values, principles or behaviours to reflect and support the way in which their agency functions. The project also found that employees were well aware of agency values but were less

familiar with the APS Values and the Code of Conduct and the bottom-line nature of their legal responsibilities.

The agency survey found that 63% of agencies have developed their own agency-specific values, principles or behaviours and seven per cent are developing them. The practice is more common in both large and medium agencies (77% for both) than small agencies (46%). Seventy-seven per cent of those agencies that do have their own values, principles or behaviours provided a copy of them with their completed survey. Analysis of these documents indicates that more than half of those agencies represent their values, principles or behaviours as 'values'. None of these agency-specific values sets conflicts with the intent and purpose of the APS Values and Code, but some may confuse employees.

Indeed, the results of the employee survey indicate some confusion among employees about whether their agency has its own values, principles or behaviours. For example, the proportion of employees from large agencies which do have their own values, principles or behaviours who responded that the agency had developed its own values/behaviours varied between 34% and 89%. There may be a number of reasons for this. One possibility is agencies are not making sufficiently clear to employees the relationship between agency values and the APS Values, resulting in confusion. This could also result in uncertainty among employees about what their responsibilities are in relation to the different sets of values.

The Values in Agencies project concluded that, to ensure that agency values reinforce the APS Values and do not prejudice employees' understanding of their obligations towards the APS Values, agencies should draw on the grouping of the APS Values set out at the beginning of this chapter, and cross-reference agency values to the APS Values. Alternatively, agency-specific principles and behaviours should not be represented as 'values', and their status should be clearly distinguished from the statutory APS Values. Agencies should, of course, avoid agency-specific principles or behaviours that may conflict with, or create confusion with, the intent and purpose of the APS Values and Code. Where an agency promotes its own agency-specific principles or behaviours, an explanation of the relationship between those and the APS Values would be useful when presenting agency-specific materials to employees and other stakeholders where relevant. This would help to reinforce the APS Values and the responsibilities that accompany them.

CONCLUSIONS

The APS Values Framework in the PS Act represents a risk management approach that replaces central prescription. The success of such an approach relies on a clear understanding of the APS Values by agencies and employees, and their integration into agency systems, procedures and culture. The employee survey results are very encouraging in relation to the success that agencies have had in creating commitment to the APS Values. In general, they indicate that employees feel they are familiar with the APS Values and the Code and show that employees view the APS Values and the Code as relevant to their daily work.

While agencies are taking steps to include information on the Values and the Code in induction training, there is more to be done to raise awareness and promote understanding among existing employees. The importance of taking such action is highlighted by the results of the employee survey, which show that those employees who are familiar with the APS Values are more likely to agree that their agency has a clear set of values about the behaviour expected of them. Employees who rate their level of familiarity with the

Values as high are also more likely to agree that those around them act in accordance with the Values, and to consider that the Values are highly relevant to the organisation's business and to daily work.

Agencies generally are also taking steps to 'hardwire' the Values into management policies, instructions and guidance. There is more to be done in the area of performance management, where agencies need to consider reviewing their policies to ensure they take account of the APS Values and the Code. While this approach is consistent with the findings of the MAC report on performance management, the agency and employee surveys indicate that only 61% of agencies currently require that, in assessing individual performance, an assessment is made about the extent to which employees demonstrate and consistently apply some or all of the APS Values or agency-specific values/behaviours. Sixty-seven per cent of all employees report that their performance assessment includes a discussion of behaviour.

In an environment where rules and prescription have been reduced, agencies need to place greater reliance on assurance and accountability mechanisms. Whistleblowing procedures are one such mechanism that encourages the reporting of mismanagement and corruption in the APS and is part of the accountability framework. The purpose of such procedures is to encourage employees to expose wrongdoing without fear of victimisation. It is important for agencies to raise awareness about their whistleblowing procedures and to ensure they are accessible and easy to use. Gaining the confidence of those considering reporting inappropriate conduct is an essential part of any whistleblowing scheme. There is still work to be done to raise awareness of whistleblowing procedures, since more than 30% of agencies indicate that they do not use measures to make employees aware of whistleblowing provisions, and only 65% of employees indicated that their current agency had made them aware that they could report a serious breach of the Code to an authorised person.

Employee surveys are another key quality assurance mechanism. While 67% of agencies have conducted a staff survey in the last three years, it is of concern that a number of agencies have not recently conducted a staff survey and currently have no plans to do so, and that five of those agencies are large agencies.

Future reports will continue to address progress made by agencies towards adopting an integrated approach to embedding the APS Values and the Code of Conduct.



CHAPTER 4: THE VALUES AND RELATIONS WITH THE

Public servants, Ministers and parliamentarians operate under the law within a democratic political system in which there is ultimate accountability of governments to the Australian people through the electoral process. Ministers and governments as the elected representatives of the Australian people determine and define the public interest. Public servants advise and implement—assisting governments to deliver their policy agenda and priorities in accordance with due process under the law. They share an objective of achieving better outcomes for the Australian community.

There are three APS Values central to the relationship between the APS and the Government and the Parliament:

- The APS is apolitical, performing its functions in an impartial and professional manner.
- The APS is openly accountable for its actions, within the framework of ministerial responsibility to the Government, the Parliament and the Australian public.
- The APS is responsive to the Government in providing frank, honest, comprehensive, accurate and timely advice and in implementing the Government's policies and programs.

This chapter explores these Values in practice in relation to several important aspects of the accountability and governance framework underpinning the work of public servants. Specifically, the chapter examines aspects of agencies' and employees' interactions with the Parliament and the Government, including dealings with Ministers and ministerial offices. It also addresses developments in the reporting framework, including in relation to the budget system and contracting. Finally, agencies' experience of a key accountability issue, recordkeeping, is discussed.

RELATIONS WITH THE GOVERNMENT

The APS Values require that APS employees be responsive to the Government in providing frank, honest, comprehensive, accurate and timely advice, and in implementing government policies and programs. They are also required to be apolitical, impartial and professional, and openly accountable. A related requirement of the Code of Conduct is for APS employees to maintain appropriate confidentiality in dealings with Ministers and their offices, a critical factor for a relationship built on trust and cooperation.

Since last year's State of the Service report, two Senate inquiries have examined aspects of the relationship between the APS and Ministers: the inquiry into a certain maritime incident and the recent inquiry into the operation of the *Members of Parliament (Staff) Act 1984*. The resulting reports, including majority and minority views, have both been tabled in Parliament. The Government has not yet responded to these reports.

Both the agency and employee surveys explored aspects of the relationship between the APS and the Government. The key results of both surveys are presented below.

RESPONSIVENESS TO MINISTERS

In an attempt to gain a useful picture of an agency's responsiveness to its Minister(s) in terms of providing frank, honest, comprehensive, accurate and timely advice and services, the agency survey asked agencies to advise on the quality control and evaluation measures they use.

Most agencies providing regular services to Ministers include in their portfolio budget statements target measures of the level and quality of those services, against which they report performance in their annual reports. This report does not attempt to summarise those performance results but to assess in general terms the adequacy of the quality control and evaluation measures being used, as reported in the agency survey.

Sixty-one agencies reported providing regular (i.e. monthly or more often) services or advice to Ministers. Large agencies (95%) are much more likely to provide regular services or advice than medium (65%) or small agencies (56%).

Of the agencies that reported providing regular services or advice to Ministers, all 61 reported having at least one formal quality control or evaluation measure in place during 2002–03 to guide the services they provided. Well over half of these agencies (59%) reported having four or more measures in place; nine agencies reported having six or more measures in place (Australian Crime Commission (ACC), AGD, Aboriginal Hostels Limited (AHL), ATO, Customs, the Department of Education, Science and Training (DEST), Finance, the Office of National Assessments (ONA) and Treasury). However, two small agencies reported having no quality control measures in place and 14 agencies (four large, six medium and four small) reported having no evaluation measures in place during 2002–03.

The most common quality control measure reported was the specification of a minimum classification for signing off ministerial briefs (95% of relevant agencies). The other measures reported were a central function for the quality assurance and coordination of written material to and from Ministers' offices (92%) and the specification of a minimum classification for telephone contact with ministerial advisers (43%).

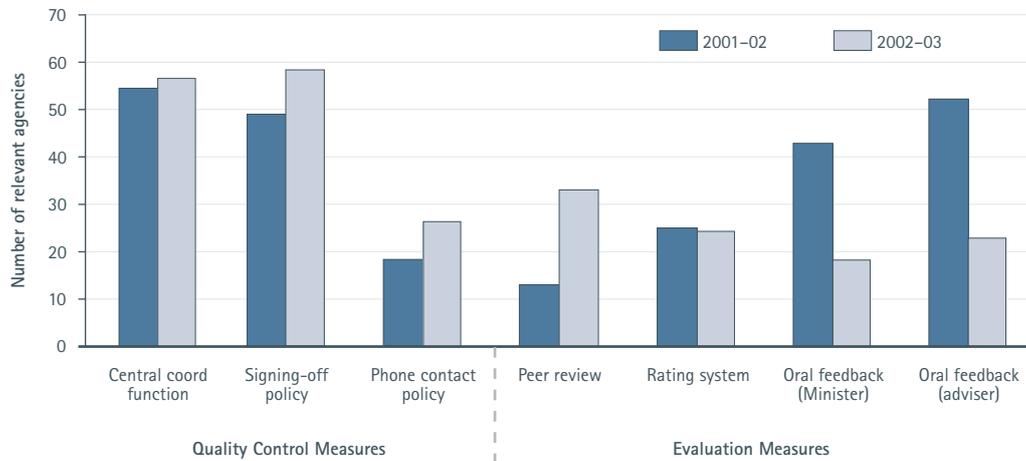
The most common evaluation measure was some form of internal peer review to evaluate ministerial advice (54% of relevant agencies). The other measures reported were the use of a formal rating system to collect ministerial feedback (39%), a formal requirement that oral feedback is collected from ministerial advisers (25%) and a formal requirement that oral feedback is collected from the Minister (21%).

To assess whether any shift has occurred in the use of quality control and evaluation measures, last year's responses from the 61 agencies that reported providing regular services to Ministers were examined. A comparison of the results shows that while there has been a slight increase in all of the quality control measures, the use of evaluation measures has altered significantly.¹ Figure 4.1 shows that internal peer review of ministerial briefs has increased (from 13 to 33 agencies) and oral feedback both from Ministers and ministerial advisers has decreased (43 to 18 agencies and 52 to 23 agencies respectively).²

¹ Please note that differences between questions in the 2001–02 agency survey and the 2002–03 agency survey may account for some of the variation.

² This year's results include agency responses to a question about formal requirements for oral feedback as well as information provided by agencies on less formal oral feedback arrangements.

Figure 4.1: Quality control and evaluation measures for services to Ministers



Source: Agency survey

It is not clear what is driving these changes. Oral feedback, of course, requires the active participation of Ministers and/or their advisers and the time required may not always be available. Nonetheless, the central role of the APS in advising and supporting Ministers suggests more effort is needed to gain regular feedback. Research in 2000 by Behm, Bennington and Cummane revealed a wide gap between the service standard sought by many Ministers and that being provided by their departments.³ Regular feedback is an essential element of any strategy to improve service and narrow this gap.

The need for regular feedback is also stressed by the ANAO in its better practice guide on managing parliamentary workflow.⁴ The guide is intended to assist agencies in their management of ministerial and parliamentary support arrangements. The 2003 guide updates the previous guide on this subject, released in 1999, and includes advice on feedback mechanisms.

INTERACTIONS WITH MINISTERS AND MINISTERIAL OFFICES

As mentioned, 61 agencies provide regular services or advice to Ministers, and all reported having at least one formal measure in place to guide employees in their dealings with ministerial offices and/or evaluate the quality of services, with 93% having three or more measures.

Apart from the measures outlined above, most also report having explicit policies on recordkeeping. Seventy-nine per cent of relevant agencies report requiring that hard and/or electronic copies of significant email communication with advisers be retained on file. Sixty-nine per cent of relevant agencies require that file notes be made after significant discussions with Ministers or advisers, and 56% of relevant agencies require that oral briefing to Ministers or advisers be followed up by written briefing where appropriate.

Perhaps precisely because they interact with Ministers and their offices less frequently, medium and small agencies were more likely to have each of these three measures in place compared with large agencies. For

³ A Behm, L Bennington and J Cummane, 'A value-creating model for effective policy services', *Journal of Management Development*, vol. 19, no. 3, 2000, pp. 162-178.

⁴ ANAO. *Better Practice Guide on Managing Parliamentary Workflow*. April 2003

example, 88% of medium agencies and 83% of small agencies reported having a formal requirement to retain copies of emails in place compared with 67% of large agencies. Further discussion of recordkeeping practices more generally is included in a separate section below.

According to the employee survey results, 26% of all APS employees had been in contact with Ministers or their advisers in the previous two years. The survey questionnaire did not define 'contact' or constrain it to substantial interactions, so responses may well include incidental contact such as providing straightforward technical information or information about constituents, preparing ministerials, through to high level policy advice. There is also no way of directly comparing the results to any past period. Nevertheless, the figure is surprisingly high, and indicates a far greater pervasiveness of interaction down and through the APS than is likely to have existed 10 or 20 years ago.

Eighty-eight per cent of SES employees, 47% of EL employees and 20% of APS 1–6 staff reported having had contact in the last two years. Contact is far higher in departments (37%) than other agencies (18%), and in the ACT (42%) than elsewhere (18%).

There is a mismatch between the policies reported by the 61 agencies providing regular services and advice to Ministers, and the awareness of these policies by the large number of their staff who have had direct contact in the last two years. Table 4.1 shows, for the 14 large agencies for which agency-specific results are available and that reported having these protocols in place, the results from the agency survey and the results from those employees who have had contact with ministerial offices. A sizeable proportion of those employees appear to be unsure about the existence of most protocols agencies report to be in place.

Of the agency-specific results available for 14 large agencies, the proportion of relevant employees (i.e. those who had had contact with ministerial offices in the last two years) who were aware of a requirement for a minimum classification level for signing off a ministerial brief ranged from 63% to 91%, and the proportion of employees who were not sure whether this requirement was in place or not in their agencies ranged from seven per cent to 37%. The large agencies with the highest level of employee awareness were FaCS, Health and DEWR. Overall, this is the measure that employees in large agencies are most likely to be aware of.

Table 4.1 Relevant employees' awareness of protocols to guide interactions with ministerial offices—employees in large agencies that reported the protocol(s) in place

Measure	Employee survey results (% range)			
	Number of large agencies with measure in place (max. 14)	Aware of protocol (%)	Not aware of protocol (%)	Not sure (%)
Requirement for minimum classification level for signing off ministerial briefs	14	63–91%	0–9%	7–37%
Requirement for a minimum classification level for phone contact with ministerial office advisers	2	31–74%	9–26%	17–44%
Requirement that oral briefing to Ministers or Ministers' staff on key issues is confirmed in writing (including emails or follow-up minutes)	9	22–52%	0–26%	40–61%
Requirement that file notes are routinely made after significant phone calls or oral discussions with Ministers and ministerial advisers	9	30–79%	3–26%	17–55%
Requirement that significant email communications with ministerial advisers be retained	8	39–70%	0–15%	24–58%
Agreed processes for resolving staff concerns that may arise about the nature of requests from ministerial offices	7	12–64%	5–29%	32–59%

Note: The ranges provided are derived from agency-specific employee survey results of (up to) 14 large agencies that reported the protocol(s) in place. They do not include the APS-wide results.

Source: Employee survey

At the APS-wide level, the results indicate that lower level relevant employees are more likely to be unsure about whether such policies are in place compared to the SES. Lack of awareness of an agency protocol is not, of course, of particular concern if there is sufficient depth of understanding of the principles behind such protocols. Some of the comments included in responses to the employee survey provide support in this direction:

Whilst I'm unsure if the agency has protocols in place to handle the interactions mentioned above, at my level I would see that it was a requirement that all of the above was carried out.

While I don't think my agency has formal protocols on many aspects of interaction with Ministers' offices, it would be considered good standard practice in the area I work in...to follow these procedures.

I expect file notes or an email to be prepared in my branch on significant contact with advisers but this is not written down anywhere (as far as I am aware).

On the other hand, agencies should not be complacent in interpreting the results of the employee survey. In most cases, lower level employees are probably less likely to have a sufficient grasp of the related principles. Some employee comments are concerning:

I think the lack of formal protocols for communications with the Minister's office in our agency is appalling. I regard the communications...to be very haphazardly organised.

It would seem that policies or protocols for interactions with Ministers and their offices need to be better promulgated amongst employees, particularly given the large numbers who do in fact deal with the offices. In improving this awareness, it is important that agencies do not cause any misunderstanding by Ministers or their advisers: the policies or protocols should be aimed clearly to enhance the quality of the services provided and to support APS employees in meeting their responsibilities for accountability. They should not impact adversely on timeliness, nor inhibit the provision of proactive and relevant advice.

CHALLENGES IN MANAGING THE RELATIONSHIP

The three APS Values (apolitical, impartial and professional; openly accountable; responsive to the Government) that define the relationship between the APS and the Government (and the Parliament) usually complement each other. There can sometimes, however, be tensions between them, and APS employees must learn how to achieve an appropriate balance that leaves all three Values being upheld to an acceptable degree.

As any current or former senior officer can attest, such challenges have never been infrequent: the interface between politics and administration has been the focus of public administration literature for at least the last century. They are to be expected in a relationship based on different roles and responsibilities.

The majority of employees (60%) who reported having had contact with their Ministers or ministerial advisers in the previous two years said they had not faced a challenge in balancing these values⁶ during that period. About one-third of employees said they had had such a challenge in the last two years. This figure is not particularly surprising. However, with many employees dealing with Ministers and their offices, where there are challenges they are being managed by a wide range of employees.

The good news is that the vast majority (67%) of those employees who have been in contact with Ministers or their advisers in the last two years felt highly or very highly confident that they could balance the APS Values appropriately, and only 11% had low or very low levels of confidence. Moreover, of those who reported they had faced a challenge in the last two years, the vast majority (69%) found that the action they took to resolve the challenge(s) was effective.⁵ Fourteen per cent found that the action they took was ineffective and 17% found it to be neither effective nor ineffective.

⁵ A summary index was created from the results of the question in the employee survey on effectiveness of the action(s) taken to resolve challenges. The index ranges from zero (respondent considered that all types of action were very ineffective) to 10 (considered that all types of action were very effective). An index of 5 translates to a respondent considering, on average, that actions were neither effective or ineffective in resolving the challenge. For all relevant respondents to the employee survey the percentage with an effectiveness rating over 5 was 69%. The majority of respondents (67%) indicated that they took three or fewer types of action.

⁶ The employee survey question was in the past 24 months, have you faced a challenge in balancing the need to be apolitical, impartial and professional, responsive to the Government and openly accountable (as per the APS Values) in dealing with Ministers and/or Ministers' offices?'

Confidence in balancing these Values does not appear to be related to age, gender, location (i.e. inside or outside the ACT), the size of the agency employees work for (i.e. small, medium or large) or the type of agency (department or otherwise). Confidence is correlated with some other factors, including:

- classification levels (confidence is highest amongst the SES, and is also reasonably high amongst junior staff (APS1–4)—perhaps because their contacts are more straightforward; EL staff are more likely to report low confidence than staff at other levels)
- whether employees had faced a challenge in balancing the Values (employees who had faced a challenge were less likely to have high confidence and more likely to have low confidence)
- overall job satisfaction (employees with a low overall job satisfaction rating were much more likely to have low or very low confidence and vice versa)
- familiarity with the APS Values (employees who reported being fully familiar with the APS Values were much more likely to be highly or very highly confident and much less likely to have low or very low levels of confidence when compared with employees who reported being familiar but not fully familiar with the APS Values)
- views on whether the most senior managers in their agency act in accordance with the APS Values (employees who reported that the most senior managers in their agency do not act in accordance with the Values were more likely to have moderate, low or very low than high or very high levels of confidence)
- views on whether their immediate manager acts in accordance with the APS Values (employees who reported that their immediate manager does not act in accordance with the Values were more likely to have moderate, low or very low than high or very high levels of confidence)
- awareness of agreed processes in place in their agency for resolving staff concerns that may arise about the nature of requests from ministerial offices (employees aware that such processes were in place in their agency were much more likely to have high or very high confidence levels compared with employees who were unaware or who thought that such processes did not exist in their agency).

Amongst the 14 large agencies, employee confidence levels varied. The proportion of employees in these large agencies with high or very high confidence levels ranged from 47% to 74%; and low or very low confidence ranged from seven per cent to 18%.

Whether or not an employee had faced a challenge of this nature does not appear to be related to their gender or the size of the agency they work for (i.e. small, medium or large). There was, however, a correlation between experiencing this situation and some other factors, including:

- location (employees who work in the ACT are more likely to have faced a challenge than those who work outside the ACT)
- classification level (SES were more likely to have faced a challenge than APS and EL level employees)
- nature of the agency (those in departments were more likely to have faced a challenge than those in other agencies)
- overall job satisfaction (employees with a low overall job satisfaction rating were more likely to report they had faced a challenge of this nature and vice versa).

Of the agency-specific results available for the 14 large agencies, results varied widely with no obvious pattern. The proportion of employees in these large agencies who reported having faced a challenge of this kind ranged from 23% to 48%.

The most common approaches employees reported using to deal with a challenge of this nature were:

- seeking advice from a supervisor (78%)
- seeking advice from a peer (66%).

Other approaches adopted included:

- seeking advice from a manager other than supervisor (48%)
- discussing with ministerial adviser (46%)
- referring to written guidance from agency (39%)
- seeking advice from agency's corporate area (29%)
- taking decision without reference to others or written guidance (25%)
- referring to written guidance from APS Commission (18%).

Employees were asked to rate the effectiveness of the approaches they adopted to deal with challenges in balancing the relevant APS Values. The most effective approach was 'taking decision without reference to others or written guidance', with 84% of employees who used this approach rating it as 'effective' or 'very effective' and just 0.1% rating it as 'ineffective'. The ratings of other approaches were:

- seeking advice from a supervisor (71% rating it as 'effective' and 14% rating it as 'ineffective')
- seeking advice from a manager other than supervisor (71% rating it as 'effective' and 16% rating it as 'ineffective')
- discussing with ministerial adviser (65% rating it as 'effective' and 12% rating it as 'ineffective')
- seeking advice from a peer (64% rating it as 'effective' and 11% rating it as 'ineffective')
- referring to written guidance from agency (58% rating it as 'effective' and 19% rating it as 'ineffective')
- referring to written guidance from the APS Commission (57% rating it as 'effective' and eight per cent rating it as 'ineffective').

It seems clear that when faced with challenges of this nature employees tend to seek advice from those around them and that generally this advice is regarded as being effective in resolving the challenge.

The challenge for agencies is to ensure that employees likely to deal with Ministers or their advisers have the confidence to manage the challenges that inevitably arise, and that they have available ready and reliable support from those around them and confidence that their immediate and most senior managers act in accordance with the Values. In addition, clear policies on protocols and a close relationship of trust and mutual respect between senior managers and Ministers and their advisers are essential prerequisites in this environment.

RELATIONS WITH THE PARLIAMENT

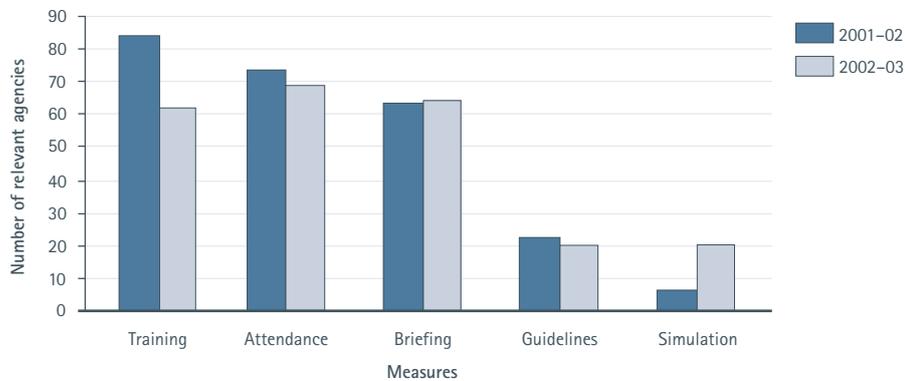
This year's agency survey asked agencies to report on the measures they had in place to ensure that SES staff understand their rights and responsibilities in relation to the Parliament.

Of the 75 agencies that reported having some or all of their SES staff appear before parliamentary committees, only two reported having no measures in place to ensure that SES understand their rights and responsibilities; 80% reported having three or more measures in place.

The most common measures reported by agencies with SES appearing before committees were learning through attendance and observation (92% of relevant agencies), internal briefing of staff prior to attendance (85%) and self-nominating attendance at training courses or presentations (80%). The use of simulation-type exercises and written internal guidelines was reported by 27% of agencies and mandatory training was reported by 25% of agencies. DAFF, ATSI, Defence and Treasury also reported that their intranet sites include links to parliamentary and/or other appropriate websites containing information and guidance on parliamentary accountability.

The results indicate that the APS has shifted its focus on this issue compared with last year. Figure 4.2 shows that fewer APS agencies are relying on mandatory and/or self-nominated formal training in this area (a drop from 84 to 62 agencies) and more agencies are using simulation-type exercises (an increase from six to 20 agencies).

Figure 4.2: Agency measures to ensure SES understand parliamentary accountability



Source: Agency survey

The decline in the number of agencies relying on formal training appears to be consistent with information on overall training attendance rates in relation to courses on parliamentary accountability run by the Departments of the Senate and the House of Representatives, and the APS Commission. Table 4.2 shows a continuing decline in attendance in recent years at APS Commission training courses dealing with this issue. In 2002-03 there was a decline also in attendance at the Department of the Senate seminar (though this is due to the large in-house seminars in 2001-02 conducted for Defence and the Department of Communications, Information Technology and the Arts (DCITA)). The increase in attendance in the Department of the House of Representatives course does not offset the overall fall in attendance at these courses between 2000-01 and 2002-03.

Table 4.2: Attendance at parliamentary accountability training

Course	Year	Attendance
Accountability, rights and responsibilities (a)	00–01	189
	01–02	68
	02–03	42
Preparing to appear before a parliamentary committee (b)	00–01	44
	01–02	19
	02–03	13
Parliament, privilege and accountability (c)	00–01	53
	01–02	108
	02–03	75
About committees (d)	00–01	106
	01–02	30
	02–03	119
Total attendance at above courses	00–01	392
	01–02	225
	02–03	249

Note: (a) The *Public servants' accountability, rights and responsibilities* course run by the APS Commission is open to SES and EL level employees and addresses rights and responsibilities as well as the procedures and expectations of parliamentary committee members. (b) The *Preparing to appear before a parliamentary committee* course run by the APS Commission is open to SES and EL level employees. It builds upon the *Public servants' accountability, rights and responsibilities* course. (c) The *Parliament, privilege and accountability* seminar run by the Department of the Senate is open to SES employees and focuses on the accountability of public servants to Parliament. (d) *About Committees* is a seminar run by the Department of the House of Representatives and provides detailed information on all aspects of committee work, including types of committees and how they conduct their investigations.

Sources: (a) and (b) APS Commission; (c) The Department of the Senate; (d) Department of the House of Representatives

It should be noted that the APS Commission in its 'Orientation to the SES' training course also deals with the accountability framework but not in nearly as much depth as the 'Accountability, rights and responsibilities' program. During 2002–03, a total of 83 participants attended the SES orientation course (77 of whom attended the course within 12 months of their appointment to the SES).

The employee survey asked SES employees whether they had ever received formal training in accountability, rights and responsibilities to Federal Parliament. Of those who responded to the question, 72% reported having received training during their career.

To get a clearer picture of the extent of the need for training, SES employees were also asked whether they had appeared before a parliamentary committee during 2002–03, to which 59% indicated that they had. Most importantly, of those respondents who had appeared, just over one-third indicated that they had not received any training in accountability, rights and responsibilities to Federal Parliament at any time.

Last year's report suggested that agencies are not giving sufficient attention to training their SES on parliamentary accountability. Evidence from the agency and employee surveys indicate that this issue has not been adequately addressed in 2002–03 and that the overall focus on training as a means of equipping employees is declining rather than increasing. While the increase in simulation-type exercises is pleasing and may counterbalance some of the effect of the decline in formal training (or act as a refresher/supplement), indications are that more agencies should be utilising formal training as a means of ensuring their SES employees understand their rights and responsibilities in this area.

In this context, it is worth noting comments made in 2001 by the Senate Finance and Public Administration References Committee on this issue. The Committee found that there was an 'apparent lack of understanding in the Australian Public Service about parliamentary accountability'.⁷

Formal training is a fundamental way of ensuring that SES employees not only understand their rights and responsibilities to Parliament but are well equipped to appear before parliamentary committees. The employee survey asked respondents who had appeared before a committee how well they felt they had performed. The majority (68%) indicated that they felt well equipped to perform effectively before the committee, 31% felt reasonably equipped, and two per cent felt poorly equipped.

The employee survey results do not allow for an exploration of the link between attendance at formal training and employees' perceptions about how well equipped they felt in appearing before a parliamentary committee. Nor do they allow any link between attendance at training and the view of committees on performance. However, it is clear that there is room for improvement. A key aim of agencies should be to ensure that employees who are likely to be required to appear before committees are well equipped to respond in a manner that is consistent with their rights and responsibilities. One of the main methods of ensuring that employees are well equipped to respond to committees is the provision of relevant and adequate training.

BUDGET ESTIMATES AND FRAMEWORK REVIEW

In May 2002, at the request of the Prime Minister, the Treasurer and the Minister for Finance and Administration initiated a joint review of the budget estimates and advice system. The aim of the review was to assess the system's accuracy, responsiveness and effectiveness in meeting the needs of government.

The Budget Estimates and Framework Review was conducted from May to October 2002. It was overseen by an interagency steering committee comprising the Secretaries of Finance (chair), Treasury, FaCS, and DAFF, and a Deputy Secretary from the Department of the Prime Minister and Cabinet (PM&C). The review was serviced by a Finance-led working group and had input from various cross-portfolio reference groups.

The review endorsed the accrual accounting framework, finding that many elements of the system are working well. No changes were proposed to legislation. However, the review identified that there is scope to streamline the Australian Government's financial framework, to improve information management systems, and to enhance the quality and timeliness of financial information provided to Finance and the Government. For example, the review recommended:

⁷ Senate Finance and Public Administration References Committee, *Inquiry into the Government's information technology outsourcing initiative—Interim report: Accountability in a commercial environment—Emerging issues*, Commonwealth of Australia, 2001.

- specific financial reporting timeliness targets for agencies and Finance
- enhanced program budgeting and reporting requirements
- revised centralised cash management arrangements
- harmonisation of Australian accounting standards with the Government finance statistics framework
- the redevelopment of Finance's central budget information management systems.

The Government agreed to all recommendations in late 2002.

The review's recommendations provided for regular progress reports and the Government received its first report in September 2003. The report noted that improvements are already evident. These improvements include more central management control of agency cash; the collection and reporting of program information and improvements in financial reporting timeframes. Other recommendations that have been implemented include the cessation of the Agency Banking Incentive Scheme and the Capital Use Charge. With regard to cash management, general government sector agencies commenced on 1 July 2003 to draw down cash on an as needed basis for departmental expenditure, and to forecast their cash draw down needs on a program basis.

Care has been taken to work with agencies during the implementation of the review to ensure that agencies are appropriately consulted on implementation issues. A number of interdepartmental consultative working groups have been established to ensure a cooperative approach is maintained throughout the implementation process.

THE SENATE ORDER ON DEPARTMENTAL AND AGENCY CONTRACTS

The Senate Order (the Order) on departmental and agency contracts was passed by the Senate on 20 June 2001, with subsequent amendments passed on 27 September 2001 and 26 June 2003.

The purpose of the Order is to provide clarity on, and encourage the appropriate use of, confidentiality provisions in Australian Government contracting activity. The Order requires that FMA Act agencies provide on their internet home page a list of all contracts to the value of \$100,000 or more which have not been fully performed or which have been entered into during the previous 12 months. Amongst other things, the internet listing should identify whether the contracts contain any confidentiality provisions or other requirements of confidentiality, as well as the reasons for confidentiality.

In order to monitor effective agency implementation, the ANAO has agreed to conduct audits of agency compliance with the requirements of the policy, with a focus upon determining whether agencies have appropriately classified contract material. In February 2003, Finance released *Guidance on Confidentiality of Contractors' Commercial Information* to assist agencies in entering into appropriate commitments of confidentiality in their procurement processes. Finance has also issued *Guidance on the listing of contract details on the internet* to assist FMA Act agencies in meeting the specific requirements of the Order.

The ANAO tabled its fourth audit of FMA Act agencies' compliance with the Order in September 2003. The audit found that 86% of all agencies presented a list of contracts that provided all the contract information required by the Order. However, the ANAO expressed concern about agencies' understanding and application of confidentiality protection for contracts. Audit findings suggested that agency compliance could be further improved through continued efforts to ensure practices are reflective of Government policy.

RECORDKEEPING

The APS Values set out in the PS Act provide that the APS is openly accountable for its actions, within the framework of ministerial responsibility to the Government, the Parliament and the Australian people. The maintenance of effective recordkeeping systems supports this value, by allowing agencies to demonstrate that due process has been followed in actions and decisions. Effective recordkeeping is also integral to meeting legal requirements, and the achievement of business goals by ensuring that necessary corporate information is available and accessible as required.

Over the past few decades, recordkeeping in the APS has been influenced by an increase in public scrutiny through administrative law reform and parliamentary oversight, and increased emphasis on achieving results. Technology has also had a major impact on recordkeeping practices.

Although there has been an increase in the transparency of recordkeeping, a number of organisations have raised concerns about its quality and quantity. In September 2003, the ANAO tabled the second in a series of audits on recordkeeping.⁸ It concluded that, although all agencies audited had taken active steps to improve their recordkeeping frameworks and practices, their recordkeeping policies, systems and procedures were at different stages of development. In particular, it found a significant risk of the non-capture and unauthorised disposal of records because:

- organisations had not paid sufficient attention to the risks associated with recordkeeping, including those related to outsourced functions, nor had they identified their vital records
- not all records were being entered into formal recordkeeping systems
- limited controls were in place over electronic records
- formal, long-term sentencing programs for the disposal of records were not in place
- physical records were not being stored in compliance with NAA standards
- contracts with outsourced providers did not include all recordkeeping elements recommended by the NAA, and minimal monitoring and review activities were being conducted to ensure outsourced providers were meeting recordkeeping requirements.

The *State of the Service Report 2001–02* reported that there was a growing awareness of modern recordkeeping requirements among agencies, but that some, particularly smaller agencies, were not well advanced in reviewing arrangements and integrating electronic records into corporate records management systems. It also reported a need for more active and targeted staff training and development strategies.

In response to the ANAO's first audit report on recordkeeping⁹ and the *State of the Service Report 2001–02*, the NAA has included practical advice on its website explaining how agencies can use its products and services to address the identified issues.¹⁰ In June 2003, the NAA also released a training package, *Keep the knowledge—Make a record!* This package is designed to assist agency trainers or records staff to design agency-specific programs to teach staff about their recordkeeping responsibilities.

⁸ ANAO, *Recordkeeping in Large Commonwealth Organisations*, Report No. 7, September 2003, <http://www.anao.gov.au>

⁹ ANAO, *Recordkeeping*, Report No. 45, May 2003, <http://www.anao.gov.au>

¹⁰ NAA, *Using e-permanence: Advice on addressing ANAO and APS Commission findings on recordkeeping*, 2003, <http://www.naa.gov.au>

Recordkeeping was also referred to in the APS Commission's publication *APS Values and Code of Conduct in practice: Guide to official conduct for APS employees and agency heads*, launched in August 2003. The guide outlines the importance of recordkeeping in the APS in the context of managing official information, and highlights key issues facing the APS including time constraints, use of personal records, accuracy and the impact of technology.

The agency survey asked questions about the review of recordkeeping systems in agencies and the use of measures to ensure staff are aware of their recordkeeping responsibilities. The employee survey explored employee perceptions of recordkeeping. This section also draws on the results of two surveys of recordkeeping conducted for the NAA in September 2002, which surveyed agencies and employees who create records.¹¹ In general, the findings point to increasing attention paid by agencies to the issue of modernising their recordkeeping systems. However, there is evidence that a more strategic approach to records management and training is required in some agencies.

THE EVOLUTION OF RECORDKEEPING SYSTEMS

Significant changes in technology in recent years have prompted APS agencies to modernise their recordkeeping systems. The extent of the modernisation has meant that, at this point in time, the APS remains in a state of transition in regard to recordkeeping, and agencies will continue to require a considerable investment in time and resources, and sustained effort, to ensure that their recordkeeping systems continue to meet changing needs.

The NAA's agency survey painted a complex and diverse picture of current arrangements for recordkeeping in Commonwealth agencies. A centralised model of record management, with one policy, one physical location for the record management operation and one group of people responsible for record management activities was most common (used in 43% of agencies). However, decentralised models, with multiple units providing services for particular areas, were used by 12% of agencies, and devolved models, where records management staff report directly to business unit managers, were used by 9% of agencies. A combination model, with features of all three models, was the second most common response (used in 35% of agencies).

The results of the agency survey show that the majority of APS agencies (63%) undertook a review of their recordkeeping systems in 2002–03 and that a further 20% of agencies are planning to undertake a review in 2003–04. Large and medium agencies (68% and 69% respectively) were more likely to have conducted a review in 2002–03 than small agencies (56%) but small agencies were more likely than large agencies to be planning reviews in 2003–04 (29% compared with 9%).

A significant proportion of agencies are using the Designing and Implementing Recordkeeping Systems (DIRKS) methodology developed by the NAA in their reviews, with almost half (47%) of agencies reporting either commencing, continuing or finalising a DIRKS process in 2002–03. However, for all but three of these agencies, activity was limited to the preliminary stages of the DIRKS process, with the NAA reporting that much of the activity concentrated on the development of new functions-based disposal

¹¹ Orima Research and NAA, *Report on a survey of the state of recordkeeping in the Commonwealth Government*, 2002, <http://www.naa.gov.au>. This survey was sent to all Commonwealth agencies covered by the *Archives Act 1983*, including statutory authorities and government business enterprises, as well as portfolio agencies or departments. Sixty-two per cent of respondents were portfolio agencies or departments, or statutory authorities with employees staffed under the PS Act.

authorities.¹² There is, however, potential for agencies to apply the information about their business needs, collected through the functional analysis required by this process, to more fundamental reviews of their recordkeeping systems, including reviews of electronic recordkeeping.

IP Australia has a rolling program of recordkeeping reviews, based on an assessment of risks. This has included reviews of specific activities and projects and formal reviews by internal auditors of recordkeeping in specific IT systems.

Centrelink has implemented consistent practices and procedures nationally under the Off-Site File Storage Project. Informal file checks are carried out by the executive. The records management team makes regular presentations at team meetings to encourage an assessment of recordkeeping procedures at the local level.

The widespread use of electronic communication continues to be a major challenge for agencies.¹³ While the extent of review activity suggests agencies are actively responding to this challenge, the NAA's agency survey identified continuing differences in the way paper and electronic records were handled in some agencies. For example, 68% of responding agencies reported that they had a current documented records management policy, and that almost all of these policies covered paper files. However, in only around two-thirds of cases did such a policy also cover electronic mail and electronic documents.

Similar results were found in the NAA's employee survey. While 91% of employee respondents reported that their agency had agency-wide systems and procedures for managing paper records, only 73% had similar procedures for electronic documents and electronic mail. Nevertheless, this latter finding represents an increase on the results of the NAA's 2000 employee survey, which found that 67% of respondents said that there were agency-wide systems in place for capturing electronic information, and 57% said that there were agency-wide systems in place for capturing electronic mail.

While these results indicate that progress has been made in the electronic capture of records, agencies must continue to improve the quality of their systems for storing them. For example, the NAA employee survey found that the ease of filing electronic records was rated less favourably than the ease of filing paper records (with 27% of respondents rating the filing of electronic records as difficult compared with 17% for paper records).

The NAA also asked employees where they stored their work-related electronic files. Just under half of respondents (49%) reported that these files were located within their agency's recordkeeping systems, suggesting that there is still a need for the filing of electronic records to be approached more systematically.

The Australian Government's strategy *Government Online* required agencies to make and keep records that accurately document public websites over time.¹⁴ The standards for recordkeeping established in this strategy have been reaffirmed through the Australian Government's e-government strategy, released in

¹² This reflects the NAA's disposal policy, issued in late 1999, that new records disposal authorities were to be based on a functional analysis undertaken in accordance with the DIRKS method and that records could not be transferred to the archives based on previously issued disposal authorities.

¹³ Although the term 'electronic records' is sometimes used to refer to analog materials (e.g. videotapes), it is used here to refer to records held in digital form on magnetic or optical computer storage media.

¹⁴ NOIE, *Government Online, The Commonwealth Government's Strategy*, April 2000, <http://www.noie.gov.au>

November 2002.¹⁵ The standards and guidelines for e-permanence that agencies must comply with are maintained by the NAA.

The NAA's agency survey found that just over half of the agencies (54%) managed their web-based records in accordance with the NAA's guidelines, with more medium and large agencies (69% and 58%) using the guidelines than small agencies (48%). The most common reasons provided by agencies which had not used the guidelines were that they were not yet ready to implement the guidelines or that implementation was pending, that they did not have sufficient resources, or that the guidelines were not necessary or relevant to their organisation.

RECORDKEEPING CAPABILITY

The employee survey results show that most employees believe that their agencies place a priority on effective recordkeeping, with 84% of employees stating that their agency considers good recordkeeping practices to be very important. Employees from small agencies were less likely to agree with this statement (71%) than employees from medium (85%) and large agencies (84%). Agency-specific results available for 21 large agencies show that on an agency-by-agency basis results vary considerably, from 69% to 96%. The large agencies with the highest results were the CRS, Centrelink and Customs.

The employee survey found that a majority of employees agree that they receive appropriate training and/or have access to information that enables them to meet their recordkeeping responsibilities (64%). Nevertheless, this was substantially lower than the proportion of employees who agreed that their agency considered good recordkeeping practices to be very important (84%). This difference was also reflected in some additional comments made by employees. For example, one employee said:

Recordkeeping is a high priority within this agency but training for admin officers is sadly lacking.

There was again considerable variation among agencies. In particular, employees from small agencies were less likely to agree (49%) than employees from medium (69%) or large agencies (64%).

A minority of employees (18%) indicated that they have not received appropriate training or had access to necessary information. This number was significantly higher for SES and EL employees (25% and 28% respectively) than for APS level employees (15%). This finding is consistent with findings from the NAA employee survey, where ELs and SES employees were less likely to rate training courses, intranet information and guidelines and policies as useful than APS employees. This issue of how best to influence senior officers' recordkeeping behaviour is particularly significant, given the importance of the records that are likely to be created at these levels.

Agency survey results were generally consistent with the employee survey results. For example, only 62% of agencies have measures in place to ensure senior managers are aware of their recordkeeping responsibilities, but a further 29% of agencies are developing awareness-raising measures. Similarly, while 67% of agencies have measures in place to ensure non-SES employees are aware of their recordkeeping responsibilities, a further 28% of agencies are developing such measures.

¹⁵ NOIE, *Better services, better government: the Federal Government's E-government Strategy*, November 2002, <http://www.noie.gov.au>. This strategy is discussed in more detail in Chapter 5.

The most common measures for ensuring senior managers were aware of their responsibilities were self-nominating formal in-house training (44% of agencies with measures or developing measures), followed by attendance at NAA seminars or training (43%), and inclusion in general training for senior staff (30%).¹⁶

Fifty-three per cent of agencies indicated they had measures additional to those specified for ensuring senior managers are aware of their recordkeeping responsibilities in the survey, with the most common being inclusion of guidelines on departmental intranets, induction training and staff newsletters or circulars. Results for other staff indicated a greater use of self-nominating training programs (59%) and a high use of circulars and operating instructions (79%).

There is currently no comparable data that allows us to assess trends over time in employee satisfaction with training and information relating to recordkeeping. However, the numerical data collected in the 2002–03 State of the Service employee survey will provide a benchmark for information collected in future years.

As part of its information management framework, including the introduction of electronic document and records management systems, IP Australia has conducted a broad range of change management activities. Activities have included: all staff awareness-raising sessions, the production of promotional material with a recordkeeping theme, and prizes for demonstrating that information management responsibilities have been included in performance agreements.

Administrative officers in CRS units that are responsible for records management are given administrative and client file training as part of their induction. Regional manager best practice guidelines are available on the intranet. Records management staff are available to answer technical questions and support staff to maintain records. Items are prepared for the staff magazine, and intranet news items are published on a regular basis.

CONCLUSIONS

The relationship between the APS and Ministers and their offices is critical to the smooth operation of government. The interface between politics and administration has always featured heavily in the ongoing debate and discussion about public administration, and has been a central focus of public administration literature in Australia and elsewhere for a century and more. What does appear to have changed in more recent times is the extent to which public servants have contact with Ministers and their offices. This is a key finding from the employee survey, that 26% of all APS employees had been in contact with Ministers or their advisers in the previous two years.

For public servants, making judgments about the application of the APS Values and balancing them is part of building a strong and mature relationship with Ministers' offices. For most employees, this happens without any challenge being faced. For those who faced a challenge, most found that the action they took to resolve the challenge was effective, and most are confident that they can balance the Values effectively.

However, handling the relationship and any challenges arising from it now potentially faces a wider range of employees. It is important that agencies ensure that employees likely to come into contact with Ministers

¹⁶ Agencies could nominate more than one measure.

or their advisers have the capacity to manage the challenges that inevitably arise, and that they have available ready and reliable support from those around them. Some middle level public servants in particular are not confident, and even where protocols are in place to assist them, they are not always aware of them. The wider interaction adds to the case for clear agency policies or protocols for interactions with Ministers and their offices, and for ensuring employees are aware of them. In improving this awareness, it is also important that agencies do not cause any misunderstanding by Ministers or their advisers; the policies or protocols should be aimed clearly to support APS employees to meet their responsibilities for high quality services to the Minister and for accountability. They should not impact adversely on timeliness, or inhibit the provision of proactive and relevant advice. Indeed, they should be designed to support a close relationship of trust and mutual respect between APS employees and Ministers and their advisers.

The employee survey found that almost one-third of employees who had appeared before a federal parliamentary committee had never received formal training in this matter. Agencies should be ensuring that employees who are likely to appear before parliamentary committees are well equipped to respond in a manner that is consistent with their rights and responsibilities. One of the main methods of ensuring that employees are well equipped to respond to committees is the provision of relevant and adequate training.

In terms of recordkeeping, the high level of review activity and increasing incidence of agency-wide policies for dealing with electronic records suggest a growing awareness among agencies of the need to modernise their recordkeeping systems. However, the evidence also suggests that some agencies still need to take a more strategic approach to records management, particularly in relation to electronic records. Small agencies, in particular, continue to have a lower level of review activity, although they are anticipating a greater level of review activity in the immediate future. Their employees are also less likely to see good recordkeeping as an agency priority or to be satisfied with levels of training and information.

Differences in employee perceptions of the importance of recordkeeping and the availability of appropriate training and access to information, particularly among higher-level staff, also suggest that, while agencies are moving in the right direction, further work needs to be done to ensure that agency policies are implemented in practice. While the NAA has produced material specifically aimed at the needs of managers, targeted training and information that meet the needs of middle and senior management continue to be a priority area for further development within agencies.



CHAPTER 5: THE VALUES AND RELATIONS WITH THE PUBLIC

The APS Values, as set out in the PS Act, require APS employees to deliver services to the public fairly, effectively, impartially and courteously, and to be sensitive to the diversity of the public. The APS Values also require APS employees to perform their duties professionally and ethically and to be openly accountable.

Just over 60% of APS employees are directly involved in delivering services to the general public or manage employees who do.¹ A range of legislative and policy requirements provide a framework to guide agencies in developing the standard and content of those services.

In addition to delivery of services to the public, consultation and engagement with stakeholders continues to grow in importance. Greater involvement of the public as citizens and customers has increased in priority, and there is growing pressure on the APS to develop systems and processes to understand the different values and perspectives of stakeholders and clients.

This chapter reports on progress in the implementation of effective service delivery in APS agencies. It draws on data from the agency and employee surveys, from NOIE, from ANAO performance audits and from published and unpublished material provided by the Ombudsman. It also looks at issues of public consultation and provides examples of where consultation in policy and program development has been used effectively in the APS.

IMPROVING SERVICE DELIVERY

Over the last 25 years there has been a strong focus on public sector reform in Australia, with improvements in service delivery being an important part of this reform. Drivers of improved service delivery include a better informed, better educated and more demanding public, and improvements in technology, which have increased the capacity to provide more immediate and responsive services. Competitive pressures have also demanded increased productivity, and facilitated higher quality and effectiveness.

The increased focus on improving service delivery is reflected in the approaches of a number of agencies. One example is the Job Network, a system of non-government organisations, both profit and non-profit, which have won tenders to provide employment-related services to unemployed people on behalf of DEWR. The Job Network seeks to tailor services more to individual needs, and provides an element of choice for individuals over their service provider. Evaluations of the Network have concluded that the new system is substantially more cost-effective than the former employment services arrangements, and that the quality of service has improved.²

Another example of the focus on improving service delivery is the establishment of Centrelink in 1997. Centrelink was established as a specialist government service provider, delivering social security and other payments and benefits, and related services, on behalf of a range of departments. Centrelink's main client is FaCS, with which it has a business partnership agreement that sets out the performance required of

¹ This figure is based on data obtained from the survey of APS employees conducted by the APS Commission for this report.

² Evaluation and Programme Performance Branch, DEWR, *Job Network evaluation: Stage three effectiveness report*, May 2002.

Centrelink in delivering social security payments. Similar agreements exist with a wide range of other departments at both Commonwealth and State levels. This multiplicity of partnerships and the associated range of services provided by Centrelink have allowed it to become more customer-focused, and to deliver more integrated services tailored to individual circumstances.³

Reflecting this focus on service delivery, there has been an increasing investment in customer-focused training and reinforcing behaviours that promote APS Values concerning the public. For example, Centrelink has invested heavily in skills development to enhance its customer focus. This includes the establishment of the Centrelink Virtual College in 2001, which acts as a broker of learning, enabling Centrelink's staff to access nationally accredited qualifications and technical training to provide them with high-level skills to deliver excellence in customer service. It has also developed an Expectations Statement that sets out how staff should interact with customers, which is incorporated into a mandatory induction program for new starters.⁴

The extent to which agencies are taking a more individualised approach to service delivery, and their level of investment in customer-focused training was not specifically assessed in the agency or employee surveys. Nevertheless, this area remains an essential activity for APS performance, and will be addressed in future State of the Service reports.

SERVICE CHARTERS

A key mechanism that the Government has used to encourage increased focus on service delivery improvement has been the introduction of agency service charters. All government bodies that deliver services directly to the public are required to implement a service charter. Agencies with policy development functions are also encouraged to develop charters. The Government revised its initial guidelines for service charters in 2000 and reissued them as the *Client Service Charter Principles*.⁵ The revised principles give greater focus to reviewing charters, monitoring and reporting performance against client service standards, and recognising the needs of diverse client groups, such as people with a disability and those living in rural and regional Australia. The guidelines are overseen by the APS Commission.

The APS Commission administers the *Service Charter Awards for Excellence*, which recognise and encourage high standards of service to the public by departments, agencies and their staff. The 2002 awards were reported in the *State of the Service Report 2001–02*. The 2003 awards will be presented in late 2003 and will be reported in the *State of the Service Report 2003–04*.

Requirements for client service charters are complemented by the *Charter of Public Service in a Culturally Diverse Society*, introduced in 1998. This charter articulates the Australian Government's strategy for ensuring that government services are delivered in a way that is sensitive to the language and cultural needs of all Australians. The charter is overseen by DIMIA. DIMIA's *Access and Equity Annual Report 2002* illustrated the considerable progress that had been made in implementing and reporting on access and equity against the charter's performance management framework.⁶

³ See for example, S Vardon, Chief Executive Officer, Centrelink, 'Moving service delivery forward—the practical and the tactical', speech to the Lac Carling VII Conference, Quebec, Canada, 25 May 2003, <http://www.centrelink.gov.au>

⁴ See APS Commission, *Embedding the APS Values*, August 2003, for more details.

⁵ Service Charter Unit, Finance, 2000, *Client Service Charter Principles*, <http://www.apsc.gov.au>

⁶ DIMIA, http://www.immi.gov.au/annual_report/index.htm

The effectiveness of service charters is dependent on a number of issues, including the ability of agencies to successfully monitor and report on client satisfaction using quantifiable performance indicators. In establishing such indicators, agencies need to carefully consider the feedback mechanisms most appropriate for providing them with information on client satisfaction. Effectiveness can also be assessed by service delivery staff's awareness of their agency's service charter, and their views on the impact that the charter has on their service delivery work. These issues were explored through the agency and employee surveys. Data from the surveys are complemented by a review of service delivery information in selected annual reports.

COVERAGE AND REVIEW

The agency survey found that 64 agencies (72%) have an agency-wide service charter in place. This was similar to the proportion of agencies that reported having a service charter in 2001–02. A further two agencies indicated that an agency-wide service charter was being developed. Service charters were more common in large agencies (91%) than small agencies (63%).

Fifty-eight per cent of agencies that have or are developing a service charter have revised their charter to incorporate the new service charter principles established in June 2000. Another 27% are planning a revision for 2003–04. Small agencies were more likely to have revised their service charter in line with the new principles than medium or large agencies (68% compared with 50% for both medium and large agencies).

PERFORMANCE INDICATORS AND SERVICE STANDARDS

The client service charter principles place a strong emphasis on the monitoring and reporting of client satisfaction. They provide that service charters must include service standards and have avenues for clients to provide feedback and make complaints. There must also be mechanisms to report on that data.

The client service charter principles state that when deciding which service standards to publish, agencies should take account of their ability to measure performance against each standard. The agency survey found a high level of use of quantifiable performance indicators or service standards for the quality of services provided to the public, such as numbers of complaints and compliments received, results from client surveys and data on timeliness of service. Seventy-seven per cent of agencies with public contact stated that they had identified such indicators or standards and a further eight per cent said they were being developed. Quantifiable indicators or standards were more common in large (96%) than small (69%) agencies.

Eighty per cent of agencies that had or were developing quantifiable indicators reported internally and/or externally against them. The most common place for reporting mechanisms was the agency's annual report (93% of agencies reporting against indicators), reflecting the requirement for agencies with a service charter to publish performance against their charter commitments in their annual report. The proportion of agencies reporting to internal agency management structures was also very high (90%). Sixty-two per cent of agencies reported against quantifiable indicators to internal service delivery units or teams, and a further seven per cent were developing such reporting mechanisms.

Feedback mechanisms

The agency survey asked agencies that have contact with the public about the mechanisms they used for obtaining feedback from the public. The most common method for obtaining feedback was a complaints/feedback website link, reported by 80% of agencies that have contact with the public. Other widely used methods were customer surveys (69% of agencies) and complaints/feedback phone hotlines (60%). Forty per cent of agencies that have contact with the public indicated that they had mechanisms in addition to those specified in the survey. These included feedback forms or comment slips available on-site, and regular meetings with clients or focus groups.

Under the client service charter principles, agencies are required to publish a summary of client complaints and feedback in their annual reports. Agencies have taken different approaches to this requirement, with the extent of quantifiable information varying considerably. Examples of the type of information on customer feedback contained in agencies' 2001–02 annual reports are set out at Table 5.1. A case study of the DVA approach to measuring client satisfaction is also provided.

Table 5.1: Client satisfaction—examples of information from agencies' 2001–02 annual reports

Agency	Measure	Outcomes—2001–02
DEWR	Job Network—complaints lodged through customer service line	22,104 calls registered, 36% being complaints relating to quality of service.
	Client feedback system (predominantly workplace relations services)	4 complaints, 50 compliments.
DCITA	Client survey (covering broad range of indicators)	95% of clients rated staff service as satisfactory to excellent. Areas of strength: willingness to assist; timeliness of advice. Two areas identified for improvement—consultation with clients about development and review of policy and responding to client inquiries by email.
NMA	Written comments—visitor feedback database	More than 2000 written comments from visitors regarding services, programs, exhibitions, buildings and facilities. Negative comments mostly related to lighting or size of text labels. Positive comments mostly related to exhibition content and friendliness of staff.
CSA	Professionalism survey	Results remained stable. Attributes relating to personal characteristics of staff (politeness, helpfulness, sincerity and ability to listen) rated well by clients.

Table 5.1: Client satisfaction—examples of information from agencies' 2001–02 annual reports (continued)

Agency	Measure	Outcomes—2001–02
Customs	Comprehensive system to record, analyse and action complaints and compliments received through a variety of methods.	1695 complaints and 980 compliments received. Most complaints related to Tourist Refund Scheme, staff attitude, and queuing. 48% of compliments related to staff being helpful and informative. A number of significant initiatives and improvements implemented as a result of client feedback.
Centrelink	Four customer satisfaction surveys covering service delivery channels, customer service centres and call centres, as well as qualitative research into customer expectations.	Broad range of indicators. Examples of proportion of customers rating Centrelink positively include: 78.5% for accuracy of information and 88.8% for staff helpfulness (call centre survey); 59.0% for ease of access to services and 80.0% for timeliness of decisions (National Customer survey).
DAFF	ABARE—client surveys on quality and level of services AQIS—feedback register for complaints and compliments	96% of clients would purchase from ABARE again and 95% would recommend products or services to others. Majority of complaints voiced concern about delays in entry processing. Several compliments received for high performance of AQIS's service to clients.
ITSA	Monitoring of complaints about service standards and compliments	23 complaints received; 12 found to be justified. Complaints related to timeliness, accessibility and employee attitude. 41 formal compliments recorded relating to usefulness of information and employee attitude.

Note: Table includes examples only, and is not intended to be comprehensive.

Source: 2001–02 annual reports

DVA—MEASURING VETERAN SATISFACTION

DVA serves a veteran community spread across the country, including more than 111,000 veterans and dependants who live in regional areas. The veteran community receives information and assistance primarily through a network of state and regional offices and contracted agents. The department's website is being used more frequently to access information about entitlements.

Veteran satisfaction is measured through regular surveys. The format for the surveys was revised in 2002 and the first quantitative phase was completed in June 2003 with questionnaires sent to 2700 DVA clients from three different groups—health, income support and disability compensation.

The results of the survey show that satisfaction with DVA service delivery remains high, with 91% of respondents satisfied with the service they received. Six per cent of respondents were neither satisfied nor dissatisfied, and three per cent were dissatisfied. Compared with the previous survey conducted in February 2002, satisfaction among the health and income support groups remained stable at 92–93%. Satisfaction among the disability compensation group rose from 82% in February 2002 to 86% in June 2003.

When the survey was revised in 2002, a new question was introduced in order to gauge the importance of various aspects of DVA service delivery. From a list of eight service delivery factors, respondents were asked to select up to three factors that were the most important to them. The majority of respondents selected accurate information, staff skills and knowledge, and staff attitude.

DVA also records client satisfaction through a feedback management system, a computer program to record and analyse comments about the quality of DVA's service delivery. During 2002–03, DVA recorded 218 complaints, compared with 339 in 2001–02. Of these, 63.4% of complainants were satisfied with the way the department handled their complaint, 29.2% were neutral, and only 7.4% were dissatisfied.

The four most common complaints were:

- the appropriateness of service/information provided
- timeliness of service
- lack of courtesy of staff
- accessibility of service/information.

DVA also recorded 653 compliments, compared with 754 in 2001–02. The four most common compliments were:

- helpfulness of staff
- courtesy of staff
- appropriateness of service/information provided
- timeliness of service.

There was considerable variation among agencies in relation to their use of feedback mechanisms on the basis of size. In particular, small agencies involved in public contact activities were more likely than large agencies to use a complaints/feedback website link (88% compared with 77% for large agencies and 71% for medium agencies), and large agencies were more likely to use customer surveys (82% compared with 56% for small agencies) and phone hotlines (73% compared with 53% for small agencies). These differences could reflect a number of issues including different types of clients and relationships, different ways of doing business or different levels of available resources, with small agencies opting for less costly mechanisms. Agencies involved in public contact activities were also asked which were the most important of the feedback mechanisms they used. The mechanisms most frequently identified as most important were customer surveys (identified by 33% of these agencies) and complaints/feedback phone hotlines (identified by 29% of agencies).

SERVICE CHARTER AWARENESS AND EFFECTIVENESS—EMPLOYEE VIEWS

The employee survey found a high level of awareness of service charters among employees directly involved in service delivery to the general public, with 86% of employees involved in service delivery stating that their agency had a current service charter. However, the level of awareness of the existence of a service charter varied considerably across agencies. For the 19 large agencies with a service charter, employee awareness of the existence of a charter ranged from a low of 54% to a high of 98% at Centrelink.⁷ Nevertheless, of the nine large agencies where more than 60% of employees were involved in direct service delivery, all but two had at least 85% of employees aware of the existence of a charter. Employees at small agencies with service charters were less likely to be aware of the charter than large agencies (81% compared with 88%).

Employee responses also indicate a high level of awareness of the content of their agency's service charter. Seventy-one per cent of employees involved in direct service delivery who believed that their agency had a service charter indicated that they had a high level of awareness of its content, with another 24% indicating a moderate level of awareness. Results again varied considerably between agencies. For large agencies with a service charter, the proportion of employees rating their awareness of the content as 'high' ranged from a low of 38% to a high of 78% (at both Centrelink and the CSA).⁸ Employees in small agencies with service charters were less likely to rate their knowledge of the content of their service charter as 'high' (59%) than employees in large agencies (72%).

Employees were generally very positive about the role of their agency's service charter in improving service delivery. Seventy-five per cent of service delivery employees who believed their agency had a service charter agreed that it helped them deliver quality services to the public, and only four per cent disagreed. Where employees indicated that they had a high level of awareness of the content of the service charter, they were even more positive, with 86% agreeing that it helped them deliver quality services.

There were considerable differences in employees' level of awareness and view of the effectiveness of service charters, depending on their location. Employees outside the ACT involved in direct service delivery were more likely to indicate a high awareness of the content of their service charter (72%) than those working in service delivery in the ACT (64%). Similarly, employees outside the ACT were more likely to agree that their service charter helped them deliver quality services to the public (78%) than those within the ACT (60%). These results suggest that agencies may need to ensure that service delivery staff in the ACT receive the same level of training and information about service charters as those outside the ACT, even where most of their ACT staff are not delivering services to the public.

Every person whose administration under the Bankruptcy Act is handled by ITSA (over 20,000 people each year) is given a copy of ITSA's client service charter. The charter has 'How to complain' as one heading on the cover and contains ITSA's complaints-handling procedures and contact numbers. The charter was developed through a process of client focus groups and feedback from client opinion surveys.

⁷ For the 19 large agencies with service charters and where results are statistically valid for this question.

⁸ For the 18 large agencies with service charters and where results are statistically valid for this question.

The Refugee Review Tribunal Client Service Charter pamphlet with complaint mechanisms outlined is sent with every application acknowledgement.

The Centrelink Customer Charter is a feature in the public contact area of every customer service centre, with a charter poster on the wall, charter pamphlets on the rack and a charter place mat on the desk at every contact point. The charter is also reproduced in all core products.

The employee survey asked employees involved in direct service delivery whether their work unit received regular feedback from the public (directly or indirectly) on the quality of services it provides to the public. Seventy-one per cent of these employees did receive feedback and 22% did not. There was again considerable variation among agencies. Of the nine large agencies where more than 60% of employees reported that they deliver services to the general public, the proportion of employees receiving feedback ranged from 59% to 100% at the CRS. Medium agencies had the lowest proportion of employees receiving feedback (61%). There was little difference in results for small and large agencies.

A substantial majority of employees receiving feedback (75%) said that there were formal mechanisms in place in their work unit for responding to feedback from the public. The majority of these employees also thought that these mechanisms were effective. Sixty per cent of employees in work units that had formal mechanisms in place thought that the mechanisms were highly effective in allowing them to respond to feedback from the public, while another 31% thought that they were moderately effective. Only 6 per cent of employees rated their effectiveness as 'low'.

GOVERNMENT ONLINE AND E-GOVERNMENT

Service delivery in the APS has been increasingly affected by changes in technology that have the potential to dramatically improve the effectiveness of service delivery. The current public service environment is characterised by continued pressure for greater efficiency and effectiveness, rising community expectations for more convenient and sophisticated services and issues that increasingly transcend agency boundaries. The challenge for agencies is to use technology and information management to enhance their responsiveness to changing priorities and continually improve policy, program and service delivery.

The Australian Government recognised the potential of online technology to improve government service delivery in its *Investing for Growth* statement by committing to put all appropriate services online by 2001.⁹ The Government Online strategy was launched in April 2000, in pursuit of this commitment.¹⁰ The Prime Minister confirmed that the 2001 target had been met in his opening address to the World Congress on Information Technology in February 2002.¹¹

The e-government agenda is now more complex. E-government describes the use of available and emerging technologies to create seamless, responsive and citizen-focused government for the benefit of all Australians. The focus has shifted from putting services online to integrating new technology with government administration and service delivery to deliver better results.

⁹ The Commonwealth of Australia, *Investing for Growth*, 1997.

¹⁰ NOIE, *Government Online—The Commonwealth Government's strategy*, April 2000. <http://www.noie.gov.au>

¹¹ The Hon John Howard MP, Addressing the Opening of the World Congress on IT, Convention Centre Adelaide, 27 February 2002.

In its 2002 report on Australian Government use of information and technology, MAC found that there is a growing demand for government to provide more integrated and interactive information and services.¹² It stated that information and communication technology (ICT) increasingly plays an important role in determining the quality and accessibility of services. It also emphasised that the development of effective whole of government approaches to ICT is critical to achieving further significant gains in the delivery of government services.

In October 2002, in response to MAC's recommendations, the Government established the Information Management Strategy Committee to provide shared leadership on cross-agency technology issues.¹³ A framework for the next stage of e-government, *Better Services, Better Government*, was released in November 2002.¹⁴ It outlines broad directions and priorities for the future of e-government, and seeks to maintain the momentum of the Government Online strategy. *Better Services, Better Government* focuses on delivering citizen-focused services, integrating related services, building user trust and confidence and enhancing citizen engagement with government.

APS agencies have made considerable progress towards effective e-government. NOIE publishes an information economy index annually, which measures readiness to participate in the information economy, and intensity of this participation.¹⁵ The index draws on 23 indicators, including two that are particularly relevant to government service delivery: the penetration of online government services and government preparedness to supply services online.

The index draws on data from AC Nielsen to show that in September 2002, when the penetration of online government services for 12 countries was benchmarked, Australia was placed second to Canada, with 32% of home internet users accessing government websites. These data are broadly supported by ABS data, which show a growing proportion of people accessing government services via the internet for private purposes, up from 16% of all adult Australians in 2001 to 21% in 2002.¹⁶

The NOIE index also presents analysis of two recent e-government studies, both of which rated Australia's e-government effectiveness highly, demonstrating that there is a high level of preparedness on the part of government agencies in terms of providing relevant services online and the necessary supporting e-government infrastructure and regulatory regimes.¹⁷ Australia was rated fifth overall out of the 12 countries, behind countries considered some of the most connected and advanced information economies, including the US, Canada and Sweden. NOIE is currently developing appropriate evaluation frameworks and benchmarks to assess progress on key performance indicators across the federal government sector in relation to e-government.

¹² MAC Report No. 2, *Australian Government use of Information and Communication Technology*. October 2002, <http://www.apsc.gov.au>

¹³ The IMSC is chaired by the Secretary of DCITA, with secretariat support provided by NOIE. For more information and terms of reference see <http://www.imsc.gov.au>

¹⁴ NOIE, *Better Services, Better Government: the Federal Government's E-government Strategy*, November 2002.

¹⁵ More detailed information about the index is available on the NOIE website at <http://www.noie.gov.au>

¹⁶ ABS Cat. No. 8416.0.

¹⁷ UN/American Society for Public Administration, *Benchmarking e-government: A Global Perspective*, 2002 and Accenture, *E-government Leadership: Engaging the Customer*, 2003. See <http://www.noie.gov.au> for more detail.

A number of the ANAO's performance audits have addressed issues relating to the management of e-business. In particular, the ANAO has examined education and training services provided, or managed, by DEST via IT or the internet.¹⁸ The ANAO concluded that DEST's management of its internet presence and its e-business was sound. It considered that DEST had developed a management culture that encouraged a focus on quality in relation to its IT and e-business. While noting that improvements could be made in measuring the benefits of, and assuring the quality of, its e-business systems, the report indicated that DEST was addressing these with the introduction of a new systems development methodology.

The ANAO also examined whether Centrelink has effective business continuity management strategies and associated risk management procedures and plans in place to ensure that it can continue to deliver programs in the event of a crisis, including in relation to its IT systems.¹⁹ It found Centrelink has comprehensive frameworks in place that generally minimise the likelihood of outages to critical business processes. However, it also found some continuity risks, including that some elements of Centrelink's IT environment do not have sufficient continuity controls and treatments. Centrelink has agreed to all recommendations made by the ANAO.

REVIEWS OF ADMINISTRATIVE DECISION-MAKING AND SERVICE DELIVERY

A suite of Commonwealth administrative law mechanisms supports public scrutiny of government decision making. These mechanisms include the Ombudsman (who is also Defence Force Ombudsman and Taxation Ombudsman), internal review by some agencies, external review by certain specialist tribunals and the Administrative Appeals Tribunal (AAT), review under the *Administrative Decisions (Judicial Review) Act 1977 (Cth)*, and access to documents under the *Freedom of Information Act 1991 (Cwlth)*.²⁰ With the exception of the Ombudsman, these processes generally concentrate on administrative decision making, rather than on the process of service delivery. Many of the ANAO's performance audits of specific government programs also deal with issues related to service delivery and accuracy of decision making. Information from ANAO audits on service delivery issues and the activities of the Commonwealth Ombudsman are discussed below.

ANAO PERFORMANCE AUDITS

In 2002–03, the ANAO tabled several performance audit reports which addressed the theme of service delivery in the context of the delivery of specific programs or components of programs.²¹ Recommendations stemming from these reports related specifically to the programs audited, but key themes included the need to:

- improve performance management and reporting, including by enhancing the range of performance indicators and means of measuring performance
- better track the processing of claims and the management of appeals to improve issues of timeliness
- improve documentation

¹⁸ ANAO, *Management of E-business in the Department of Education, Science and Training*, Report No. 33, March 2003.

¹⁹ ANAO, *Business Continuity Management and Emergency Management in Centrelink*, Report No. 9, October 2003.

²⁰ The availability of review mechanisms varies depending on a range of factors, including the specific legislative context. For a comprehensive description of Commonwealth administrative law see; M Allars, *Australian Administrative Law: Cases and Materials*, Butterworths, 1997, or refer to the website of the federal Attorney-General at <http://www.law.gov.au/www/agdHome.nsf>

²¹ ANAO, Audit Activity Report: July to December 2002, No. 29 and Audit Activity Report: January to June 2003, No. 2.

- increase the accountability of staff for their decisions and advice, and improve quality assurance and consistency of decision making.

In each case, the agency concerned agreed to the ANAO's recommendations.

COMPLAINTS FROM THE PUBLIC TO THE COMMONWEALTH OMBUDSMAN

The nature of the complaints and investigations dealt with by the Ombudsman provides an insight into the overall effectiveness of service delivery in the APS, and practical issues facing particular agencies. Information in this section has been provided directly by the Ombudsman, and includes statistics included in the Ombudsman's 2002–03 annual report and additional analysis of systemic issues facing the APS.

Own motion investigations

During the year, the Ombudsman completed investigations on his own motion and reviews of the complaint-handling mechanisms of two major agencies, issuing public reports including recommendations for changes and improvements.²² These reports involved the complaint-handling activities of the ATO and DEWR (including Job Network provider complaints mechanisms). In general, the Ombudsman found that these agencies had effective policies and procedures for dealing with customer complaints. However, a range of improvements were suggested, most of which have already been implemented by the agencies concerned.²³

A further own motion investigation remains in progress, involving complaint-handling by DIMIA (including the handling of complaints within detention centres managed by private contractors).

A common theme in the Ombudsman's reports is the importance of using complaint handling mechanisms to provide systematic input into agencies' program management and policy review processes. This role, going beyond the treatment of individual complaints, is central to sustained improvement in customer service.

Complaints to the Ombudsman

Many large agencies such as the ATO, DEWR and Centrelink have established effective mechanisms for reviewing decisions, handling complaints and obtaining customer feedback to support improvements to services. This means that the Ombudsman does not initially investigate many of the approaches made by members of the public but advises the person about utilising agency mechanisms for complaint handling and review. Complainants may subsequently request the Ombudsman's assistance if the agency does not resolve the issues.

In 2002–03, the Ombudsman did not initially investigate two thirds of the complaints received, a similar rate to that for the previous year. The upshot is that complaints that are investigated by the Ombudsman tend to involve more complex and difficult issues.

²² The Ombudsman Act provides the Ombudsman with an extensive range of powers to investigate actions following complaints or on his own motion.

²³ Full copies of the reports are available from the Ombudsman's website on <http://www.comb.gov.au>

The total number of complaints received by the Ombudsman in 2002–03 rose to 19,850, an increase of three per cent over the previous year.²⁴ While it is difficult to establish a clear reason for the overall increase in complaint numbers, the Ombudsman advises that there has been a long-term trend for his office to receive more complaints in the middle years of the election cycle, and fewer in years in which an election is held.

Centrelink remains the APS agency about which the most complaints are received, probably due to its role in the delivery of a large number of Commonwealth programs to a wide cross-section of the Australian public. Complaints about Centrelink finalised during the year rose by almost 10% to 9696, accounting for 58% of complaints about APS agencies. In two-thirds (67%) of complaints about Centrelink, the Ombudsman did not investigate the complaint, in most cases (80%) because the complainant was referred to Centrelink's internal complaint or review processes. Of the 2631 Centrelink issues investigated, the Ombudsman identified an arguable administrative defect in 734 issues (28%). Remedies were achieved for 2161 issues.²⁵

The number of complaints received about the ATO continued to decline (1909, down by 27% on 2001–02), perhaps reflecting the bedding down of the major changes to the taxation system over the past 2–3 years. Complaints about the ATO represent 11% of complaints about APS agencies. This translates to the level of complaints received by the Ombudsman about the ATO prior to the introduction of the new tax system.

The Ombudsman received 2432 complaints about the CSA, representing almost 15% of complaints about APS agencies and an increase of 21% on CSA complaints received last year. The bulk of this increase has been attributed to issues about the CSA's collection enforcement and most probably relates to a change to CSA processes with respect to the interception of tax refunds.

DIMIA was another significant source of complaints received by the Ombudsman during 2002–03, with 1121 complaints received, just 23 (2%) higher than last year. Against the general average of 29% across all Commonwealth agencies²⁶, the Ombudsman investigated 47% of complaint issues arising from complaints about DIMIA, the higher investigation rate perhaps reflecting the more limited availability of alternative review for DIMIA's complainants. Nevertheless, of the 578 DIMIA issues investigated, the Ombudsman identified arguable administrative defect or error in only 127 issues (22%). This compares favourably with the Commonwealth average of 29%.

Systemic issues

Changes to the family assistance system implemented in July 2000 resulted in many complaints to the Ombudsman about Centrelink, FaCS and the ATO. The Ombudsman conducted an own motion investigation of systemic issues surrounding the delivery of the payments and issued a public report during the year.²⁷ Two major themes that arose involved the implications of the income estimate process (on which benefits are calculated) and the methods used to recover overpayments. The report found that some families with fluctuating income patterns incurred unavoidable overpayments or were underpaid. It further

²⁴ Complaints received in all jurisdictions, including Defence Force, Australian Federal Police complaints and ACT. In 2002–03, 16,635 complaints about the Commonwealth agencies that comprise the APS were finalised, a rise of three per cent over the 16,250 completed in the previous year.

²⁵ In addition to addressing an administrative defect, remedies could include for example addressing unreasonable delays, explanations, or apologies.

²⁶ Commonwealth and Defence Force complaints (excludes Australian Federal Police complaints).

²⁷ Commonwealth Ombudsman, February 2003, *Own Motion Investigation into Family Assistance Administration and Impacts on Family Assistance Office Customers*, see <http://www.comb.gov.au>

highlighted some of the problems with strict enforcement of recovery procedures, including the withholding of tax refunds. The Ombudsman made a range of recommendations to improve the policies and processes supporting the system, and continues to negotiate with FaCS on their implementation.

The Ombudsman also issued a public report on the application of breach penalties by Centrelink and FaCS, again arising from an own motion investigation triggered by a continuing stream of complaints from Centrelink clients about breaches for some benefit categories.²⁸ The agencies involved have now implemented all of the recommendations made by the Ombudsman to ameliorate any harsh application of activity tests and penalties for relatively minor breaches.

The Ombudsman conducted an own motion investigation into reporting of incidents in detention centres, concluding that there was a need to develop mandatory standards for such reports, quality control and tracking, and the implementation of a database to facilitate systemic analysis.²⁹ In particular, there should be better linkage of complaints handling and incident reporting. Over the coming year, the Ombudsman has advised that he will review progress towards a more accountable framework within detention centres.

The Ombudsman also commenced an own motion investigation into the ATO's use of entry and search powers, as recommended by the Scrutiny of Bills Committee in 2000.

There continue to be a large number of complaints that, in the Ombudsman's view, indicate the presence of other systemic issues in APS agencies. Many complainants are concerned about agency decisions that directly affect them, and complain that they have not been given sufficient reasons or that the decisions are flawed. Investigation of such complaints is often complicated due to poor recordkeeping by agencies or failure to record oral advice. This latter issue is of particular importance, given the widespread use of customer contact centres to respond to queries in large service delivery agencies. Complaints about call centres arise particularly in relation to Centrelink, CSA and ATO. The other major area that continues to result in complaints to the Ombudsman is delay by agencies in taking actions or making decisions, including delays in handling freedom of information requests and issuing documents. Other matters raised include:

- harsh or unreasonable use of statutory powers to gather information or enter premises
- unreasonable debt recovery policies and practices
- failure to coordinate decisions and actions between agencies
- inadequate, misleading or ambiguous information in publications or on websites
- loss of correspondence.

The Ombudsman is reviewing the manner in which his office coordinates the investigation of many thousands of individual complaints about APS agencies with the much smaller number of very complex or systemic investigations. It is likely that new structures and processes will be introduced in 2003–04 that will lead to greater consistency in complaint handling and outcomes.

²⁸ Commonwealth Ombudsman, October 2002, *Social Security Breach Penalties—Issues of Administration*, see <http://www.comb.gov.au>

²⁹ Commonwealth Ombudsman, March 2001, *Own Motion Investigation into Immigration Detainees held in State Correctional Facilities*, see <http://www.comb.gov.au>

PUBLIC CONSULTATION AND COMMUNICATION

The importance of effective public consultation and communication has been a key theme in public sector reform, starting with a focus on increased community participation in the 1976 Royal Commission into Australian Government Administration (the Coombs Report). To be effective, public sector communication needs to go beyond the simple provision of government information, to receive useful feedback on government programs and services, and encourage sensible changes to those programs and policies where warranted.

An increasing priority has been placed on greater involvement of the public in government administration in recent times. This has reflected increased expectations among a better informed and connected public, as well as improvements in technology which are facilitating more effective engagement. Enhancing citizen engagement with government is a key focus of the Government's framework for e-government discussed above.

Increased expectations are not limited to consultation about program management or the delivery of services, but also go to consultation about policy decisions themselves. People are now more attuned to government policy making and more interested in contributing to such processes. In this environment the APS needs to develop systems and processes to understand the different values and perspectives of stakeholders and clients.

The process of consultation on particular policy matters needs to be agreed by Ministers, and the appropriate process is likely to vary according to the agency, its stakeholders and the policy in question. However, for consultative processes to be effective, agencies need to maintain close networks with stakeholders and have expertise in communication.

The emphasis that the APS places on these skills is reflected in the Senior Executive Leadership Capability (SELC) Framework, which identifies the five core criteria for high performance by senior executives in the APS.³⁰ The Framework emphasises both the need to nurture external relationships and facilitate cooperation and partnerships in the context of cultivating productive working relationships, and the need to communicate clearly, listen and understand in the context of communicating with influence.

The ATO launched its Listening to the Community initiative in March 2002. The initiative was designed to draw on the experience of a broad range of business and individual taxpayers, tax practitioners and other entities (e.g. charities) to identify possible administrative solutions to ensure a more client-friendly tax system. More than 60 workshops were held, involving significant community participation. The feedback from the community was that they expect the ATO to develop new delivery approaches, including using electronic channels. A very clear preference was for 'quick, accessible and accurate advice that the ATO stands by'. The ATO has developed a detailed range of initiatives developed from ideas obtained through these workshops. The initiatives are currently undergoing an intensive validation phase.

In addition to Listening to the Community the ATO provides a range of consultative and design products and techniques to develop a collaborative approach with the community. These include client experience rooms and walkthroughs, to illustrate the client experience for a package of changes, product development workshops and retreats, simulations and usability testing.

³⁰ The SELC Framework is discussed in more detail in Chapter 9. For more information see <http://www.apsc.gov.au>

The issues of public consultation and communication were not addressed directly in the agency and employee survey, except in the context of service delivery feedback mechanisms. However, with their Minister's agreement, agencies could benefit from taking a broader approach to consultation, by identifying areas where greater consultation and communication would be appropriate, and developing effective processes to ensure that consultation and communication occurs. There may be, for example, areas where agencies could contribute more to informed public debate or be more proactive in community consultation.

An example of a proactive approach to community consultation was the launch of the Government's green paper on fundamental land transport infrastructure reform, *AusLink: Towards the National Land Transport Plan* in November 2002. The paper set out the direction of the Government's thinking in relation to Australia's land transport infrastructure, and put forward a series of questions that would need to be considered as the Government finalises the plan. The green paper was open for comment until February 2003 and was supported by a series of consultation meetings in metropolitan and regional Australia. Some 550 submissions were received from State and local governments, industry, environment groups, tertiary education and research groups, bicycle groups and interested members of the public. All submissions have been posted on the DOTARS website.

CONCLUSIONS

Service delivery continues to be a major theme in the ongoing APS reform process. A number of agencies are developing programs designed to meet the needs of individual customers and are making considerable investments in developing customer-focused service delivery skills and behaviour in their staff. Improving performance in this area remains an essential activity for the APS and requires continued concerted effort into the future.

The use of service charters is widespread among APS agencies. Employees generally have a good understanding of the content of their agency's service charter and are positive about the impact that the charters have on service delivery. However, individual agency performance, particularly in terms of employee awareness and views of effectiveness of service charters, varies considerably, and small agencies generally have less positive results. This highlights the need for agencies to constantly monitor and review the effectiveness of their service charters to ensure that they accurately reflect changing client needs.

Most agencies appear to have developed effective mechanisms for receiving and responding to feedback from the general public, including by gathering measurable information on client satisfaction, although the extent of information included in annual reports is variable. Employees also generally have a positive attitude to the impact of feedback mechanisms on service delivery. These results suggest that agencies would benefit from extending feedback, and mechanisms for responding to it, to the minority of employees involved in service delivery who do not currently receive it. Future surveys will ask agencies to specifically report on the level of client satisfaction with their services.

Overall, the surveys and other data suggest that agencies recognise the importance of effective service delivery. Almost all are putting in place mechanisms, including effective e-government mechanisms, to ensure that they meet the needs of the public.

The issue of encouraging and utilising public consultation and communication is a growing one for the APS. There are already many examples of innovative approaches to public consultation and communication in

the APS on policy, program management and service delivery issues. Individual agencies, in consultation with their Ministers, need to identify if there are additional areas where they could benefit from more extensive public consultation and communication.

Information provided by the Ombudsman indicates that many larger agencies have established effective mechanisms for reviewing decisions, handling complaints and obtaining customer feedback to enable improvements to services. However, evidence from the Ombudsman and the ANAO suggests that there are also some areas where agencies could examine service delivery to see if it can be improved further, particularly in relation to explaining and recording reasons for decisions, and in reducing delays.



CHAPTER 6: THE VALUES AND WORKPLACE RELATIONSHIPS

This chapter examines employees' perceptions and agencies' practices regarding a number of the APS Values that impact on workplace relationships. It focuses initially on employee perceptions of how consistently merit is applied in employment decisions and the processes agencies use to make such decisions. The chapter then looks at agencies' procedures for reviewing employment decisions, employees' awareness of these procedures and their awareness of the review avenue offered by the Merit Protection Commissioner.

Major developments in APS remuneration are explored including the issue of overlapping salary ranges between classifications and the implications of such overlaps for merit. Information on interagency mobility is then presented. Workplace consultation is examined including the processes used by agencies and employees' satisfaction with their overall say in decisions that impact on their work. Data are presented from Comcare on how effectively agencies are dealing with injured employees, along with employee perceptions relating to work-life balance and job satisfaction.

MERIT

The current devolved framework means that agencies are able to adopt a variety of processes for non-SES selection depending on their individual needs and circumstances. The processes, however, must satisfy the requirements of the PS Act and the Public Service Commissioner's Directions that employment decisions be based on merit. The practical application of merit in selection requires processes to be in place to ensure that:

- all eligible applicants have a reasonable opportunity to put forward their claims
- the selection process is transparent, and is seen to be applied fairly, to all applicants
- the assessment process is able realistically to match the qualities of the applicants to the qualities genuinely required for the job.

SES selection processes operate under a tighter framework than those for non-SES staff, to ensure the effective reflection of core leadership capabilities and the transparent selection of the senior leadership group across the APS. However, within this tighter framework there remains scope for agencies to use a variety of processes, including executive search, assessment centres and recruitment agencies to assist them.

While it is desirable that agencies use the available flexibility, it is vital that they have in place systems to ensure compliance with the APS Value that 'the APS is a public service in which employment decisions are based on merit'.

Both the agency and employee surveys asked questions about perceptions of merit and about the processes used to make employment decisions in the APS. The questions distinguished between employment decisions relating to the engagement, transfer or promotion¹ of staff and decisions regarding the temporary

¹ The terminology of 'transfers' and 'promotions' were used in the employee survey and consequently, in this chapter because they are commonly understood by most APS employees. The terminology used in the PS Act is 'movement at level' for transfer between agencies and 'assignment of duties' for internal transfer within an agency. Promotion is defined as 'the assignment to the employee of duties at a higher classification than the employee's current classification (whether or not the employee moves to another agency)'.

assignment of higher duties. This section examines the results of these questions. It also discusses data relating to the value requiring the APS to provide reasonable community access to employment opportunities.

EMPLOYEES' MERIT PERCEPTIONS

The employee survey asked respondents to indicate their level of agreement with the following statement—‘my agency consistently applies merit in engagements/transfers/promotions resulting from a competitive selection process’. Fifty-nine per cent of employees agreed with the statement while 21% disagreed. The remainder neither agreed nor disagreed (17%), or were unsure (4%). Fewer employees (31%) agreed that merit was consistently applied in decisions involving transfer at level without a competitive selection process, and 28% disagreed. Significantly more employees neither agreed nor disagreed (31%), or were unsure (10%) about transfer decisions without a competitive selection process.

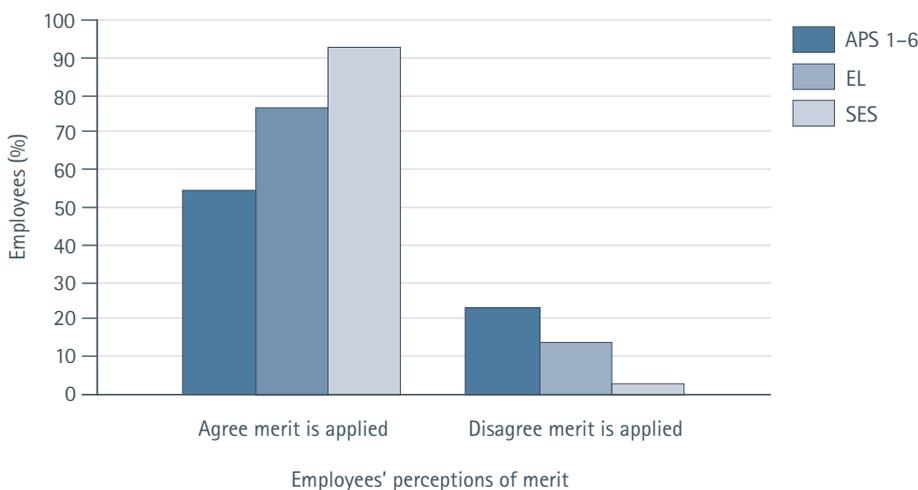
The data examined in the remainder of this section relate to employees’ perceptions of merit regarding engagements/transfers/promotions resulting from a competitive selection process.

Perceptions of merit varied markedly amongst employees in the 21 large agencies for which statistically valid results are available. Two large agencies had agreement rates of less than 45% while two other large agencies achieved agreement rates of over 70%. FaCS had the highest rate of agreement that merit was consistently applied (82%).

Perceptions of merit generally did not vary between different age groups or between men and women, although employees over 55 years had lower rates of agreement that merit was consistently applied (51% compared with 59% for all employees). Employees in large agencies had slightly less positive merit perceptions (58% agreement rate in large agencies compared with 63% and 66% in small and medium agencies respectively) as did employees working outside the ACT (57% compared with 63% for those in the ACT).

A very strong correlation was apparent between merit perception and classification. Figure 6.1 indicates that, as classification increases, so do positive views of perception of merit.

Figure 6.1: Employees' perceptions of merit by classification



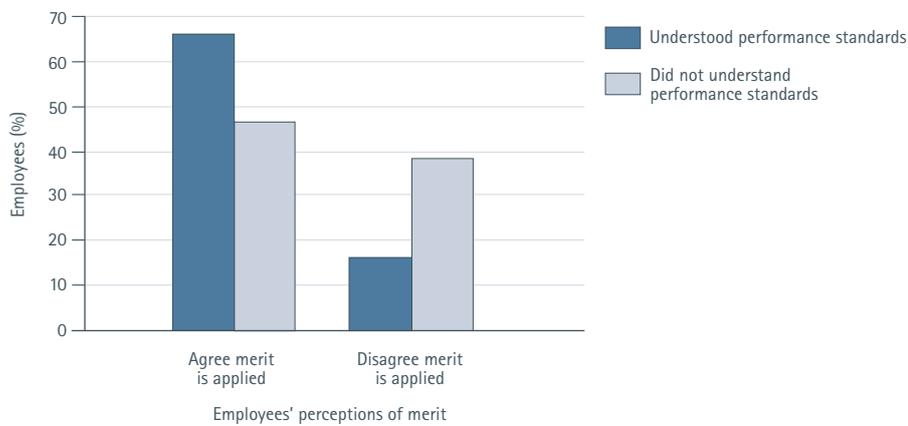
Source: Employee survey

Views on the application of merit were clearly correlated with views on a number of other issues explored in the employee survey. Not surprisingly, employees' views on whether their immediate supervisor demonstrated personal drive and integrity and acted in accordance with the APS Values were strongly correlated with views on merit. Also, not surprisingly, views on merit were strongly correlated with levels of job satisfaction. Employees with the highest level of job satisfaction were twice as likely to agree that merit was consistently applied (78%) compared with those with the lowest level of job satisfaction (39%).

Figure 6.2 indicates that views on merit were also strongly correlated with employees' views on aspects of performance management systems. Employees who agreed that they understood the standards used to evaluate their performance in their individual performance agreements were more likely to agree that merit was applied consistently (66%) than those who did not understand the standards used to evaluate their performance (46%).

The effect of broadbanding on merit perceptions is interesting. Whether or not an employee reports that their agency has a broadbanded classification structure does not appear to affect their perceptions of merit. However, the employees of agencies that have introduced broadbanding are more likely to agree that merit is applied consistently if they were also of the view that the broadbanded classification structure had made advancement opportunities better—73% of this group agreed that merit is applied consistently compared with 53% of those who think the broadbanding had made advancement opportunities worse.

Figure 6.2: Employees' perception of merit by understanding of performance standards



Source: Employee survey

In summary, the results from the employee survey indicate that around three in five APS employees agree that merit is consistently applied while around one in five disagrees and another one is ambivalent. The results are broadly similar to a one-off survey of public sector employees by the Victorian Office of Public Employment in 2000. The proportion of respondents who agreed with the statement 'selection decisions are fair' was 68%.² It is also broadly similar to the results of international surveys. The Canadian Public Service

² The confidential survey was sent to 5% of employees of 38 public sector organisations. The return rate was 41%.

conducted employee censuses in 1999 and 2002.³ Sixty per cent of employees agreed with a statement that ‘when I was a candidate in competitions in the past three years, I found that the competitions were run in a fair manner’ in 1999, while 30% disagreed. This had improved to 66% agreeing in 2002 and 28% disagreeing. The New Zealand ‘Career Progression and Development Survey’, conducted in 2000 by the State Services Commission, found that 18% of employees said that they had been deterred from seeking a higher-level job because they felt the selection process would not be fair.

It appears that progress is being made when comparisons are made with results relating to perceptions of merit reported in the 2000–01 State of the Service report. In that year APS agencies were asked to survey their own employees to ask them seven standardised questions, one of which asked employees whether or not they agreed with the statement that ‘my agency makes decisions about people based on merit’. Forty-six agencies asked their employees this question and the result was that only 39% of respondents agreed with the statement, while 33% disagreed. While it is important to note the different methodologies between the 2002–03 employee survey and the survey in 2000–01, and the difference in the number of participating agencies, it is clear that the results in 2002–03 are significantly better. It may be that employees are now more familiar with how merit selection is defined and operates under the new PS Act. It may also be that the higher growth rate in the APS with more opportunities for promotion has affected perceptions of merit.

Overall, the results on merit perception seem reasonably positive for the APS, compared both with other jurisdictions and with the past. There is, however, room for improvement particularly in some agencies. It seems likely, nonetheless, that there will always be a number of employees who will interpret their limited opportunities for, or success in, career advancement as reflecting that selection decisions are not based on merit.

SELECTION PROCESSES USED BY AGENCIES

Agencies report using a wide range of selection processes. Some vary amongst agencies and amongst classifications within agencies, while others are commonly used across the APS. All agencies report using face-to-face interviews commonly in selection processes for all classification levels. The next most widespread and commonly used measure was including at least one member of the selection panel from outside the general work area. Using existing orders of merit to fill similar opportunities is very widespread for APS 1–6 and EL selection exercises (93% and 80% of all agencies respectively) but used less for SES selection (43%). Orders of merit are used commonly (i.e. where agencies have included them in their top three processes) in around 35% to 42% of agencies (usage varying with classification level).

Most agencies (85%) use internal reassignment of duties of existing staff at level to fill APS 1–6 and EL vacancies, while around half of agencies move people into the agency at the same classification level from another APS agency without a formal competitive selection process for these two classification groups. Both of these processes (i.e. internal reassignment of duties and transfers from another APS agency without a competitive process) are used less for SES vacancies. This may reflect a tendency to hold a competitive selection process for SES vacancies, even when they are eventually filled from within or beyond the agency by an employee at the same level.

³ Public Service of Canada, ‘Public Service Employee Survey’, 2002. Results can be found at www.survey-sondage.gc.ca/2002/results-resultats/00/result-e.htm.

The use of recruitment agencies for assistance with routine administration (e.g. scribing) is common among three-quarters of agencies for all classification levels. Recruitment agencies are used for more than routine assistance but less than the entire process by around one-third of agencies (slightly more for the APS 1–6 classifications at 40% of agencies) but only a few use recruitment agencies for the entire process up to the recommendation to the delegate (varying from around 10% of agencies for APS 1–6 and SES selection exercises to 6% for EL selection exercises).

Assessment centres, psychometric testing and other direct testing exercises to assess required workplace skills are used more commonly by agencies for APS 1–6 selection exercises (21%, 19% and 54% of all agencies respectively) but are more rarely used by agencies for SES selection (4%, 9% and 6% respectively). Agencies' usage for EL employees lies roughly half-way between.

Initial screening of applicants by phone is more common for lower-level classifications (29% of all agencies use this in some APS 1–6 selection exercises compared with 20% for some EL selections and 14% for some SES selections). Over half of agencies report relying only on a combination of written applications and referee reports for some APS 1–6 selection exercises, falling to 38% of agencies for some EL selections and 9% of agencies for some SES selections.

Some agencies conduct some selection exercises for engagement, promotion or transfer at level on the basis of written applications only. This was reportedly used by 21% of agencies for some APS 1–6 selection exercises, 17% of agencies for some EL selections and 6% of agencies for some SES selections. Agencies that identified this measure as being one of their five most commonly used measures were the ANAO (APS 1–6 only), ComSuper (APS 1–6 and ELs), the Australian Broadcasting Authority (ABA) (APS 1–6 and ELs) and the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) (APS 1–6, ELs and SES). Whether this measure in these agencies is used only for transfers rather than promotions or engagements is not clear.

Only 12% of all agencies report requiring mandatory training for those involved in selecting candidates in APS 1–6 and EL selection processes. This falls to 7% of agencies for SES selections. Many more agencies provide self-nominating training ranging from 76% of all agencies for APS 1–6 selections to 60% of all agencies for SES selections. Most agencies (around 90%) reported having consistent selection guidelines/documentation for the whole agency for APS 1–6 and EL classification groups. Fewer agencies (around 80%) had them for SES selection.

No clear correlations were identified between the selection processes used by agencies and their employees' perceptions of merit. This is likely to be due in part to the wide variety of selection processes used within agencies (processes which also vary between different sections of agencies and with circumstance—for example, where few applicants for a specialist position are involved, with one applicant clearly most competitive, as opposed to large selection rounds). Another factor likely to be relevant is that perceptions of merit are undoubtedly influenced by factors other than selection processes, including an employee's own success or otherwise in selection processes.

A range of evidence over recent years, including two ANAO reports⁴, has suggested that line managers in agencies have not been feeling confident that the selection processes they are using are resulting in effective

⁴ ANAO Audit Report No. 61 'Managing People for Business Outcomes' 2001–02 and ANAO Audit Report No. 50 'Managing People for Business Outcomes—Year Two' 2002–03.

outcomes. Despite the flexibility available in most agencies' recruitment and selection guidelines, many managers are continuing to rely on traditional methods such as face-to-face interviews because they are unsure about how and when to use alternative processes.

To assist managers and agencies achieve quality recruitment and selection decisions, the APS Commission has produced *Get it Right—a recruitment kit for managers*. The kit aims to raise awareness and usage of the various selection options and flexibility available to managers and APS agencies. It contains a range of tools, templates and information intended to encourage managers and agencies to be more innovative as well as more planned in their approach to recruitment.

MERIT AND DECISIONS FOR ASSIGNING TEMPORARY 'HIGHER DUTIES'

Employees' perceptions of how consistently their agency applied merit in employment decisions relating to the temporary assignment of duties to a higher classification⁵ were less positive compared with their perceptions about those decisions involving engagements/transfers/promotions resulting from a competitive selection process. Employees were less likely to agree that merit had been consistently applied in the former type of decisions (44%) compared with the latter type of decisions (59%), and were more likely to disagree that merit had been consistently applied (29% compared with 21%).

There was considerable variation amongst the 21 large agencies in the proportion of employees who agreed that merit was consistently applied in decisions relating to the temporary assignment of duties to a higher classification. Five large agencies had over 50% of staff agreeing that merit was consistently applied, with Health having the highest agreement rate of 56%. Two large agencies had agreement rates of less than one third of employees.

Most agencies (71% of all agencies) reported having formal measures in selection processes/decisions for assigning temporary duties to a higher classification. Eight per cent of agencies were developing such measures while 20% had no formal measures. Employees in those agencies that reported having formal measures were somewhat more likely to agree that merit was consistently applied (46%) compared with those in agencies without such formal measures (40%). The majority of agencies without formal measures were mainly small and medium agencies but five large agencies also reported having no such measures.

Of the 71% of agencies with formal measures (and the 8% that are developing them) 84% reported distinguishing between temporary duties to a higher classification for a short period as opposed to a longer period in terms of requiring a competitive process. Fifty per cent of these agencies had periods of three months or less before requiring a competitive process, 40% had a period of six months and 10% had a period of 12 months. A decision based on written applications and referee reports was the most common form of competitive selection process (71%), followed by consideration of written applications alone (53%). Just over a third of agencies reported having a requirement for face-to-face interviews.

There were no clear correlations between perceptions of merit in the assignment of duties to a higher classification and the length of time before requiring a competitive process or the type of competitive selection processes used. While it appears that some agencies should review their processes for assigning

⁵ 'Temporary assignment to duties at a higher classification' are duties that attract or could attract, if performed for longer than a specified period (e.g. three months), higher remuneration for performing work at a higher classification level or higher part of a broadband. Also called 'temporary performance loading'.

temporary duties to a higher classification, it is not clear that there is a widespread problem with the processes being used. To some extent APS employees may still be adjusting to the more streamlined approaches being used to make decisions on the basis of merit, and to the acceptability of these approaches to the Public Service Commissioner in the modern public service.

COMMUNITY ACCESS TO APS EMPLOYMENT OPPORTUNITIES

APS agencies are required to provide reasonable community access to employment opportunities. Since the open access policy was introduced in 1998, the APS Commission has undertaken a small annual survey of the selection outcomes of ongoing employment opportunities notified in a February Gazette to provide a snapshot of access trends. This study was undertaken again in 2003, using the Gazette of 20 February 2003.

The percentage of ongoing employment opportunities notified in the Gazette of 20 February 2003 as open to the public has remained at the high level of 99.5%, despite a decrease of around 22% in the total number of opportunities in that issue of the Gazette (536 in 2003 compared with 691 in 2002 and 725 in 2001). The number of ongoing employment opportunities was significantly lower in this year's survey because a large APS agency (accounting for nearly 19% of opportunities in 2002) was not recruiting during the survey period.

Information on the outcome of the selection processes was provided by agencies on the 536 ongoing employment opportunities. Of the finalised opportunities, 51% were filled on an ongoing basis by applicants external to the APS. This is the highest percentage of engagements over the six years of the survey—the average now being 34%.

Further analysis of the classification levels of the employment opportunities notified shows that 71% of all engagements were to the APS 1–4 classifications (63% in 2002 and 78% in 2001) which remain the main entry points for APS employment. The balance between base-grade and lateral recruitment will vary between surveys because one-off exercises, such as a large trainee recruitment campaign in an agency, can significantly affect the survey results.

As the study is based on only one Gazette per year, it is difficult to be definitive on overall trends. However, the data obtained do indicate that agencies on the whole are:

- upholding the APS Value of providing reasonable community access to APS employment opportunities
- conducting selection processes that allow external applicants to compete on merit.

REVIEW OF EMPLOYMENT DECISIONS

One of the Values is that the APS provides a fair system of review of decisions taken in respect of APS employees. The PS Act and the Public Service Regulations establish a review of action scheme. The Public Service Commissioner's Directions require agency heads to establish, within each agency, a system of review that is available to all eligible employees. This section reports the results of the employee and agency surveys on the procedures used in agencies for internal reviews and employees' awareness of these procedures and the reviews available from the Merit Protection Commissioner. Additional information on promotion reviews conducted by the Merit Protection Commissioner is also presented.

The review scheme in the APS allows non-SES employees to seek review of actions or decisions that relate to their employment. In addition to resolving employee concerns with employment decisions and actions, the scheme can be used by agency heads as an assurance mechanism to identify areas where APS Values relating to workplace relationships are not being applied as well as they could be. Raising awareness of the scheme and providing appropriate support to employees who choose to seek reviews help to develop a relationship of trust between employees and management. Effective 'fair treatment' processes are important to high-performing organisations, helping to build strong alignment with business objectives.

The review of action scheme provides for the review of certain promotion decisions (promotion to APS 2 to APS 6 classifications) by the Merit Protection Commissioner. As well the scheme provides for the primary review, by the relevant agency head, of other APS actions affecting an employee (subject to some exceptions). The scheme also provides for external secondary review by the Merit Protection Commissioner of these primary reviews by agency heads. Reviews of decisions relating to alleged breaches of the code of conduct are dealt with directly by the Merit Protection Commissioner.

In the main, most APS agencies provide some reference and commitment to the review processes available to their employees in CAs. It is relevant to note that the provisions of a CA cannot displace the review rights available to employees provided for in the PS Act and Regulations. The inclusion of such provisions in CAs is consistent with the expectation that most workplace disputes are best resolved at the agency level and that agency heads are best placed to facilitate informal resolution of employee concerns.

Very few agencies have sought to gauge the opinion of staff about the effectiveness of these processes—only 15% of the agencies surveyed collect information/data on employees' confidence that the agency's system of primary review provides fair, objective outcomes. Agency and employee survey responses reflect mixed experiences and varying degrees of knowledge and confidence in the APS review processes. While most agencies (90%) provided information on the review processes in their CAs/AWAs, and large numbers used additional approaches to disseminating information (73% had some form of policy or guidance available online and 24% disseminated information through a network of contact officers), only 31% of non-SES employees advised that they were fully aware of the procedures for review of employment actions that are available within their agency. A further 56% advised they were partially aware of their agency arrangements, while 13% were not aware of the processes that they had available to query employment decisions. In terms of informing staff, the approach adopted by Centrelink appears to be very effective, with only 5% of employees indicating that they were not aware of agency arrangements for review.

Of the 87% of employees who were either fully or partially aware of the review regime, 49% felt that such arrangements were either always or usually fair, 27% thought that they were sometimes fair. Some 9% of employees were of the view that such processes were seldom or never fair and 15% were unsure. In four of the 21 large agencies, 50% or more employees indicated that they saw review arrangements as only sometimes, or seldom, fair and effective. Conversely, more than 60% of employees in one large agency indicated a view that review arrangements in their agency were always or usually fair and effective.

Given that many employees are only partially aware of their agency's review framework, their perceptions of the efficacy of that framework may, in part, be shaped by a lack of knowledge of how the system works in practice. It is apparent that some agencies need to focus more effort on providing appropriate training to individual employees who are called upon to undertake reviews within agencies; educating their employees

about the review processes that are available to them; and promoting workplace cultures that do not discourage employees from raising concerns where they feel aggrieved about a particular action relating to their employment. Forty-three per cent of all agencies provided self-nominating training for staff, 44% for managers and 28% for designated review officers. Eighteen per cent of agencies provided training on alternative dispute resolution options.

Responses to the employee survey also reflect a poor understanding of the role of the Merit Protection Commissioner in the review scheme. It appears that employees have a better understanding of the Commissioner's role in terms of those employment actions that they are more likely to be familiar with—promotion and review of promotion decisions. The survey response indicated that 66% of non-SES employees were aware that they could approach the Merit Protection Commissioner for reviews of such decisions. A smaller percentage (45%) of employees knew that they could seek review of findings that they have breached the Code of Conduct, and only 37% of employees appreciated that they could approach the Merit Protection Commissioner for reviews of other decisions/actions taken in relation to their employment actions (e.g. refusal of leave, allegations of harassment). The Merit Protection Commissioner is developing strategies and continuing to engage in activities that describe his statutory functions, with the aim of building awareness of his role and to further partnerships with agencies in their management of workplace relationships consistent with the APS Values. In doing so, he is emphasising the benefits of good internal management and review systems.

REVIEW OF PROMOTION DECISIONS

The ability of APS 1–6 employees to apply to the Merit Protection Commissioner for the review of promotion decisions is one of the assurance mechanisms that protects merit as the basis for promotion of employees. Promotion decisions at these classifications can only be reviewed on the ground of merit. The Merit Protection Commissioner can appoint an independent three-person Promotion Review Committee (PRC) to consider such applications and a recommendation by a PRC is binding on an agency head.

Table 6.1 details the total number of promotion decisions considered by PRCs (or Promotion Appeal Committees under the former legislation), and the number and percentage of promotion decisions that have been overturned during the last six years.

The marked increase in the number of decisions reviewed by PRCs during the last 12 months reflects processes in two large APS agencies where bulk selection exercises for a number of classifications attracted review requests. It also reflects the rise in the number of promotions notified in the Gazette at the APS 2–6 levels from 6884 in 2001–02 to 10,248 in 2002–03.

Apart from these large selection exercises the overall number of applications for review compared with the number of promotions was small. Similarly, the number of occasions on which a PRC recommended overturning a promotion was small, that is 2.8%.

Table 6.1: Promotion decisions reviewed and overturned 1997-98 to 2002-03

	1997-98(a)	1998-99(a)	1999-00(b)	2000-01	2001-02	2002-03
No. of promotion decisions reviewed	NA(c)	NA(c)	1047	717	277	1071
No. of decisions overturned	NA(c)	NA(c)	29	26	15	30
% of decisions overturned	8.6	8.8	2.8	3.6	5.4	2.8

(a) May include a small number of temporary performance selection decisions.

(b) In 1999-00, 485 promotion decisions were considered by PRCs. Thirteen or 2.7% of these promotion decisions were not upheld. In addition, a number of promotions and temporary performance selections were also considered by PACs, established under the Merit Protection Act or the transitional Regulations under the PECTA Act. PACs established under the Merit Protection Act considered 233 promotions, overturning the decision in 10 or 4.3% of cases. PACs established under the PECTA provisions considered 329 promotions, overturning the decision in six or 1.8% of cases.

(c) Historical information not available in this format.

Source: APS Commission data

While the low percentage of promotion decisions overturned on appeal can be seen as an indicator of good practice by agencies in respect of merit selection decisions, the responses to the employee survey suggest that over one-third of APS 1-6 employees either did not know, or were not sure of, their rights to seek assistance from the Merit Protection Commissioner in relation to promotion decisions. This indicates that there is some further need for agencies to ensure employees are made aware of the promotion review system and their rights in respect of this process.

REMUNERATION

Since 1997 the wages and conditions of employees in the APS have been negotiated and determined at the agency level. APS employees are generally either covered by CAs or individual AWAs. In negotiating wages and conditions agencies have significant flexibility subject to consistency with the Government's *Policy Parameters for Agreement Making in the APS*. These policy parameters cover a range of matters but include the important requirements that improvements in pay and conditions be linked to organisational productivity and performance and that they be funded from within agency budgets.

Last year's report commented on agencies' increasing use of the flexibility available to them in the employment framework, while noting that there was scope for agencies to make more strategic use of AWAs. A degree of concern was expressed about the quantum of average annual wage increases in some APS agencies and the ongoing issue of the sustainability of the funding arrangements. The importance of transparent remuneration policies and the increasing overlaps in salary ranges, particularly for EL 2s and the SES, were also discussed. This section revisits these issues and outlines major developments in APS remuneration in 2002-03.

CERTIFIED AGREEMENTS

Data provided by DEWR indicate that most non-SES employees are covered by CAs—around 98% of APS 1–6 employees and around 80% of ELs. At 30 June 2003 there were 99 CAs operating in the APS. Sixty-seven of these were third-round agreements and six were fourth-round agreements. Sixty agreements were made during the year to 30 June 2003 (compared with 36 agreements made in the previous 12 months).

Over two-thirds of operating agreements have been made with one or more trade unions under section 170LJ of the *Workplace Relations Act 1996*, while 29% have been made directly with employees under section 170LK. There appears to be a small increase in the number of section 170LJ agreements over the last financial year compared with 2001–02. The number of operating CAs that are stand-alone agreements that completely displace the *Australian Public Service Award 1998* has increased to 94% compared with around 90% at the end of 2001–02.

The average annualised wage increase (AAWI) for all APS agreements certified in the 12 months to 30 June 2003 was 4.9% (compared with 4.1% in the previous 12 months). When calculated from the nominal expiry date (NED) of an agreement to the NED of that agreement's replacement, the AAWI was 3.9% for the 12 months to 30 June 2003 (the same increase as for the previous 12 months). The private sector AAWI at 30 June 2003 was 3.6% (3.7% last year). The spread of NED to NED AAWI in APS CAs in the 12 months to 30 June 2003 ranged from 2.4% to 7.5% (last year the comparable data was 1.8% to 5.2%).

Measuring and comparing remuneration increases is difficult, given different timeframes for negotiating different agreements and changes in the composition of remuneration. Using the NED to NED AAWI abstracts from some of these problems. The variations in CA NED to NED AAWI outcomes in agencies may relate to a number of factors, including 'catch-up' for past low rates of increase (and vice versa), as well as particular market pressures and variations in agencies' capacity to pay. However, it must be noted that the average APS wage increases in CAs, while remaining the same as last year, also remain slightly above the average for the private sector.

The issue of funding arrangements for agreement making in the APS is an ongoing one. Some agencies and commentators continue to question the sustainability of the policy parameters that require the ongoing funding of remuneration increases for CAs and AWAs from productivity improvements within agency budgets, particularly for smaller agencies. It is certainly true that remuneration levels are generally set in the market place on the basis of supply and demand, and not solely on the basis of productivity within a firm. On the other hand, the average pay increases offered by agencies continue to exceed those in the private sector. Also, there is no evidence that the levels of base salary have fallen behind in smaller agencies. In fact, if anything, the evidence suggests that larger agencies tend to offer lower base salaries compared with medium and small agencies.⁶ Accordingly, while there may be a case for reviewing the particular way in which remuneration increases are funded, there is little evidence to support any overall relaxation.

⁶ Mercer Human Resource Consulting (June 2003) 'APS Non-SES Remuneration Survey' and 'APS SES Remuneration Survey' conducted for DEWR indicated that for eight out of 12 classification levels large agencies (greater than 5000 employees) offered the lowest or second lowest level of base salary compared to medium and small agencies (size being determined by the number of employees with five categories: less than 100; 100 to 500; 500 to 1000; 1000 to 5000; greater than 5000).

AUSTRALIAN WORKPLACE AGREEMENTS

Data collected by DEWR from agencies indicate that the number of operative AWAs in the APS over the 12 months to end June 2003 increased by around 14% to around 8000 (1800 covering SES, 4500 covering ELs and 1700 covering APS 1–6). The rate of growth for AWA coverage of APS 1–6 employees was the highest (over 30%) but this classification group has by far the lowest coverage level (less than 2% of all ongoing employees) compared with around 19% for ELs and virtually all SES.

The employee survey asked employees to indicate if their salary was set out in an AWA or their agency's CA. Consistent with the above DEWR data, nearly all SES and 22% of ELs responded that their salary was set out in an AWA. However, 7% per cent of APS 1–6 indicated they were covered by an AWA, more than three times the coverage indicated by the DEWR data. The most likely explanation for this discrepancy is a lack of knowledge of the distinction between AWAs and CAs by some employees in this classification group.

CHANGES IN SALARY AND PERFORMANCE PAY

Data on the amount of salary and performance pay for those on AWAs and CAs can be gleaned from the results of an agency survey of SES and non-SES remuneration conducted for DEWR by Mercer Human Resource Consulting in 2002.⁷

Table 6.2 indicates that employees on AWAs generally enjoyed higher levels of base salary in 2002 (and in 2001) compared with employees covered by CAs. AWA employees have also received higher increases in base salaries over the 18-month period between the Mercer surveys in 2001 and 2002 than employees covered by CAs (with the exception of the APS 2 classification). Consequently, as the last two columns of the table indicate, the gap between the levels of base salary for those on AWAs and CAs has also increased over the 18-month period (again with the exception of the APS 2 classification).

Table 6.2 also illustrates the variability of actual outcomes between classifications even within the CA or the AWA stream—reflecting in part the variability in increases between classifications and different individuals within individual agencies' CAs and AWAs. This can arise as part of a deliberate strategy in remuneration policy (e.g. to pay graduates from a certain discipline in short supply more on commencement) or because individuals move through salary ranges at different paces (as part of a performance management system) or because the proportion of employees at the top of salary ranges (and therefore generally ineligible for additional increases via movement through the salary range) varies between classifications.

⁷ Mercer Human Resource Consulting (June 2003) 'APS SES Remuneration Survey' and 'APS Non-SES Remuneration Survey' conducted for DEWR.

Table 6.2: Median base salary comparison—CAs and AWAs

APS	Certified Agreement			AWA			Percentage difference between base salary in AWAs and CAs		
	Class	2001 \$	2002 \$	% increase	2001 \$	2002 \$	% increase	June 2001	Dec 2002
	Grad	33150	34824	5.0	33000	41667	26.3	-0.5	19.7
	APS 1	28500	29203	2.5	–	–	–		
	APS 2	32540	34536	6.1	34000	35841	5.4	4.5	3.8
	APS 3	36360	37675	3.6	36700	40827	11.2	0.9	8.4
	APS 4	40600	42241	4.0	41900	44262	5.6	3.2	4.8
	APS 5	44870	46527	3.7	45000	49074	9.1	0.3	5.5
	APS 6	51650	53581	3.7	53020	56790	7.1	2.7	6.0
	EL 1	63760	68096	6.8	65100	69984	7.5	2.1	2.8
	EL 2	78800	82839	5.1	80040	85691	7.1	1.6	3.4

Note: A median AWA figure was not available for APS 1 in 2001, therefore no comparison has been made.

Source: Mercer Human Resource Consulting 'APS Non-SES Remuneration Survey' for DEWR, June 2003, Table 9, p.12.

Comparable base salary movements for SES (who are virtually all covered by AWAs) are not available, as the gap between Mercer surveys for SES remuneration was only 12 months. However, the increase in median base salary over this shorter period was between 4.2% and 4.3% for SES Bands 1, 2 and 3.

Results from the employee survey and the remuneration surveys conducted for DEWR indicated that employees covered by AWAs were more likely to have part of their pay linked to performance than those on CAs (e.g. 79% compared with 52% for ELs). SES employees (89%) were most likely to be eligible to receive performance-related pay. The type of performance-related pay varied significantly between those on AWAs and CAs. Non-SES employees on AWAs were more likely to be eligible to receive one-off bonuses in addition to base salary, while those employees on CAs were more likely to be eligible for advancement in base pay through a salary range.

The more widespread access to performance bonuses for those employees on AWAs serves to increase the median remuneration gap between those on CAs and AWAs. This is not just because more employees on AWAs are eligible to receive performance bonuses compared with those on CAs but also because a higher proportion of those on AWAs actually receive a bonus. The Mercer non-SES Remuneration Survey for 2002 found that of the employees eligible for a performance bonus, 45% of those employed under a CA and 78% of those employed under an AWA actually received a performance bonus.

Moreover, those on AWAs receive, on average, higher bonuses. The size of the performance bonuses received by those on AWAs ranged from 30% higher than those received by those on CAs at the EL 2 level to more than three times higher at the APS 3 and 4 levels.⁸

Generally, the possible range of performance bonuses varies significantly between agencies from a high of 25% of base salary to 1% in 2003. On average, the size of performance bonuses increases with classification level from 1.6% of base salary at the graduate level, around 3% at the APS 3–6 level, 5.1% at the EL 2 level and 7.4% at the SES 3 level in 2002.⁹

Remuneration differences based on skill and performance factors are to be expected given that many agencies make some strategic use of AWAs to attract and retain key staff. Moreover, higher bonuses in AWAs may reflect the preference of employees on CAs for less weight to be given to performance pay. In this context the differential outcomes for non-SES employees on CAs and AWAs are not necessarily of concern. The flexibilities available to agencies, however, reinforce the desirability of clear remuneration policies that set out criteria for determining remuneration for employees covered by both CAs and AWAs. For example, where within an agency significant proportions of staff at a particular classification level are employed both under CAs and AWAs it is desirable that there be clear criteria for the basis of any differentials in remuneration. These criteria could include skill/knowledge differentials, the inclusion of job specific targets in AWAs, higher levels of ‘at risk’ pay in AWAs and/or streamlined conditions in AWAs.

Such criteria, outlined in remuneration policies and understood by staff, are important from an accountability perspective as well as for building employee confidence in, and support for, more flexible and individually based approaches to remuneration. From this perspective, it is of some concern to note that only 26% of agencies report having an explicit remuneration policy that is separate from their CA though 14% of agencies report that they are developing such a policy.¹⁰ Where an agency has low usage of AWAs the need for a separate remuneration policy other than that contained in their CA is of course less pressing, although it is interesting to note that, for large agencies, there is no discernable correlation between having a separate remuneration policy and the proportion of staff being employed under AWAs.

OVERLAPPING SALARY RANGES

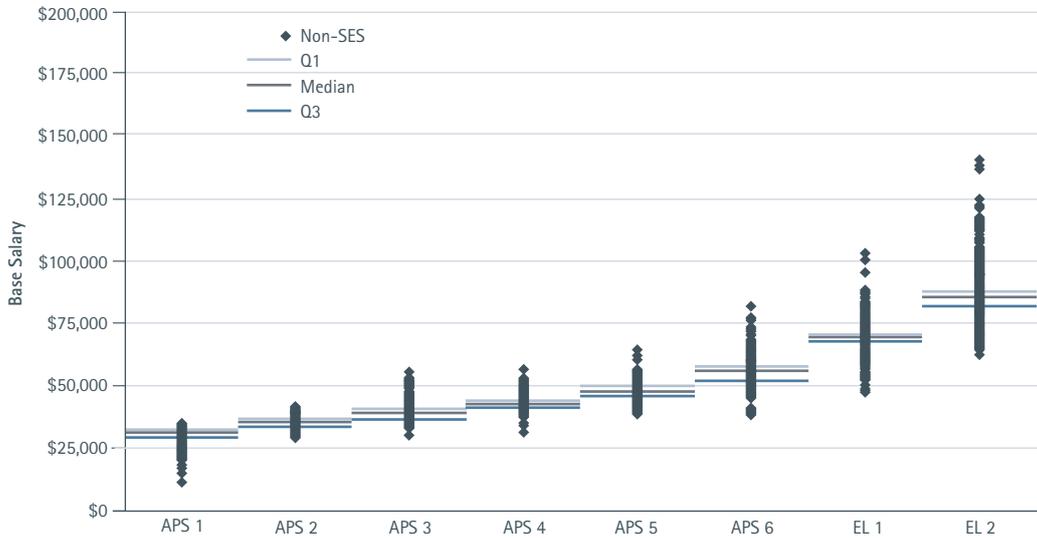
Previous State of the Service reports have noted the increasing overlap between salary ranges for classifications across the APS. Figures 6.3 and 6.4 present data from the Mercer surveys on remuneration conducted for DEWR on the extent of the overlaps in 2002. Figure 6.3 indicates that for APS classifications there is considerable overlap between classifications, although the 50% of employees paid around the median (i.e. the second and third quartiles) do not overlap between classifications, with the exception of APS 2 and 3. Both figures indicate that the size of the salary range (i.e. the dispersion around the median) generally tends to increase with classification.

⁸ Mercer Human Resource Consulting ‘APS Non-SES Remuneration Survey’ conducted for DEWR, June 2003, Table 14, p.15.

⁹ Mercer Human Resource Consulting ‘APS SES Remuneration Survey’, June 2003, Table 14 p.18 and ‘APS Non-SES Remuneration Survey’, June 2003, Table 19, p.17.

¹⁰ This result from the agency survey is somewhat inconsistent with the results of the APS SES and non-SES remuneration surveys conducted for DEWR by Mercer Human Resource Consulting. 72% of the 55 agencies surveyed for non-SES remuneration reported having a formal non-SES remuneration strategy. This could include those contained in CAs and is thus reconcilable with the results from the State of the Service agency survey. However, in the Mercer SES remuneration survey 72% of the 51 agencies surveyed reported have a formal executive remuneration strategy. Given that the SES would not be covered by the CA this result is difficult to reconcile with the results of the State of the Service agency survey in which only 26% of the 89 agencies reported having an explicit remuneration policy separate from their CA.

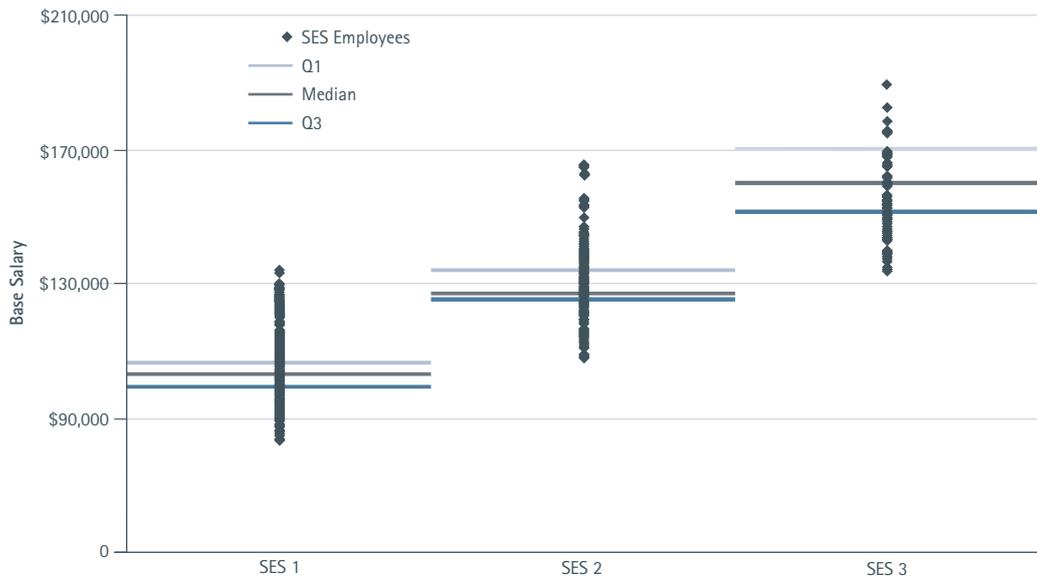
Figure 6.3: Base salary distribution for APS and EL classifications 2002



Source: Mercer Human Resource Consulting, 'APS Non-SES Remuneration Survey', conducted for DEWR, June 2003.

The width of the salary band for a particular classification is likely to relate to a range of factors including the variability in agencies' capacity to pay, the market for the range of skills needed to achieve an agencies' business outcomes, where agencies are up to in the agreement cycle for both CAs and AWAs, and agencies' remuneration policies (i.e. where in the market agencies want to position themselves). In this context, it is not surprising that the salary range is greater for higher-level classifications, given the relatively greater scarcity of the skills required at these levels.

Figure 6.4: Base salary distribution for SES employees



Source: Mercer Human Resource Consulting, 'APS SES Remuneration Survey', conducted for DEWR, June 2003.

Last year's report concluded that, while there is nothing of itself wrong with overlapping salary ranges, care is needed to ensure remuneration strategies remain robust. This means linking remuneration firmly to skills and performance, and avoiding strategies that undermine the merit principle. Given the Public Service Commissioner's important quality assurance role for SES selection and promotion, the following analysis focuses particularly on salary overlaps for the EL 2 and SES classifications.

Table 6.3 indicates that generally salary overlaps at the APS-wide level between these classifications have continued to increase, with the exception of a narrowing of the overlap between the highest SES Band 1 and the lowest SES Band 2 in 2002. It also appears that there may be a narrowing of the gap between the highest EL 2 and lowest SES Band 1 in 2003 (although, given the different data sources, this result should be treated cautiously).

Table 6.3: APS-wide salary overlaps

	Mercer/DEWR surveys (a)		SOSR agency survey (b)
	2001 (\$)	2002 (\$)	2003 (\$)
Highest EL 2	110 000	125 000	121 340
Lowest SES 1	85 000	85 000	86 660
overlap	25 000	40 000	34 680
Highest SES 1	140 000	138 000	152 170
Lowest SES 2	100 000	115 000	114 000
overlap	40 000	23 000	38 170
Highest SES 2	140 000	153 000	165 000
Lowest SES 3	140 000	135 000	134 216
overlap	0	18 000	30 784

(a) Major outliers have been excluded. Salary ranges have been 'read' from graphs and charts (therefore only approximate). 2001 survey results from 61 agencies for SES and 60 agencies for EL 2s. 2002 survey results from 51 agencies for SES and 55 agencies for EL 2s.

(b) Major outliers have been excluded. 89 agencies participated in the agency survey.

Source: Mercer Human Resource Consulting (June 2003) 'APS SES Remuneration Survey' and 'APS Non-SES Remuneration Survey' conducted for DEWR, Human Resource Consulting (2002) 'APS SES Remuneration Survey 2001' conducted for DEWR, DEWR SB (October 2001) 'APS non-SES Remuneration Survey' and State of the Service report agency survey 2003.

The results from this year's State of the Service agency survey allow, for the first time, an analysis of salary overlaps between these classifications *within* agencies. Data provided by twenty-one agencies indicated that their highest-paid EL 2s got paid a higher base salary than their lowest-paid SES Band 1s (nine large agencies, eight medium agencies and five small agencies). For the 18 agencies that provided usable data the size of the overlaps in base salary varied from \$1715 to \$44,000.

For most of the 18 agencies, the fact that nearly all SES Band 1s have access to a privately plated vehicle removes the gap entirely or reduces it significantly. However, five of the agencies concerned also give their

highest-paid EL 2s access to such a vehicle. Overall, after taking into account access to privately plated vehicles, seven agencies (two large and five medium) continued to have overlaps between the highest paid EL 2s and SES Band 1s ranging from \$2699 to \$40,000. An important point to note, however, is that in all of these seven agencies it is reported that only one individual EL 2 receives the highest base salary and vehicle package; thus only very small numbers of employees are affected.

The types of EL 2 employees receiving rates of base salary greater than the lowest-paid SES Band 1 were employees with rare and valued skills/knowledge (67% of agencies that provided information on the types of high-paying EL 2 jobs), employees with specialist skills such as research scientists or medical officers (61%) or technical specialists such as ICT officers (44%), employees performing jobs that have a high workload and are distinguishable from other EL 2s (e.g. those responsible for smaller regional branches) (33%) and high-performing employees (28%).

Overlapping salary ranges within agencies amongst the SES classifications were less common and of smaller amounts. No agencies reported overlaps between SES Band 2s and 3s in base salary while 10 agencies reported an overlap between the highest-paid SES 1 and lowest-paid SES 2. Four of these 10 agencies were also members of the group of 18 agencies that had overlaps between EL 2s and SES 1s. Overlaps ranged from \$924 to \$17,100.

In summary, while overlapping salary bands for EL 2 and SES classifications generally appear to be increasing at the APS-wide level, overlaps within individual agencies are confined to a relatively small number of agencies and affect only very small numbers of employees with particular skills or particular jobs. This new information moderates to a large extent any concerns about the possible undermining of the merit principle within agencies and the APS Commissioner's quality assurance role for SES selection and promotion.

It is important, nonetheless, that all agencies, particularly the 21 agencies with overlaps, (and the seven agencies which continue to have overlaps after consideration is taken of privately plated vehicles), ensure that they have robust remuneration policies that make clear the links between skills and performance. In this regard, only ten of the 21 agencies report having an explicit remuneration policy separate from their CA while one agency reported that such a policy was being developed. Four out of the seven agencies where continuing overlaps after vehicles are taken into account could be identified, have such policies, with the same one agency developing a policy.

There are also some notes of caution about the growing salary overlaps at the APS-wide level. To the extent that such overlaps are being driven by demand for widely used specialist skills in the APS (e.g. legal, financial and ICT) agencies may avoid bidding wars for the often limited supply of such skills by more active workforce planning, including by placing more emphasis on developing, over the medium term, such skills/experience internally. There is also the possibility of broader bidding wars for talent, unnecessarily increasing pay levels particularly at more senior levels.

Growing salary overlaps may be having some impact on declining interagency mobility rates within the APS. Trends in mobility are discussed in the following section.

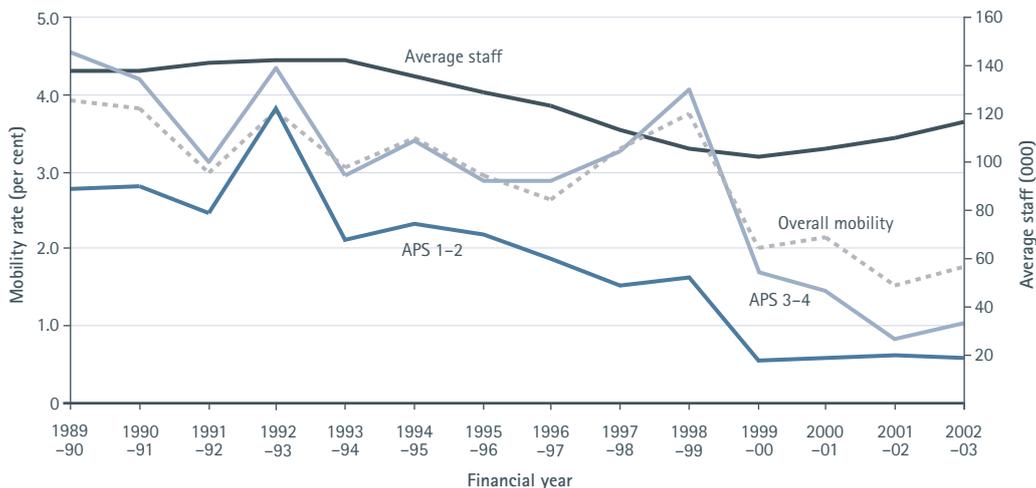
MOBILITY

Mobility is a vehicle for professional development, an opportunity to exchange ideas and better-practice approaches, to improve cooperation among public service agencies and to contribute to the maintenance of a service-wide culture. For the purpose of this section mobility relates only to promotions and transfers between agencies and does not incorporate mobility through movements in and out of the APS.

The mobility rate (which comprises promotions and transfers between agencies) has declined from 3.1% in 1993–94 to 1.8% in 2002–03. Chapter 2 briefly referred to variations in the mobility rate over the last 10 years.

Figure 6.5 shows the overall rate of mobility for all ongoing APS employees, specific mobility rates for APS 1–2 and APS 3–4 classification levels (on a separate axis) and average staff numbers for the period from 1989–90 to 2002–03.

Figure 6.5: Interagency mobility rates for selected classifications, and average staff numbers



Notes: Mobility rates have been calculated on the basis of interagency promotions and transfers, not movements within agencies or in and out of the APS.

Source: APSED

The figure shows a relationship between total staffing levels and overall mobility rates for the period between 1989–90 and 2002–03. It suggests that mobility is affected by what is happening to the APS overall. When the APS is expanding, it is also likely that mobility will increase because of the available opportunities. When the APS is contracting, mobility rates are likely to decline correspondingly.

The same relationship between mobility and employment opportunities also appears to exist for classifications most affected by changing mobility rates. At the APS 1–2 levels, fewer opportunities for transfer and/or promotions are now available, and mobility has stabilised. The main gateway for entry into the APS is now at the APS 3–4 levels, and mobility in this classification group is generally consistent with the overall trend.

Staff moving into the APS at the 3–4 levels are also likely to have private sector experience and have, on moving to the APS, brought with them a greater breadth of experience than earlier cohorts.

The results of the employee survey provide information on employee intentions to seek promotion and/or transfer within the employee's current agency, outside that agency and outside the APS. Promotion and transfers data were collected separately and a respondent may have indicated that they would seek a promotion and/or a transfer.

Forty-seven per cent of respondents indicated that they anticipated seeking a promotion in the next 12 months. Most of the employees intending to seek a promotion intended to do so in their own agency (82%). The main reason these employees gave was that they enjoyed the issues/type of work dealt with (77%).

In response to questions as to whether respondents would seek to change jobs at their current classification level within the next 12 months, 20% of respondents indicated that they would. Of these respondents, 55% said they would seek a transfer at the same classification level in their own agency. As was the case with promotions, the main reason for seeking a move within the current agency was, for the majority of respondents (81%), that they enjoyed the issues/type of work dealt with.

While the main reason employees wished to stay in their current agency was because they enjoyed their work, other factors were also relevant. For promotions, the third most often stated reason was that the pay and conditions in the employee's current agency were preferable to many other APS agencies (32% of relevant employees). Similarly, for transfers the second most stated reason was preferable pay and conditions (33%). This suggests that pay and condition differentials between agencies may also be a relevant consideration affecting employees' decisions in terms of career mobility within the APS.

It may be that, where agencies have successfully established structured learning and development and career paths within their own agency, employees are being encouraged to remain in that agency, and agencies are getting a greater return on their training investment. The high proportion of employees intending to seek promotion, suggests agencies do need to carefully manage the pressure for premature advancement by providing appropriate frameworks and support through career planning, learning and development strategies and sound performance management.

The proportion of employees intending to seek a transfer within their agency is a positive sign that employees are willing to move at level to learn new skills and may reflect a greater focus on in-house career development and learning and development opportunities which are effectively linked to performance management. Opportunities to transfer to develop skills, to experience new challenges and to continue to have interesting work are important in maintaining committed employees who enjoy their work.

BROADBANDING

In relation to broadbanding, 49% of respondents (APS 1–6 and ELs only) indicated that they worked in an agency that used a broadbanded classification system. While about another third of respondents said they did not work in such an agency a substantial proportion of respondents (20%) were not sure. There was a fairly evenly divided view on the impact of broadbanding on opportunities for advancement. Twenty-eight per cent of those respondents who identified themselves as working in a broad-banded system said that it had made advancement opportunities better, 27% said the situation was worse and 33% said there had been no change.

Opinions about broadbanding varied according to level and whether or not employees were located inside or outside the ACT. More EL staff (35%) considered that it had made advancement opportunities better than those at the APS 1–6 levels (26%). A greater proportion of staff in the ACT (31%) also considered that it had improved opportunities than those not in the ACT (26%).

However, only small proportions of employees gave broadbanding as the most important reason for seeking a promotion within their own agency (rather than another APS agency) or indicated that it had made transferring between agencies more difficult.

The APS Commission has commenced a project in a small number of agencies to explore why and how broadbanding has been used and to examine its impact on different classifications. The Commission is particularly interested to investigate:

- the interaction between broadbanding and the application of the merit Value
- agencies' experience of problematic aspects of broadbanding, such as excessive upward movement through the classification levels, and strategies to mitigate their effects
- the benefits and flexibilities that broadbanding may offer agencies, such as the provision of a more streamlined approach to learning and development and career planning.

The project will use existing information on broadbanding contained in CAs and also undertake an information-gathering exercise involving questionnaires and follow-up visits to selected agencies. The aim is to identify any policy development issues and to indicate areas the APS Commission may need to address—for example, further guidance for agencies, possible agency forums and training programs.

WORKPLACE CONSULTATION

The APS Values include the establishment of workplace relations in the APS that value communication, consultation, cooperation and input from employees on matters that affect their workplace. These are critical to achieving results and underpinning good working relationships.

The PS Act provides agency heads with all the rights, duties and powers of an employer in regard to APS employees in their agency. In addition to the setting of pay and conditions, this includes implementation of policies on employee consultation in their agency. Consultation practices amongst agencies, however, can be expected to vary given differences in agencies' size and the nature of their business outcomes.

EMPLOYEES' PERCEPTIONS OF CONSULTATION

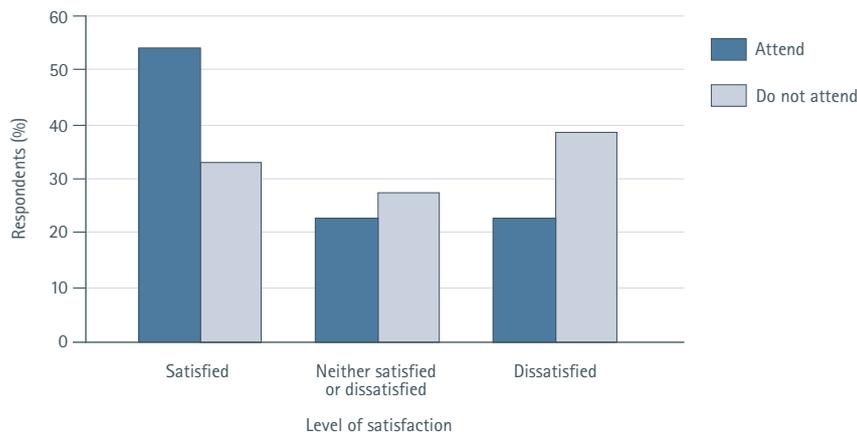
While meetings can be the bane of bureaucracies, they are also an essential part of the consultation process and, if properly managed, can support genuine and constructive staff engagement. The employee survey results suggest that the most common practice amongst agencies is to conduct regular meetings at the section/team/unit level, with fewer agencies conducting regular meetings at higher levels.

Just over one-third of employees reported attending meetings at the branch/group/division/office level on a regular basis (i.e. monthly or more often) and 5% reported this type of meeting as being 'not applicable' to their circumstances. Sixteen per cent of respondents to the employee survey indicated that they do not attend this level of meeting and a further 43% indicated that they attend these meetings on an ad-hoc basis.

Employees reported attending lower-level meetings (i.e. at the section/unit/team level) on a more regular basis. Of the APS and EL employees who answered the question, almost three-quarters reported attending staff meetings of this kind on a regular basis (i.e. monthly or more often). Only 2% reported that they do not attend such staff meetings and a further 23% indicated that they attend these meetings on an ad-hoc basis (just 1% reported it as being ‘not applicable’). Of the agency-specific results available for 21 large agencies, the range of results was considerable. For example, the proportion of respondents who attended such meetings on a regular basis ranged from 36% to 93% of employees. The proportion who reported not attending meetings of this kind ranged from 0% to 8%. The range for ad-hoc meetings was 7% to 44%. The large agencies with the highest reporting of attendance at regular meetings at the section/unit/team level were CRS, Health, DEH and CSA.

Almost half of employees (46%) indicated that they were satisfied with their overall say in decisions that impact on their work, however, 28% reported being dissatisfied. Employees’ satisfaction levels do appear to be strongly correlated to attendance at regular staff meetings. Figure 6.6 shows that employees who attend regular staff meetings at the section/unit/team level are significantly more likely to be satisfied with their overall say in decisions that affect their work.

Figure 6.6: Employee satisfaction with overall say in decisions by attendance at regular staff meetings



Source: Employee survey

Employees’ level of satisfaction with their overall say in decisions was also correlated with a number of other factors, including:

- attendance at regular staff meetings at the branch/group/division/office level (similar to the correlation shown in Figure 6.6 above)
- attendance at meetings held by staff representatives to discuss issues affecting staff (again, similar to the correlation shown in Figure 6.6 above)
- perceptions of their supervisor’s ability to manage people (employees satisfied with their overall say in decisions are much more likely to consider that their supervisor is highly effective at managing people and vice versa)

- overall job satisfaction (employees satisfied with their overall say in decisions are much more likely to have a high overall job satisfaction rating and vice versa).

AGENCIES' POLICIES ON WORKPLACE CONSULTATION

The agency survey asked agencies about policies in place requiring regular staff meetings in their agency (at the section/unit/team level and the branch/group/division/office level). Almost one-third of agencies reported that they currently do not have policies in place on this issue. Large agencies were more likely than small and medium agencies to report that they currently do not have such policies in place (41% of large agencies compared with 31% of medium agencies and 24% of small agencies). This result does not necessarily mean that regular staff meetings are not occurring in these agencies. However, when analysed in conjunction with the results of the employee survey, there does appear to be cause for concern about the degree to which workplace consultation is occurring in some APS agencies.

The survey results show that the extent to which agencies regularly consult their employees on day-to-day workplace issues varies widely. They also show that employees who regularly attend staff meetings are more likely to feel that they have a say in decision-making processes in their workplace and that this is linked to employee job satisfaction. This data suggest that regular staff meetings may have a positive impact on how employees view their ability to contribute to decision making processes within their agencies.

The wide-ranging results of large agencies, as well as the fact that 16% of employees reported having never attended a staff meeting at the branch/group/division/office level, indicate that some agencies should be devoting more effort to encouraging consultation in the workplace.

SAFE WORKPLACES

While the Commonwealth's workers compensation scheme is arguably one of the best performing in Australia¹¹, for 2003–04, APS agencies will pay around \$101m to Comcare in premium fees. The overall premium rate for all agencies increased from 1.0% of payroll in 2001–02 to 1.13% of payroll for 2002–03 and to 1.43% for 2003–04, representing a 43% growth in premium rates in two years. This was due primarily to deterioration in claim performance and, in particular:

- higher numbers of workers compensation claims
- higher numbers of accepted high-cost claims, such as claims for psychological injury and occupational overuse syndrome
- an increase in the costs associated with injured employees staying off work.

Figures 6.7, 6.8, and 6.9 show the average performance of all APS agencies in 2000–01, 2001–02 and 2002–03 against a number of performance indicators. They also show the average performance of the 15 agencies with the highest premium rates. The performance indicators used are:

- the incidence rate (number of injuries per 1000 full-time equivalent employees) for compensated workplace injuries resulting in five or more days off work

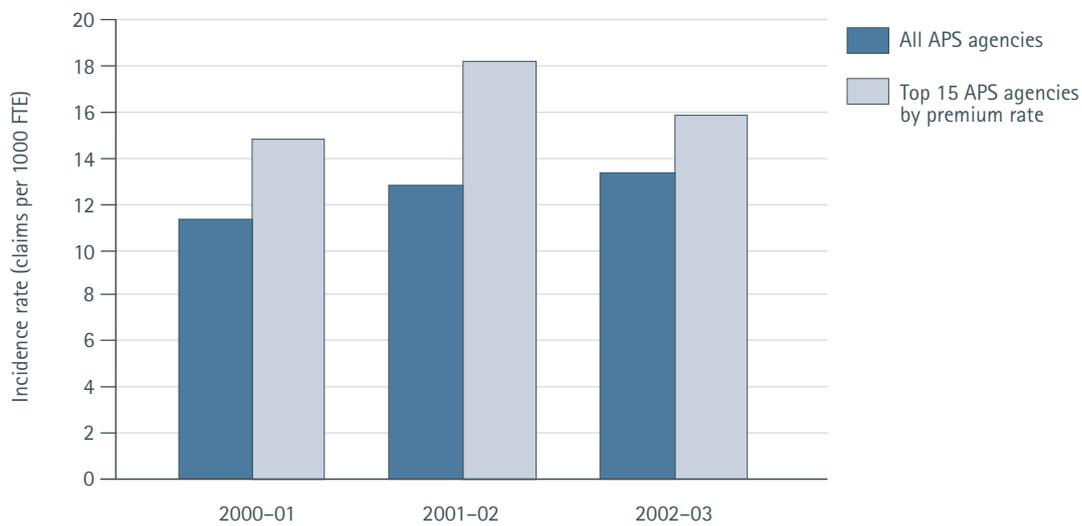
¹¹ It has one of the lowest rates of compensated workplace injury, the lowest average premium rate and provides amongst the highest benefits of all schemes across Australia. The Comparative Performance Monitoring report provides details of the scheme and allows for comparison between other schemes in Australia and New Zealand. The findings cited here are from the most recent published report (4th edition, August 2002 at p. 134). When standardised to reflect industry mix, the Commonwealth's premium is the second lowest.

- the incidence of injuries that go on to accumulate 30 days and 60 or more days of time off work (which indicates the duration of incapacity following injury).¹²

As Figure 6.6 shows, the average performance for all APS agencies against the first indicator (five or more days off work) has deteriorated over recent years. In contrast, the average performance of the 15 agencies paying the highest premium rates showed some improvement in 2002–03, but has not yet returned to the level of performance achieved in 2001–02.

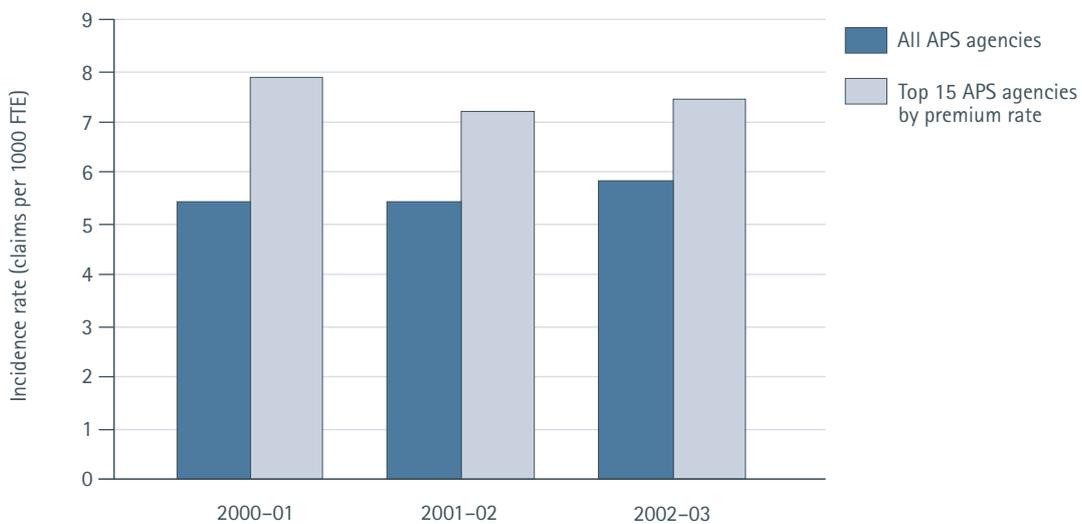
As Figures 6.8 and 6.9 show, the average performance of all APS agencies deteriorated against the 30-day (or ‘duration of incapacity’) indicator for 2002–03, and remained stable in relation to the 60-day indicator. The performance of the 15 agencies paying the highest premium rates deteriorated slightly against the 30-day indicator, and showed no change against the 60-day indicator.

Figure 6.7: Incidence of injuries resulting in 5 days of incapacity



Source: Comcare

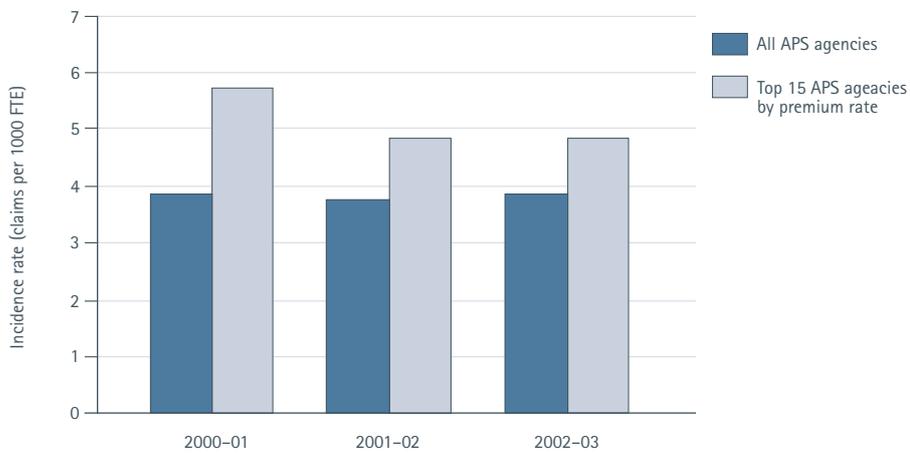
Figure 6.8: Incidence of injuries resulting in a duration of 30 days of incapacity



Source: Comcare

¹² The performance figures for 2000–01 and 2001–02 as published in the previous State of the Service report have been revised for this report.

Figure 6.9: Incidence of injuries resulting in a duration of 60 days of incapacity



Source: Comcare

In 2002, the Workplace Relations Ministers' Council endorsed the release of the National Occupational Health and Safety (OH&S) Strategy 2002–2012. As part of that strategy, Ministers stated their commitment to achieving national targets to sustain a significant continual reduction in the incidence of work-related fatalities with a reduction of at least 20% by 30 June 2012, and reduce the incidence of workplace injury by at least 40% by 30 June 2012.

Following the Workplace Relations Ministers' Council's endorsement of the National OH&S Strategy, the Safety, Rehabilitation and Compensation (SRC) Commission adopted for the Commonwealth jurisdiction the national target of a reduction of at least 40% in the incidence of workplace injury by 30 June 2012, with a reduction of 20% being achieved by 30 June 2007. The SRC Commission has gone further than the national target for fatalities by setting a target for the Commonwealth jurisdiction of zero fatalities from injury. This excludes death from disease and commuting claims, and takes into account declarations by the Minister for Defence of warlike and non-warlike operations for military personnel.

In addition to these targets, Commonwealth premium-paying employers are being asked to adopt a further two targets to improve return to work and injury management by reducing:

- the average weeks of lost time due to injury by 40% by 2012
- the average time taken for return to work activity to commence by 90% by 2012.

In late June 2003, large premium paying agencies with 1000 or more employees were invited to sign a Statement of Commitment to achieving these performance improvement targets. Performance against the targets will be reported annually to Ministers on a jurisdictional basis, and agencies are being encouraged to regularly monitor their progress and report their own performance in their annual reports.

WORK-LIFE BALANCE

Section 10(1)(j) of the PS Act provides for APS workplaces that are fair, flexible, safe and rewarding. Agency heads are required to put in place measures directed at ensuring that employment and workplace arrangements take appropriate account of APS employees who are seeking to balance individual needs and the achievement of organisational goals.¹³ These measures are designed to facilitate APS employees' attainment of a 'work-life balance'. The value of these measures for maintaining and improving the organisational capability of the APS, through the attraction and retention of skilled and experienced employees, is considered in the MAC report on organisational renewal, which was released in April 2003.

The form and content of work-life balance measures in the APS vary among agencies, although some measures, such as part-time work, purchased leave and flexible working hours, are well established across the Service. The distribution of caring responsibilities also varies significantly among agencies. In this year's employee survey, hours worked in excess of standard or agreed hours and supervisor support for the use of flexible work practices were used as indicators of work-life balance.

CARER RESPONSIBILITIES

Drawing on responses to the employee survey, Table 6.4 illustrates that the distribution of carer responsibilities across the 21 large agencies with statistically valid results is quite uneven, varying from 48% of employees having caring responsibilities (BOM) to 22% (DEH). The table breaks down total caring responsibilities (column 2) into types of caring responsibilities—caring for children under 5, children aged between 5 and 16 and aged parents (see the notes under the table for an explanation of why the percentages do not add up across the table).

The table also sets out unscheduled absenteeism (column 6), expressed as days per employee (encompassing sick and carer's leave, workers compensation and various types of miscellaneous leave), for the 21 large agencies with statistically valid employee survey results. These absence rates were calculated by the ANAO in Audit Report No. 52, 2002–03, *Absence Management in the Australian Public Service*. Table 6.4 shows some relationship between carer responsibilities and rates of unscheduled absenteeism. Of the five agencies with the lowest rates of unscheduled absenteeism, four are amongst those with the lowest reported rates of carer responsibilities (curiously, the other is the agency with the highest rate of carer responsibilities). Conversely, of the five agencies with the highest rates of unscheduled absenteeism, three are amongst those with the highest rates of carer responsibilities.

¹³ Commissioner's Direction 2.11, Values in the Australian Public Service, Values and Conduct, 2002.

Table 6.4: Carer responsibilities and unscheduled absences

Agency	% of employees with any carer responsibilities (a)	% of employees with children < 5 y.o.	% of employees with children 5–16 y.o.	% of employees with care of aged	Absenteeism (b)
BOM	48	20	26	3	5.96
DFAT	25	3	21	4	6.95
DOTARS	30	7	24	4	7.01
DEST	25	10	16	1	7.92
DEH	22	10	11	1	8.11
DAFF	37	8	25	9	8.38
CRS	39	9	23	12	8.92
ASIC	27	10	18	0	8.94
DIMIA	33	10	21	5	10.16
Defence	37	11	28	2	10.22
ABS	41	15	22	7	10.31
DITR	38	9	30	3	10.95
Health	38	11	23	4	11.03
DEWR	32	8	20	7	11.06
Customs	42	14	29	5	11.26
FaCS	42	18	29	5	12.44
ATSI	41	11	34	4	13.39
DVA	28	3	17	5	13.59
CSA	46	10	26	8	14.16
ATO	41	12	28	8	15.15
Centrelink	33	7	18	5	15.47
APS average (c)	36	10	24	5	11.9 (mean) 8.9 (median)

Note: (a) The percentage of employees with any carer responsibilities (column 2) includes employees caring for children aged less than 5, children aged between 5 and 16, those caring for aged parents and those caring for 'others'. 'Others' included caring for children and adults with disabilities and caring for children older than 16. Respondents could select more than one caring category which is one of the reasons why the percentages across columns 3 to 5 do not add up to the per cent in column 2. The other reason is that the 'other' category has not been included in this table.

(b) The ANAO survey included 74 APS agencies and 8 statutory authorities.

(c) Average carer responsibilities data for the APS are based on all agencies that participated in the employee survey, not only the large agencies listed in this table.

Source: ANAO Report No. 52, 2002–03, and employee survey.

The ANAO found that the 2001–02 median and mean APS unscheduled absence rates were 8.9 and 11.9 days per employee, compared with a median of 6.8 in the private sector. The report notes that the APS is diverse and there are a range of factors influencing absence rates in individual agencies, but concludes that the wide variation among agencies, and the higher absence rate when compared with the private sector suggest that unscheduled absence is not being managed well by some agencies.

That conclusion is not questioned by these data, but it seems likely that the correlation between rates of unscheduled absences and the reported rates of carer responsibilities, shown in Table 6.4, explains some of the variation in unscheduled absences between agencies. It does suggest that in addressing absenteeism agencies may need to look more closely at the rate and type of carer responsibilities of their employees, as this factor is likely to have some impact on absences. The high levels of satisfaction that APS employees have reported with their supervisor's support for their use of flexible work practices (see following section) is likely to be linked to use of unscheduled absences i.e. use of carer's or personal leave for work–life balance reasons. Thus, use of unscheduled absences is not necessarily a negative from a management point of view.

A recent Canadian study of more than 31,000 employees from the private, public and not-for-profit sectors found that 'family interference'¹⁴ with work is positively associated with absenteeism due to childcare problems, and that respondents with high levels of family interference were seven times more likely to miss three or more days of work in a six-month period than those with low levels. Similarly, 'caregiver strain'¹⁵ was also positively associated with absenteeism due to elder care problems and physical, mental or emotional fatigue. Those with high levels of caregiver strain were 13 times more likely to miss three or more days in a six-month period due to work–life conflict than their less strained colleagues. The study estimated that the direct costs of absenteeism due to high work–life conflict in Canada are about \$3-5 billion per year. It concluded that organisations could substantially reduce absenteeism arising from work–life conflict by making it easier for employees with dependant care responsibilities to vary when and where they work.¹⁶ In this context it is worth noting that, while the private sector has significantly lower rates of unscheduled absences, it also has considerably higher levels of part-time work (9.4% in the APS at June 2003 compared with 29% in the labour force generally at May 2003).

The following comments from the employee survey illustrate the issue:

...my current employer is fairly inflexible about part-time work and I have had to use carer's leave which is now into leave-without-pay carer's leave.

My supervisor is flexible and very amenable to me balancing my work and caring responsibilities as I see fit. I work on a part-time basis...to accommodate some of these responsibilities. I usually carry a positive flex balance of a few hours to help meet varying commitments regarding caring responsibilities. I work extra hours to meet major deadlines and then take flex time/time in lieu following the deadline passing.

Ability to work from home when children are ill would be beneficial. Currently required to take carer's leave—I lose a day and the agency loses a day's work.

¹⁴ Family interference occurs when family demands and responsibilities make it more difficult for an employee to fulfil work role responsibilities.

¹⁵ There are four types of caregiver strain; emotional, physical, financial and family strain.

¹⁶ Duxbury, L, *Work-Life Conflict in Canada in the new millennium: a status report*, The Sydney Papers, Summer 2003.

Home based work should be encouraged for parents with children as it would ensure increased productivity, decrease in carer's leave or personal leave as parents can make alternative arrangements with the doctor during flexible hours without affecting resources in the workplace...

SATISFACTION WITH SUPERVISOR SUPPORT FOR THE USE OF FLEXIBLE WORK PRACTICES

One measure of work–life balance is whether employees are satisfied that their supervisor would support their use of flexible work practices. Eighty-three per cent of respondents to the employee survey reported being satisfied that their supervisor would give them such support. Satisfaction remained high for employees with carer responsibilities (82%), Indigenous employees (89%) and employees with an ongoing disability (81%).

Satisfaction with supervisor support for the use of flexible work practices was consistent across age groups (around 83% to 86%) except for those over 55, where satisfaction fell to 76% (though only 5% of those over 55 reported dissatisfaction). Reported satisfaction with supervisor support for the use of flexible work practices was more varied across classifications. The average level of satisfaction for APS levels 1–6 was 84%, falling to 79% for ELs, and then sharply to 62% for those in the SES. This is likely to reflect the operational demands of work at the SES level, and is possibly influenced by organisational/cultural perceptions of what it means to be a member of the SES.

Of the 21 large agencies with statistically valid results, there was wide variability in respondent satisfaction that their supervisor would support their use of flexible work practices, ranging from a low of 66% to a high of 92% (ABS). Not surprisingly, there is a strong correlation between satisfaction with supervisor support for the use of flexible work practices and perceptions of how effective immediate supervisors are at managing people. Of those who were not satisfied that their supervisor would support their use of flexible work practices, 38% reported that their immediate supervisor was not effective at managing people. In contrast, only 13% of those who were satisfied that their supervisor would support their use of flexible work practices perceived their supervisor as ineffective people managers.

While satisfaction with work–life balance across agencies is generally very good, some agencies may need to show active leadership in promoting flexible work practices and encouraging line managers to feel confident in implementing them in appropriate circumstances.

AVERAGE HOURS WORKED IN THE LAST SIX MONTHS

Sixty-two per cent of APS employees reported working more (39%) or significantly more (23%) than their standard or agreed hours in the past six months. These figures are somewhat lower for employees with an ongoing disability (51%) and for those with carer responsibilities (57%) but are still significant. Not surprisingly, the number of employees who report working more or significantly more than their agreed hours increases with classification, with 58% of APS 1–6 to about 76% of both ELs and SES reporting this. The differential between non-SES and SES employees may be more marked than the figures suggest as SES employees are likely to measure their standard working hours against their peers. The survey was modified for SES employees, who were asked whether they worked more or significantly more than 'reasonable' hours, as opposed to 'standard' or 'agreed' hours.

Of those employees who report being dissatisfied with supervisor support for the use of flexible work practices 49% report working 'significantly' more than their standard or agreed hours, well above the average of 23%. This suggests that there is a relationship between perceptions of supervisor support for the use of flexible work practices and reported working hours.

Wooden (2003), using ABS labour force data for August 2002, shows that on average 18.5% of the Australian workforce work more than 'reasonable' hours, defined as greater than 48 hours a week.¹⁷ Not surprisingly, there is marked variation across occupational categories, with only 8.2% of government administration and defence employees reported to work more than 48 hours per week.¹⁸ This is in contrast to the 23% of respondents to the employee survey who reported that they work 'significantly' more than their standard or agreed hours. These figures provide an interesting point of comparison, but no firm conclusions can be drawn as the ABS data include all tiers of government employees, and the employee survey did not define the hours that constitute 'significantly' more than standard or agreed.

There was marked variability amongst agencies in the percentage of respondents who reported working significantly more than their standard or agreed hours. Of the 21 large agencies with statistically valid results, the proportion of respondents who reported working significantly more than their standard or agreed hours ranged from 14% to 44%. This marked variation is likely to be related, in part, to the classification structure of agencies and the nature of the work (i.e. whether it is responsive or predictable or immediate or long term).

At the APS-wide level there is no clear correlation between working hours and job satisfaction. However, for those agencies at the extremes of the work-life balance there does appear to be a positive correlation with job satisfaction.¹⁹ That is, those agencies with significantly higher/lower than average results for both of the work-life balance factors are also likely to have a correspondingly higher/lower than average result for job satisfaction. The ABS, for example, stands out as having the best work-life balance, with considerably better than average results across supervisor support for the use of flexible work practices and hours worked in excess of standard or agreed hours. It has correspondingly positive results for job satisfaction.

Despite there being no straightforward correlation between hours of work and job satisfaction, agencies with large numbers of employees who report working significantly more than their standard or agreed working hours may need to investigate whether there are other organisational/cultural factors contributing to working hours and how workload can be better managed.

JOB SATISFACTION

The employee survey asked respondents to choose the five most important workplace factors (out of a list of 15) that impacted most on how satisfied they were with their job. Respondents were then asked to indicate their level of satisfaction with their top five factors.

¹⁷ Wooden, M, 'Long-hours working and enterprise bargaining', *Agenda*, Vol.10, No. 3, 2003, p.266.

¹⁸ *Ibid.*

¹⁹ For this analysis a summary index was created from the results of the job satisfaction question in the employee survey. The index ranges from zero (respondent was very dissatisfied with all five of the factors nominated) to 10 (respondent was very satisfied with all five factors).

Table 6.5: Job Satisfaction—top five workplace factors

Workplace Factor	% of employees that nominated factor in top five	% of employees that nominated factor in top five who were ‘satisfied’ (a)
good working relationships	60	85
flexible working arrangements	55	86
opportunities to utilise my skills	50	70
interesting work provided	48	74
salary	47	62
opportunities to develop my skills	46	66
seeing tangible results from my work	42	69
regular feedback/recognition for effort	42	53
chance to make a useful contribution to society	40	67
duties/expectations made clear	40	69
chance to be creative/innovative	38	64
opportunities for career development	33	43
appropriate workload	30	49
other conditions of employment (e.g. superannuation, paid mat. leave)	28	84
safe and comfortable work environment	26	77

Note: (a) Of the employees who nominated this factor as one of their top five and rated it, the percentage who were either ‘very satisfied’ or ‘satisfied’ with the factor in their current workplace.

Source: Employee survey

It can be seen from Table 6.5 that there is a happy congruence between the two most commonly chosen workplace factors (‘good working relationships’ and ‘flexible working arrangements’) and the highest satisfaction ratings. Similarly, the two lowest satisfaction ratings, 43% for ‘opportunities for career development’ and 49% for ‘appropriate workload’ are for workplace factors ranked twelfth and thirteenth respectively. The only notable exceptions to this general picture is for the factor ‘regular feedback/recognition for effort’, which employees ranked relatively highly (eighth) but which received the third lowest satisfaction rating, and the two factors which were least nominated by employees in their top five (‘other conditions of employment’ and ‘safe and comfortable work environment’) which received the third and fourth highest satisfaction rating.

The following comments made in the employee survey are illustrative:

I am continuing to learn in my position. I think that makes it all the more interesting and rewarding.

Overall, I enjoy the job, especially dealing with staff and public. The only real dissatisfaction is not getting feedback regularly, not getting support, and limited promotional opportunities. The pay can also be a factor. Compared to some other agencies at the same level of work we have much lower pay.

I am very happy with the flexible hours I can work.

I enjoy my work but more positive regular feedback would be a useful motivational tool but is not used to any great extent.

I have a great job, 80% to 90% of the time I enjoy going to work.

Job satisfaction for me comes a lot from relationships and the ability to have some autonomy in my work.

My job is the best I have ever had and the environment is one which encourages, even demands, continual learning and improvement. I love it!

From experience I think working relationships are critical. Two years ago I was very happy in my current job but with a changeover in personnel and managers it has become increasingly unpleasant.

I happen to work in a very interesting area. I am very satisfied with my job and have good relationships with colleagues.

Although I am satisfied with my job and would not like to move there is no recognition from management for work well done or work that exceeds expectations.

Poor and inadequate performance by management has the biggest impact on general work dissatisfaction.

I would love my job if only I had the opportunity to reduce my workload.

A summary index was created from the results of the job satisfaction question in the employee survey. The index ranges from zero (respondent was very dissatisfied with all five of the factors nominated) to 10 (respondent was very satisfied with all five factors). An index of five translates to a respondent being, on average, neither satisfied nor dissatisfied with his/her nominated five factors.

For all respondents the proportion with a job satisfaction index over five was 76%. This varied among the 21 large agencies for which statistically valid results were available. Four agencies (BOM, FaCS, DEH and Centrelink) achieved a job satisfaction index of over five for more than 80% of their employees. The lowest agency job satisfaction index of over five was 64% of employees.

Women have slightly higher levels of job satisfaction than men (78% with a job satisfaction index of over five compared to 74% of men). Job satisfaction is positively correlated with age (66% for employees under 25, for employees aged 25 to 54 years around 75% and 87% for employees over 55). Job satisfaction does not appear to vary with agency size, with location inside or outside the ACT or whether employees have caring responsibilities. It does vary, however, by classification with SES (92%) having significantly higher levels of job satisfaction than ELs (75%) and APS 1–6 (76%).

CONCLUSIONS

The employee survey results on the merit perceptions of APS employees are reasonably positive. They are an improvement on results from 2000–01 and are broadly in line with other interstate and international surveys of public sectors. However, the variability between agencies is of some concern, particularly in agencies where fewer than half of all employees agreed that merit is consistently applied (two out of the 21 large agencies fell into this category). In this regard, it is worth noting the results of Victorian public sector research into perceptions of merit. The research found that employee confidence is largely dependent on their level of knowledge and understanding of relevant merit and selection processes and that organisations may underestimate the need to ensure that employee knowledge of merit and selection processes is improved and maintained.²⁰

In relation to overlapping salary bands, the analysis in this chapter of the overlaps within an agency's classification structure moderates to a large extent concerns about the possible undermining of the merit principle within agencies and the APS Commissioner's quality assurance role for SES selection and promotion. While overlapping salary bands for EL 2s and SES classifications appear to be increasing at the APS-wide level, overlaps within individual agencies are confined to a relatively small number of agencies and affect only a very small number of employees with particular skills or in particular jobs. Nevertheless, the growing overlaps between agencies do raise some issues for APS management.

The flexibilities available to agencies manifested in overlapping salary ranges and differential outcomes for employees on CAs and AWAs reinforce the desirability of clear remuneration policies. Clear criteria which link remuneration to skills, performance and employment conditions are important both from an accountability perspective, as well as for building employee confidence in, and support for, more flexible and individually based approaches to remuneration. Such policies also assist managers in making remuneration related decisions.

The high levels of job satisfaction reported by APS employees and their high levels of satisfaction with access to flexible work practices to assist in achieving work–life balance is unambiguously good news. Again, however, for a few agencies the results were less positive. This unevenness of results suggests there is still room for improvement in this area, including through more use of flexible working arrangements.

In relation to employees' satisfaction with the overall say in decisions that impact on their work, it is of concern that less than half of all employees report being satisfied, with nearly a quarter being dissatisfied. Agencies could consider more actively encouraging regular staff meetings, particularly at the section/unit/team level.

²⁰ The Office of Public Employment (2000) 'Applying Merit 2000' Victorian Public Sector.



One of the APS Values provides that the APS should have the highest ethical standards. This Value reflects the public's proper expectation that the authority vested in the public service will be exercised in the most ethical way. Such standards are fundamental to maintaining public confidence in the integrity of the APS as an institution. The APS Code of Conduct, established in s. 13 of the PS Act, sets out standards of behaviour that employees are required to meet, and is also a measure against which an employee's behaviour can be tested.

This chapter examines aspects of personal behaviour in the APS. It presents information provided by agencies about investigations into suspected breaches of the Code of Conduct commenced during 2002–03, including those commenced as a result of a whistleblowing report. It examines data from the Merit Protection Commissioner on reviews of decisions in relation to breaches of the Code of Conduct, and on whistleblowing reports received by the Merit Protection and Public Service Commissioners. It also examines two important aspects of the personal behaviour of employees—conflict of interest obligations, and the requirement, when acting in the course of APS employment, to treat everyone with respect and courtesy, and without harassment.

BREACHES OF THE CODE OF CONDUCT

The agency survey sought information from agencies about the number of formal investigations commenced into suspected breaches of the Code of Conduct in 2002–03.¹ This is the first year that agencies have been asked for this information. Responses indicated that there is wide variation amongst agencies in the number of investigations into suspected breaches of the Code of Conduct, which is not explained by agency size. During 2002–03, 46 agencies commenced 926 formal investigations into suspected breaches of the Code. No investigations were commenced in 43 agencies. Investigations were commenced in 22% of small agencies, 62% of medium agencies and 95% of large agencies.

Sixty per cent of all investigations were commenced in just three large agencies (Centrelink, Defence and CSA), and 32% of all investigations were conducted by Centrelink (298). Amongst large agencies, seven reported less than three formal investigations for every 1000 employees (DOTARS, ASIC, ABS, Health, DEH, DAFF and BOM) and three agencies reported more than 15 formal investigations for every 1000 employees (DVA, Protective Service and CSA).

It should be noted that there is likely to be a range of factors affecting the rate of formal investigations in agencies, including:

- the nature of an agency's business, including its sensitivity to inappropriate behaviour and the capacity of that behaviour to undermine an agency's operations
- the approach taken by agencies to the overall management of breaches of the Code of Conduct and the degree to which they systematically apply and monitor its adherence
- the incidence of inappropriate behaviour.

¹ The formal investigations into suspected breaches of the Code discussed in this section include those commenced as the result of a whistleblower report by an employee under s. 16 of the PS Act. Those investigations are also examined separately in the section on whistleblowing at the end of this chapter.

Agencies indicated that suspected breaches of the Code in 2002–03, including those that did not result in a formal investigation, were identified in a variety of ways. The two most common were that the conduct was identified by the supervisor/manager or by work colleagues (suspected breaches were identified by each of these means in 35% of all agencies). Twenty-one per cent of all agencies indicated that breaches were identified through the agency’s compliance/monitoring systems (e.g. audit) and 19% of all agencies indicated that suspected breaches were identified from a complaint from the public or other stakeholder. Twelve per cent of agencies identified suspected breaches as a result of a whistleblower report under s. 16 of the PS Act. A small number of investigations arose through other means, including notification of a suspected breach from another APS agency, a complaint from an ex-employee, and referral by the Australian Federal Police (AFP).

Table 7.1 sets out the frequency with which particular elements of the Code were suspected of being breached in the investigations commenced during 2002–03, and the number of agencies that reported undertaking an investigation that involved a suspected breach of that element of the Code.

Table 7.1: Elements of the Code of Conduct suspected of being breached in investigations commenced during 2002–03 (a)

Element of the Code	No. of times element was suspected of being breached	No. of agencies commencing investigations
An APS employee must:		
at all times behave in a way that upholds the APS Values and the integrity and good reputation of the APS	293 (b)	33
use Commonwealth resources in a proper manner	255 (b)	33
behave honestly and with integrity in the course of APS employment	233 (b)	30
when acting in the course of APS employment, treat everyone with respect and courtesy, and without harassment	232	31
comply with any lawful and reasonable direction given by someone in the employee’s agency who has authority to give the direction	219	20
when acting in the course of APS employment, comply with all applicable Australian laws	187	19
act with care and diligence in the course of APS employment	130 (b)	21
disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with APS employment	123	16

Table 7.1: Elements of the Code of Conduct suspected of being breached in investigations commenced during 2002–03 (a) (continued)

Element of the Code	No. of times element was suspected of being breached	No. of agencies commencing investigations
not make improper use of: inside information, or the employee’s duties, status, power or authority; in order to gain, or seek to gain, a benefit or advantage for the employee or for any other person	49	17
not provide false or misleading information in response to a request for information that is made for official purposes in connection with the employee’s APS employment	28	10
except in the course of his or her duties as an APS employee or with the agency head’s express authority, not give or disclose, directly or indirectly, any information about public business or anything of which the employee has official knowledge	11	4
while on duty overseas, at all times behave in a way that upholds the good reputation of Australia	8	3
maintain appropriate confidentiality about dealings that the employee has with any Minister or Minister’s member of staff	3	2

Note: (a) An investigation may involve more than one employee, and/or a suspected breach of more than one element of the Code. An employee may also be suspected of breaching an element of the Code more than one time as part of a single investigation. Some agencies may have provided information on elements of the Code that were suspected of being breached in both formal and informal investigations. (b) One agency did not provide the actual number of times that those elements of the Code indicated had been breached, but reported only that each had been breached ‘several’ times; hence the number of times the various elements were breached should be viewed as indicative only.

Source: Agency survey

The element of the Code that was suspected of being breached the greatest number of times overall was s. 13(11) of the PS Act—an APS employee must at all times behave in a way that upholds the APS Values and the integrity and good reputation of the APS. Investigations into possible breaches of s. 13(11) were commenced in 15% of small agencies, 42% of medium agencies and 73% of large agencies. Discussions with some of the agencies that reported a suspected breach of this element indicated that the types of behaviours that were considered to breach this element of the Code included inappropriate or unauthorised use of the internet or email, inappropriate behaviour towards clients, a breach of customer privacy, inappropriate disclosure of information, unprofessional and unethical behaviour, theft of office equipment, inappropriate use of resources and inappropriate behaviour outside the workplace which could damage the reputation of the agency. It appears that when agencies conduct investigations into suspected breaches of the Code of Conduct, this element is often cited in conjunction with other elements of the Code.

Table 7.2 shows the outcomes of investigations commenced during 2002–03 into suspected breaches of the Code of Conduct by agencies.

Table 7.2: Outcomes of investigations into suspected breaches of the Code of Conduct (a)

Outcome	No. of times	No. of agencies
Termination of employment	70	13
Reduction in classification	28	10
Reduction in salary	359	9
Deduction from salary by way of a fine	113	15
Reassignment of duties	24	9
Reprimand	176	26
Counselling	75	29
Other (b)	94	19
Investigation discontinued	30	8
Investigation still in progress	218	26
No breach found	122	16

Note: (a) More than one sanction may be imposed on each employee as a result of an investigation; hence there may be multiple outcomes from one investigation. Some agencies may have provided information on the outcomes of both formal and informal investigations. (b) A number of the responses under ‘Other’ were that the employee under investigation resigned.

Source: Agency survey

The employment of 70 employees from 13 agencies was terminated as a consequence of misconduct during 2002–03. Two small agencies each terminated the employment of one employee. The remaining terminations occurred in 11 large agencies with Defence and Centrelink accounting for 67% of terminations. Reductions in classification occurred in ten large agencies only, with 50% of reductions occurring in Centrelink. Nine agencies reduced the salary of 359 employees. One large agency, Centrelink, accounted for 94% of salary reductions.

While sanctions need to take into account the context of the breach, and similar breaches in different agencies may well have different levels of importance, the data provided by large agencies suggest significant differences in the imposition of sanctions. The sanctions that have the greatest impact on employees—termination of employment, reduction in classification and reduction in salary—were calculated as a proportion of the total number of sanctions imposed by each of the 22 large agencies. The imposition of the high-impact sanctions varied between 0% and 73% amongst large agencies. High impact sanctions were not used at all in seven large agencies and were between 10% and one third of total sanctions in 13 large agencies and were greater than a third of total sanctions in two large agencies. Calculation of the number of times that no breach was found as a percentage of the number of investigations undertaken in

each of the large agencies also shows a wide range of results, varying between 0% at one extreme and 75% at the other.

The large differences amongst agencies in the types of sanctions imposed and in the proportion of cases where no breach was found may reflect in part the nature of the work of different organisations and the varying importance placed on particular APS Values, elements of the Code of Conduct, or agency values, principles or behaviours. Variations may also indicate that some agencies take a stronger line in relation to sanctions, or that other agencies are relatively lenient. The recently released good-practice guide, *Embedding the APS Values*, highlights the importance of employees knowing the consequences of breaching the Code of Conduct, and being confident their agency will address suspected breaches in a timely, rigorous and systematic way, and in a manner consistent with relevant legal principles. The agency survey data seems, prima facie, to suggest some agencies are less rigorous and systematic in their processes than they should be.

APPROPRIATE AND CONSISTENT INVESTIGATIONS AND IMPOSITION OF SANCTIONS

In response to the agency survey, 99% of agencies indicated that they either have (91%) or are developing (8%) measures to ensure that the processes used to investigate suspected breaches of the Code are appropriate and consistent across the agency. The response rate did not vary greatly on the basis of agency size.

The most commonly used measure is the provision of guidance and support by Human Resources (HR)/Employee Relations to people conducting investigations (89%). The next most commonly used measure is making detailed procedural guidance (explanatory material) available to people conducting investigations (62%). Other measures used include the conduct of all investigations by a central unit (36%) and the provision of training to people conducting investigations (29%). Some agencies also indicated that they use experienced external consultants and/or experienced staff.

A majority of agencies (81%) use measures to ensure that sanctions imposed as a result of breaches of the Code are applied appropriately and consistently across the agency, and 10% of agencies are currently developing measures. A higher proportion of medium agencies uses such measures (92%) than small and large agencies (76% and 77% respectively).

The most commonly used measures to support an appropriate and consistent approach across the agency are that the delegation for applying sanctions is strictly limited (82%) and that a central HR and/or legal area is consulted when the sanction is decided (81%). A higher proportion of medium agencies (92%) have measures in place that strictly limit the delegation for applying the sanction than small and large agencies (76% and 82% respectively). Other measures used include decision making by a central unit responsible for all investigations (35%), guidelines setting out considerations to be taken into account when deciding sanctions (30%) and referral to a database of sanctions as part of the process for deciding sanctions (17%). A higher proportion of large agencies maintain a database of sanctions (41%) than small and medium agencies (seven per cent and 12% respectively).

Given the variability in the sanctions imposed amongst agencies, the issue of appropriate and consistent sanctions to apply to breaches of the Code of Conduct needs to be given more attention by many agencies.

REVIEWS OF BREACHES OF THE CODE OF CONDUCT

The Public Service Regulations provide non-SES APS employees with a specific review right in relation to a determination that they breached the Code and/or the sanction imposed for a breach. Applications for review of this nature are required to be lodged directly with the Merit Protection Commissioner.

During 2002–03, the Merit Protection Commissioner received 43 requests for review, which was similar to the number received last year (44). It would appear that employees seek external review of decisions in about five per cent of cases.

Table 7.3: Reviews related to breaches of the Code of Conduct

	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03
No. received	39	28	36	34	44	43
No. reviewed	25	20	19	33	26	29

Note: The data for 2001–02 includes one matter dealt with under the *Public Employment (Consequential and Transitional) Amendment Act 1999*. The data for years prior to this also include a number of applications dealt with under that Act or the *Merit Protection (Australian Government Employees) Act 1984*.

Source: APS Commission

During 2002–03, the Merit Protection Commissioner made a formal recommendation to an agency head in 29 cases. In 10 of those the Merit Protection Commissioner recommended that the decision of the agency head be confirmed. In five other cases, the Merit Protection Commissioner recommended that the agency head set aside the decision that a breach had occurred, and in a further 14 cases he recommended that either the sanction or breach, or both, be varied. No systemic issues emerged from an analysis of these cases.

WHISTLEBLOWING

One means of agencies becoming aware that the Code of Conduct may have been breached is whistleblowing. The PS Act and Regulations provide for APS employees to make whistleblowing reports alleging breaches of the Code of Conduct. The scheme also provides protection from victimisation and discrimination for employees who make such reports.

Generally, whistleblowing disclosures are made to, and investigated by, the agency concerned. However, in specific circumstances an employee may make a disclosure to the Public Service or the Merit Protection Commissioner. Also, where a whistleblower is not satisfied with the findings of an agency-based investigation, they may raise the matter with the Public Service or the Merit Protection Commissioner.

Public Service Regulation 2.4 requires agency heads to establish procedures for dealing with whistleblowing reports. The Public Service Commissioner’s Direction 2.5 (1)(d) provides that an agency head must put in place measures in the agency directed at ensuring that APS employees are aware of the procedures for dealing with whistleblowing disclosures, and are encouraged to make such disclosures in appropriate circumstances.

The agency and employee surveys indicate that more than 30% of agencies do not use measures to make employees aware of whistleblowing provisions, and only 65% of employees indicated that they had been made aware by their current agency that they could report a serious breach of the Code to an authorised person in the agency. These issues are explored further in Chapter 3, which looks at the ways in which agencies are integrating the APS Values and the Code.

During 2002–03, around two per cent of formal investigations commenced by agencies into suspected breaches of the Code were instigated as a result of a report under the whistleblowing provisions (20 out of 936 investigations). Six of these investigations occurred in medium agencies, and 14 in large agencies. No investigations were commenced as a result of a whistleblowing report in small agencies.

Table 7.4 sets out the frequency with which particular elements of the Code were suspected of being breached in the whistleblowing reports made during 2002–03, and the number of agencies that reported undertaking a formal investigation that involved a suspected breach of that element of the Code.

Table 7.4: Elements of the Code of Conduct suspected of being breached in investigations commenced during 2002–03 as a result of a whistleblowing report (a)

Element of the Code	No. of times element was suspected of being breached	No. of agencies commencing investigations
An APS employee must:		
at all times behave in a way that upholds the APS Values and the integrity and good reputation of the APS	11	7
behave honestly and with integrity in the course of APS employment	9	8
use Commonwealth resources in a proper manner	5	5
when acting in the course of APS employment, treat everyone with respect and courtesy, and without harassment	5	4
when acting in the course of APS employment, comply with all applicable Australian laws	4	4
not make improper use of: inside information, or the employee’s duties, status, power or authority; in order to gain, or seek to gain, a benefit or advantage for the employee or for any other person	3	3
disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with APS employment	3	3

Table 7.4: Elements of the Code of Conduct suspected of being breached in investigations commenced during 2002–03 as a result of a whistleblowing report (a) (continued)

Element of the Code	No. of times element was suspected of being breached	No. of agencies commencing investigations
except in the course of his or her duties as an APS employee or with the agency head’s express authority, not give or disclose, directly or indirectly, any information about public business or anything of which the employee has official knowledge	1	1
act with care and diligence in the course of APS employment	1	1
not provide false or misleading information in response to a request for information that is made for official purposes in connection with the employee’s APS employment	0	0
comply with any lawful and reasonable direction given by someone in the employee’s agency who has authority to give the direction	0	0
while on duty overseas, at all times behave in a way that upholds the good reputation of Australia	0	0
maintain appropriate confidentiality about dealings that the employee has with any Minister or Minister’s member of staff	0	0

Note: (a) An investigation may involve more than one employee, and/or a suspected breach of more than one element of the Code. An employee may also be suspected of breaching an element of the Code more than one time as part of a single investigation.

Source: Agency survey

The element of the Code that was suspected of being breached the greatest number of times overall was s. 13(11) of the PS Act—an APS employee must at all times behave in a way that upholds the APS Values and the integrity and good reputation of the APS. Investigations into possible breaches of s. 13(11) were commenced in 15% of all medium agencies and 14% of all large agencies. The element of the Code that was next most frequently suspected of being breached was s. 13(1)—an APS employee must behave honestly and with integrity in the course of APS employment. Investigations into possible breaches of s. 13(1) were commenced in eight per cent of all medium agencies and 27% of all large agencies. Table 7.5 shows the outcomes of those investigations.

Table 7.5: Outcomes of investigations into suspected breaches of the Code of Conduct commenced as a result of whistleblowing reports (a)

Outcome	No. of times	No. of agencies
Termination of employment	1	1
Reduction in classification	0	0
Reduction in salary	1	1
Deduction from salary by way of a fine	1	1
Reassignment of duties	1	1
Reprimand	2	2
Counselling	2	2
Other (b)	1	1
Investigation discontinued	0	0
Investigation still in progress	8	6
No breach found	5	4

Note: (a) More than one sanction may be imposed on each employee as a result of an investigation; hence there may be multiple outcomes from one investigation. (b) ‘Other’ was resignation prior to formal finding of breach.

Source: Agency survey

Four agencies reported receiving one report each from an employee in 2002–03 in relation to victimisation/discrimination as a result of their having made a report under the whistleblowing provisions. All reports were made in large agencies. They dealt with attempts to identify the whistleblower, the whistleblower being able to be identified, and the whistleblower being disadvantaged.

It is notable that, while only four agencies reported receiving reports from employees alleging victimisation/discrimination as a result of having made a whistleblowing report, 21% of employees responding to the employee survey indicated that they would take no action if they observed another, more senior, employee engaging in behaviour that they thought was a serious breach of the Code because they would not be confident of being protected from victimisation and discrimination. Employees were less likely to fear victimisation and discrimination where the person committing the breach was at the same level as the employee (eight per cent) or where the person was more junior (five per cent). This issue is explored further in Chapter 3, Embedding the Values and Code of Conduct.

During 2002–03, the Merit Protection Commissioner received two whistleblowing reports, the same number as last year. The two reports raised issues relating to inappropriate use of taxpayers’ money, lack of probity in selections, and inequities in access to training and development opportunities. The Merit Protection Commissioner concluded in both cases that there was insufficient evidence to support the allegations.

During the year the Public Service Commissioner received 13 whistleblowing reports, one more than last year. Six were from current APS employees, three from former employees and four from private citizens.

Only one of the disclosures proceeded to investigation by the Commissioner. The report alleged breaches of the Code in relation to a selection process and is currently being investigated.

The other 12 disclosures did not meet the requirements for investigation by the Public Service Commissioner. Four were from private citizens who were provided with information on other mechanisms to pursue their concerns. Three were from former APS employees, who alleged nepotism in a selection process and raised issues about termination of employment, and were advised that the matters they raised were more appropriately dealt with by the relevant agency heads and in one case the Ombudsman.

The remaining five disclosures included three anonymous reports relating to a range of employment actions and selection processes, which were referred to the relevant agency heads for consideration. Of the final two cases, in one it was determined that no inquiry was warranted, and in the other the agency head had commenced consideration of the matter.

The Public Service Commissioner also finalised two investigations that were carried over from the previous year. One disclosure related to alleged interference in a tendering and contracting exercise and the other to alleged breaches of the Privacy Principles. In both cases the Public Service Commissioner concluded that there was insufficient information to support the allegations, though he did recommend to an agency that better guidance be provided to relevant employees in relation to a particular aspect of a tendering and contracting process.

CONFLICT OF INTEREST

The Code of Conduct sets out a number of requirements that are relevant to the need for agencies to avoid and manage conflict of interest. In particular, it requires that an APS employee must disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with APS employment (s. 13(7) of the PS Act) and that an APS employee must not make improper use of: (a) inside information or (b) the employee's duties, status, power or authority, in order to gain, or seek to gain, a benefit or advantage for the employee or for any other person (s. 13(10) of the PS Act). APS employees need to be aware that their private interests, both financial and personal, could conflict with their official duties. Agencies should have procedures in place for managing real and apparent conflicts of interest, and should ensure that employees are aware of these procedures.

In order to explore the measures used by agencies to avoid and manage conflicts of interest, the agency survey asked a number of questions about the measures agencies have taken to help raise awareness of staff obligations in relation to this issue. One area of particular interest, given the increased use of outsourcing arrangements in recent years, is whether agencies use contractual provisions to restrict successful tenderers from employing people who were key decision makers in the tendering process. Just over half of all agencies reported having such a restriction. Conflict of interest as it bears on outsourcing is handled in Chapter 10, which deals with developments in outsourcing services in the APS.

In relation to the general issue of avoiding conflict of interest when an employee takes up employment after leaving the APS, it was reported that relevant policies are in place in only 30% of all agencies. Results vary greatly by agency size, with 15% of small agencies, 23% of medium agencies and 68% of large agencies reporting that they have such policies in place.

As a result of a government decision in 1983, agency heads, members of the SES and those acting in SES jobs for longer than three months are required to make written statements of their private interests. The agency survey indicated that 75% of all agencies currently require SES employees to make a written statement of their interests, and six per cent of agencies are developing relevant measures. Sixty-eight per cent of small agencies, 73% of medium agencies and 91% of large agencies currently have such a requirement.

Most agencies either have (84%) or are developing (8%) policies or procedures on the acceptance of gifts and benefits including hospitality. Just less than half of all agencies (49%) have procedures for alerting employees who sit on boards or committees of the need to declare and manage any conflict of interest. Learning and development activities relating to conflict of interest are provided to particular groups of employees in 38% of agencies. As might be expected, a higher percentage of large agencies have each of these measures in place.

Thirty-three per cent of agencies reported having measures in place in relation to conflict of interest other than the ones discussed above. These included procedures in relation to engaging in concurrent outside employment (seven agencies), induction procedures which cover conflict of interest (seven agencies), and a requirement for all staff to complete a conflict of interest declaration or self-assessment form (four agencies).

REQUIREMENT TO TREAT EVERYONE WITH RESPECT AND COURTESY AND WITHOUT HARASSMENT

The third element of the Code of Conduct (s. 13(3) of the PS Act) requires employees, when acting in the course of APS employment, to treat everyone with respect and courtesy and without harassment. As reported in Chapter 8 on Diversity, 18% of employees reported that, in 2002–03, they had been subjected to what they considered to be harassment, discrimination or bullying in their workplace.

Two applications for unfair dismissal before the Australian Industrial Relations Commission (AIRC) in 2003 emphasised the importance of this element of the Code. In both cases, APS employees were dismissed for failing to meet these requirements of the Code. While not all breaches of this element of the Code would warrant termination of employment, the relevant decisions of the AIRC articulate how inappropriate behaviour in the workplace is a serious issue with potentially serious consequences. In one decision² Commissioner Deegan noted that:

Any failure to treat a person or a fellow employee with ‘courtesy and respect’ could conceivably constitute a breach of the Code. Many such breaches would not incur a sanction of termination of employment. In the applicant's case there were numerous, in my view serious, failures to comply with the requirement of subsection 13(3) of the *Public Service Act 1999*, to treat people with respect and courtesy; many of those failures also constituted harassment.

In the second case³ Senior Deputy President Lacy commented that:

It can be reasonably expected that an employee will not create a hostile work environment or upset other staff in the way that the applicant has done in this case. Employees reasonably can be expected to work harmoniously with one another and have regard to the sensitivities of other people within the

² C Deegan, PR 9322560, 5 June 2003

³ SDP Lacy, PR 927240, 3 February 2003

workplace. This, it seems to me, is a corollary of an employer's duty to provide a safe and healthy work environment free of hostility and harassment.

In this case the Senior Deputy President also concluded that the expression 'with respect and courtesy and without harassment' should be read disjunctively—that is, that an employee would be in breach of the Code if they were disrespectful or discourteous or their conduct was regarded as harassment, rather than having to display all of those behaviours. He also discussed the meaning of the terms 'respect', 'courtesy' and 'harassment'.

CONCLUSIONS

As this is the first year in which information has been sought on the number of investigations into suspected breaches of the Code, the elements of the Code that were suspected of being breached, and the sanctions applied, it is not possible to provide comment on how the numbers vary this year from previous years. Information on these issues will be sought for future reports to enable comparisons to be made.

The large variation in numbers of investigations will reflect in part the nature of each agency's business and workforce, but it may also reflect a less rigorous and systematic approach in some agencies. The large variation in the imposition of the high-impact sanctions by large agencies also suggests that some agencies are more severe with the imposition of sanctions than others, though again this may reflect, at least in part, the importance of particular APS Values and elements of the Code of Conduct to the work of particular agencies.

A rigorous and systematic approach is important to ensuring APS employees take seriously the Values and Code of Conduct, and agencies need to ensure a reasonable degree of internal consistency if their approach is to gain the respect of employees. Greater effort could be devoted to raising awareness about the application of the Code and procedures for raising suspected breaches including, as noted above, by means of reports as mentioned in s. 16 of the PS Act. The APS Commission is intending to conduct an evaluation of management of breaches of the Code of Conduct in 2003–04, and will consider these and other relevant issues in the context of that evaluation. As well as feeding into next year's report, this evaluation should provide material for a good-practice guide.

As noted in Chapter 3, there is still work to be done to raise awareness of whistleblowing procedures. While the low number of whistleblowing reports made during 2002–03 may reflect a lack of serious breaches of the Code on which to report, it may also reflect the lack of knowledge by employees of the scheme and how it operates or a lack of trust by employees in the scheme, and the protection that it offers from victimisation and discrimination. Increased effort by agencies to raise awareness of procedures for reporting a suspected breach of the Code and of the protection available under s. 16 of the PS Act to persons making reports, and to encourage employees to make disclosures in appropriate circumstances, may go some way towards addressing these issues.

Agencies have put in place a variety of measures to deal with conflict of interest, although there is room for improvement in a number of areas. Nearly a quarter of all agencies do not have in place measures to meet the government requirement for SES employees to make a written statement of their interests. There is also more to do in relation to regulation of post-separation employment, both outside the outsourcing situation and for those who have been involved in a tender process. These issues will be followed up in future reports.



Diversity is important for the organisational capability of the APS, and for equity in employment. This is reflected in a number of the APS Values:

- the APS is a public service in which employment decisions are based on merit
- the APS provides a workplace that is free from discrimination and utilises the diversity of the Australian community it serves
- the APS provides a fair, flexible, safe and rewarding workplace
- the APS promotes equity in employment.

The Code of Conduct also requires an APS employee, when acting in the course of APS employment, to treat everyone with respect and courtesy, and without harassment.

This year, for the first time, the Public Service Commissioner's report on diversity in the APS is included in this report. This approach ensures that workplace diversity is considered in context, and that clear links are made with other organisational performance issues considered in the report.

As Chapter 9 indicates, agencies are putting increased effort into linking their business planning with corporate and workforce planning. Diversity planning is an integral part of developing medium and longer term corporate strategies for attracting and retaining the skills agencies need, particularly in the context of a more competitive and ageing labour market. It involves recognising and valuing the different knowledge, skills and experience that individuals bring to the workplace, and optimising the use of these differences to improve business performance and products.

In particular, a diverse workforce can improve the responsiveness of client services to an increasingly demanding and informed Australian community. As Chapter 5 makes clear, this is an increasing focus of government service delivery. A diverse workforce can make a positive difference where agencies want to ensure that there is effective consultation with different stakeholder groups, or where it is important to tap into differing community agendas, or where effective service delivery mechanisms need to be established on the ground.

Diversity is a broad concept. One aspect of diversity planning involves ensuring that any employment disadvantage for particular groups—women, Indigenous employees, people with a disability and people from a non-English speaking background¹—is eliminated. Monitoring data on the representation of such groups is one way of assessing progress on this front.

¹ In the absence of alternative measures, the concept 'NESB', representing people from a non-English speaking background, is used with APSED. This captures information about first language spoken, place of birth and parental heritage. NESB1, the measure used here, includes people born overseas whose first language was not English. NESB2 has previously been reported in addition to NESB1 and includes children of migrants, including those who were born overseas and arrived in Australia before the age of five and did not speak English as a first language, those who were Australian born but did not speak English as a first language and had at least one NESB parent, and those who were Australian born and had neither parent speaking English as a first language. Analysis of APSED data has found that this group does not have a substantial employment disadvantage compared to other workers, and is therefore not reported here.

Other aspects of diversity planning involve ensuring agency systems and approaches cater for a more diverse workforce, including changing demographics and age profiles and work–life balance, including employees’ caring responsibilities.

This chapter draws on APSED and on responses to the agency and employee surveys. With respect to APSED, it is important to note that the reporting of diversity data for individuals is voluntary, and that agency data may therefore under-represent actual numbers of particular diversity groups. In addition, diversity data includes ongoing employees only, as data is not routinely collected for non-ongoing employees.²

There are continuing issues in relation to the completeness of APSED data about having a disability, being an Indigenous Australian, or being a person for whom race or ethnicity may give rise to employment–related disadvantage. There appear to be particular weaknesses in the data on ethnicity including inconsistency in self-identification of employees across agencies. Some agencies have implemented strategies, including employee surveys, which are improving the data provided to APSED. All agencies are encouraged to improve diversity data so that APSED can provide a sound basis for policy development and planning.

The employee survey asked respondents to identify certain personal attributes (i.e. whether they are an Indigenous Australian, have an on-going disability or have caring responsibilities). The numbers of respondents who identified themselves as having these attributes are much lower than for other demographics (e.g. age, gender, classification), and results related to these groups of employees should be treated with some caution.³

LEGISLATIVE FRAMEWORK

The legislative framework applying to the management of diversity includes a number of provisions in addition to those in the APS Values and Code of Conduct. Under s. 18 of the PS Act, agency heads are required to establish a Workplace Diversity Program (WDP) to help give effect to the APS Values. This includes measures to prevent all forms of discrimination and to recognise the positive advantages of, and help make the best use of, the diversity available in the workplace and the Australian community. It also includes measures to ensure that the agency is able to access and use the diverse skills of its employees and to ensure equity in employment. Under clause 3.6 of the Public Service Commissioner’s Directions, all agencies must review their WDP at least once every four years.

Chapter 4 of the Commissioner’s Directions enables agency heads to identify particular employment opportunities as open only to Indigenous Australians and to people with an intellectual disability.

The Commissioner’s Directions further require agency heads to assist APS employees to balance their work, family and other caring responsibilities. These work practices can be found in WDPs, human resource policies and industrial agreements.

² This may result in differences when comparing figures in this section such as gender proportions to others in this report, and in the APS Statistical Bulletin, where total numbers (including non-ongoing employees) are used in some tables. Previously published data may also have been revised, and therefore may not be directly comparable to data cited in previous years.

³ Survey results for Indigenous Australians, people with a disability and people with caring responsibilities have been reported only where they are statistically valid. Nevertheless, the employee survey results reported for these groups should be treated with some caution as they are likely to have wider confidence intervals. For further information on the employee survey methodology, including in relation to confidence intervals, please see Appendix 2.

Legislation relevant to workplace diversity includes:

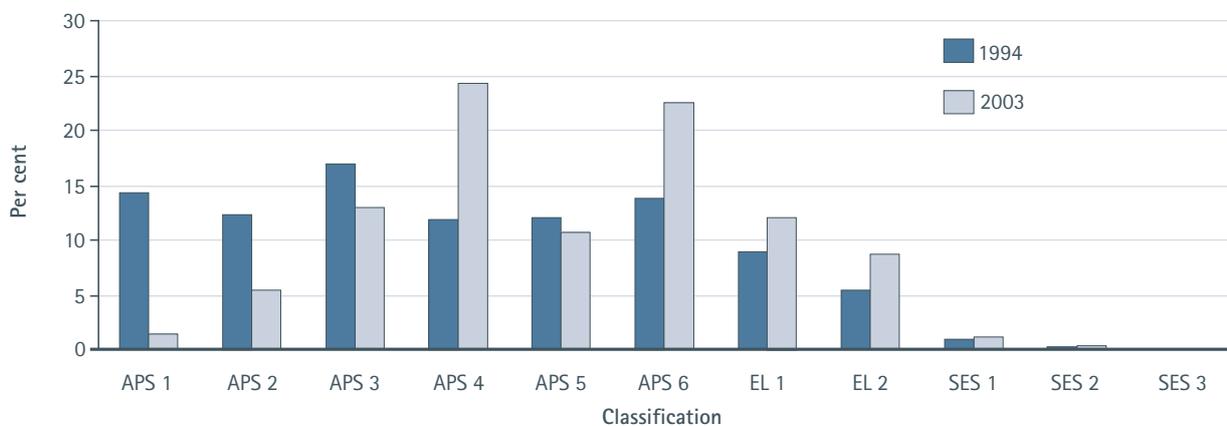
- *Racial Discrimination Act 1975*
- *Sex Discrimination Act 1984*
- *Human Rights and Equal Opportunity Commission Act 1986*
- *Occupational Health and Safety (Commonwealth Employment) Act 1991*
- *Disability Discrimination Act 1992*
- *Workplace Relations Act 1996.*

In supporting this framework, the APS Commission assists agency heads to meet their workplace diversity obligations and works with agency diversity coordinators in a number of ways. These include supporting the workplace diversity and disability networks, the Indigenous Employment Group, and the Indigenous APS Employees Network, preparing publications, and hosting the Workplace Diversity Awards. Further information about this assistance is set out in the Public Service Commissioner’s Annual Report 2002–03.

REPRESENTATION OF EEO GROUPS

Changes in the classification and age profiles of the APS have contributed to changes in the representation of women, Indigenous employees, people with a disability and from a non-English speaking background (EEO groups).⁴ As Figure 8.1 shows, employment opportunities have fallen in traditional entry-level administrative roles, where a larger proportion of EEO groups and younger workers have previously been concentrated. This reduction reflects changes in the nature of APS business and its composition over time. In 1975, APS 1–2 employees accounted for half of all ongoing employees. This proportion decreased slowly until the mid-1980s and then more quickly throughout the 1990s before levelling out to 6.5% at June 2003. Now entry-level recruits are far more likely to be employed at the APS 3–4 levels. Conversely, there are now more employees at the managerial level, where EEO groups have historically been under-represented. These structural changes have presented agencies with continuing challenges about the way in which they address workplace diversity.

Figure 8.1 Changes in APS classification profile over time, 1994 and 2003



Source: APSED

⁴ The Public Service Commissioner’s Directions require agency heads to put in place measures directed at ensuring that measures are taken to eliminate any employment-related disadvantages on the basis of being an Aboriginal or a Torres Strait Islander; gender; race or ethnicity; or physical or mental disability.

Despite demographic changes, there has been a rise in the absolute numbers of people employed from all EEO groups between June 2002 and June 2003. However, because the increase in actual numbers for all groups except women was not as large as that of the APS overall, the proportion of employees in the other EEO groups decreased during 2002–03. The proportional representation of women, Indigenous Australians, people with a disability, and people from a non-English speaking background as at June of each of the last 10 years is presented in Table 8.1.

Table 8.1: Representation of EEO groups among ongoing employees

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Women	47.8	47.2	47.7	48.1	48.6	49.0	49.9	51.5	51.9	52.8
Indigenous Australians	2.3	2.5	2.5	2.6	2.7	2.7	2.5	2.5	2.5	2.4
People with a disability	5.5	5.5	5.4	5.2	5.0	4.7	4.3	3.9	3.7	3.6
NESB 1	4.2	4.0	3.9	3.8	3.6	3.4	3.4	3.4	3.4	3.3

Source: APSED⁵

Trends in representation for each of these groups are discussed in the following sections.

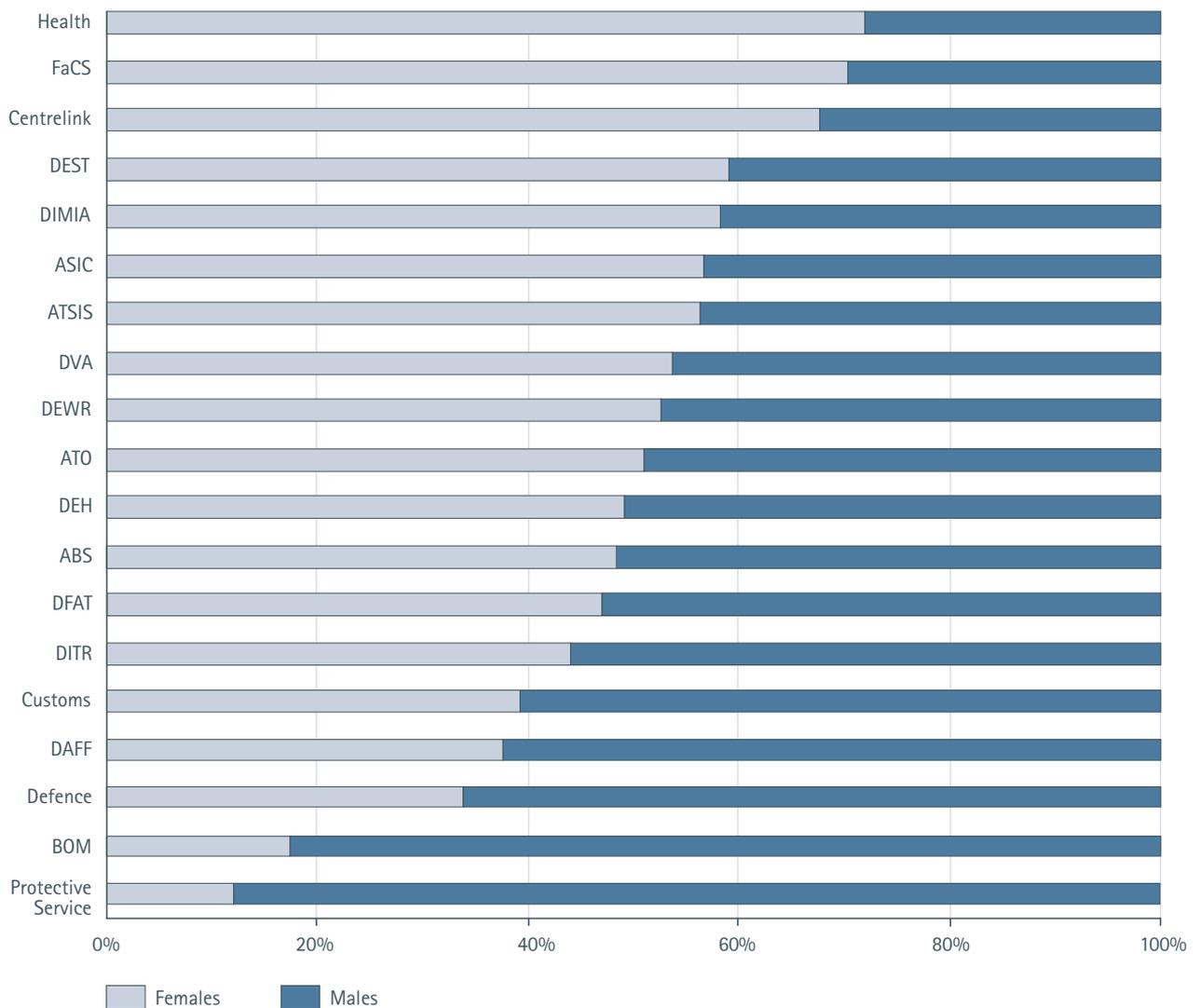
WOMEN IN THE APS

The representation of women in the APS has increased over the past decade. At 30 June 2003, women represented 52.8% of all ongoing employees in the APS, a slight increase on the previous year. Women also represented 59.4% of engagements in 2002–03, compared to 53.1% of separations, suggesting the trend to increasing representation of women in the APS workforce is likely to continue a little further, but not to the point where serious concerns about male employment in the APS will arise.

The proportional representation of men and women varies from agency to agency. Of agencies with more than 1000 ongoing employees, the Protective Service has the highest proportion of men (87.8%) while Health had the highest proportion of women (72.0%).

⁵ ABS census data for 2001 shows the following labour market comparisons. NESB 13.8%, people with a disability 11.7%, and Indigenous Australians 1.4%. Note that direct comparisons cannot be made for people with disabilities or NESB data, as the definitions used in APSED and for the census are different.

Figure 8.2: Representation of women and men in agencies with more than 1000 ongoing employees, 2003



Source: APSED

The employee survey asked respondents for their level of agreement to the following statement: ‘Women in my agency have the same opportunities for development and promotion as men’. The majority of women (76%) agreed with this statement. However, women were less likely to agree than men (76% compared to 83%) and more likely to disagree (12% compared to 6% for men). As Table 8.2 makes clear, women continue to be under-represented at more senior classification levels, although there have been significant gains over time.

Table 8.2: Ongoing staff: proportion of women across classification levels

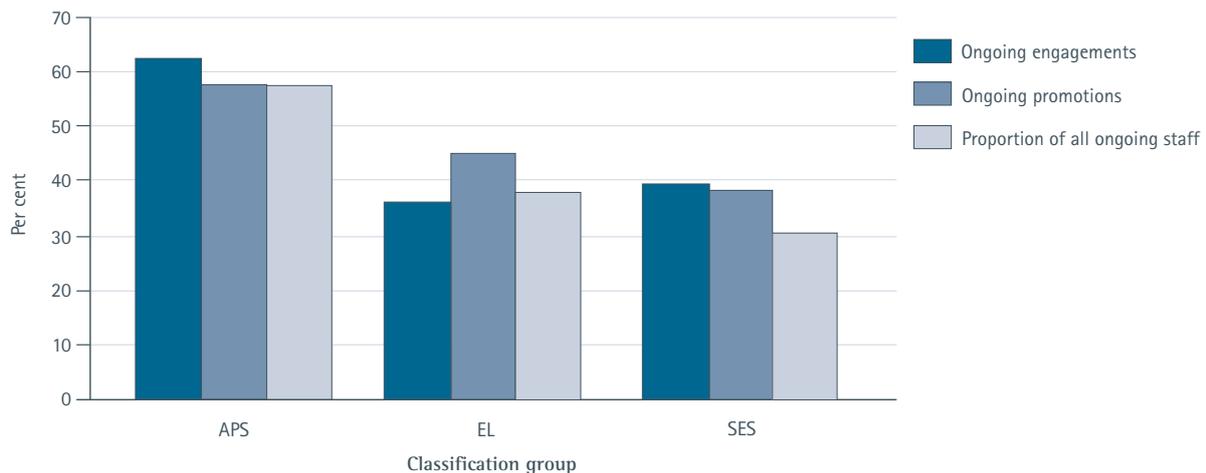
	1994 %	2002 %	2003 %
Trainees and graduate trainees	51.6	56.2	51.1
APS 1–2	54.7	55.5	54.1
APS 3–4	59.0	63.2	64.1
APS 5–6	39.5	48.5	50.1
EL	25.5	36.7	37.8
SES	17.1	28.3	30.4
Total	47.8	51.9	52.8

Source: APSED

Women represented 37.8% of ELs at June 2003 (up from 36.7% in 2002). As Figure 8.3 shows, while women made up only 35.9% of engagements to EL classifications, they also represented 45.0% of promotions and only 31.8% of separations, so further increases in this group can be expected.

At June 2003 women represented 30.4% of the SES (up from 28.3% in 2002). Because 39.0% of engagements and 38.2% of promotions to the SES were women (compared to 22.0% of separations), this increase in representation can be expected to continue for some time. This SES representation rate compares well with those in the Queensland (20%) and Tasmanian (29%) state governments, though it is still somewhat lower than the Victorian state government (33%) and the New Zealand government (36%).

Figure 8.3: Ongoing staff: engagement and promotion rates for women, 2002–03



Source: APSED

Women reported slightly higher levels of overall job satisfaction than men (78% with a job satisfaction index of over 5 compared to 74% of men) and were more likely to think that their supervisor was highly effective at managing people (49% compared to 44%). Table 8.3 shows the top five job satisfaction factors for women and men. These factors were similar between men and women, with four out of the five common

to both. The main difference between them was that women rated ‘salary’ in their top five while men included ‘seeing tangible results from my work’. However, ‘salary’ was only just outside the top five for men.

Table 8.3: Top five job satisfaction factors, by gender

	Women	Employees satisfied %	Men	Employees satisfied %
1	good working relationships	85	good working relationships	86
2	flexible working arrangements	88	opportunities to utilise my skills	72
3	opportunities to utilise my skills	67	flexible working arrangements	83
4	salary	68	interesting work provided	76
5	interesting work provided	71	seeing tangible results from my work	69

Source: Employee survey

Table 8.3 also shows the proportion of men and women that were satisfied with the factors they had identified as one of their top five. The majority of both men and women were satisfied with each top five job satisfaction factor, and average level of satisfaction for the five identified factors was similar for men and women (76% for women compared with 77% for men). Both men and women were relatively less satisfied with opportunities to utilise skills and the provision of interesting work, and with ‘salary’ (for women), and ‘seeing tangible results’ (for men). Women were more likely to be satisfied with ‘flexible working arrangements’ (88% compared to 83% for men) and men were more satisfied in relation to ‘opportunities to utilise my skills’ and ‘interesting work’ (72% and 76% respectively for men, compared to 67% and 71% for women).

Survey findings also indicate that women were slightly more likely than men to identify career development as among their top five job satisfaction factors (34% of women compared to 29% of men). Women who identified career development as an important job satisfaction factor were considerably more likely to report satisfaction with their development opportunities than comparable men (50% compared to 36%). The survey shows no significant difference between men and women in regard to their levels of satisfaction with access to leadership development opportunities.

Women’s satisfaction with work–life balance was very similar to that of men, and is discussed further in the section in this chapter on ‘Life choice options’.

INDIGENOUS EMPLOYMENT

In 2003, APSED recorded that 2.4% of ongoing APS employees identified themselves as Indigenous Australians. The representation of Indigenous Australians in the APS compares favourably with the broader Australian context, in which 1.9% of all Australians aged 15–64 and 1.4% of the Australian labour force identified themselves as Indigenous Australians.⁶

⁶ Australian Census 2001

While actual numbers of Indigenous employees in the APS increased by 80 in 2002–03, the overall APS workforce increased at a greater rate. For this reason, the proportion of Indigenous employees working in the APS decreased slightly from 2.5% in 2002 to 2.4% in 2003.

Representation rates of Indigenous employees vary between agencies. Not surprisingly, agencies that predominantly deliver services to, or work with, Indigenous communities generally had a higher proportion of Indigenous employees. As Table 8.4 shows, the agencies with the highest proportion of Indigenous employees (i.e. more than 10% of total ongoing employees) at 30 June 2003 were AHL, the Torres Strait Regional Authority (TSRA), ATSI, AIATSI, the National Native Title Tribunal (NNTT) and DEST.

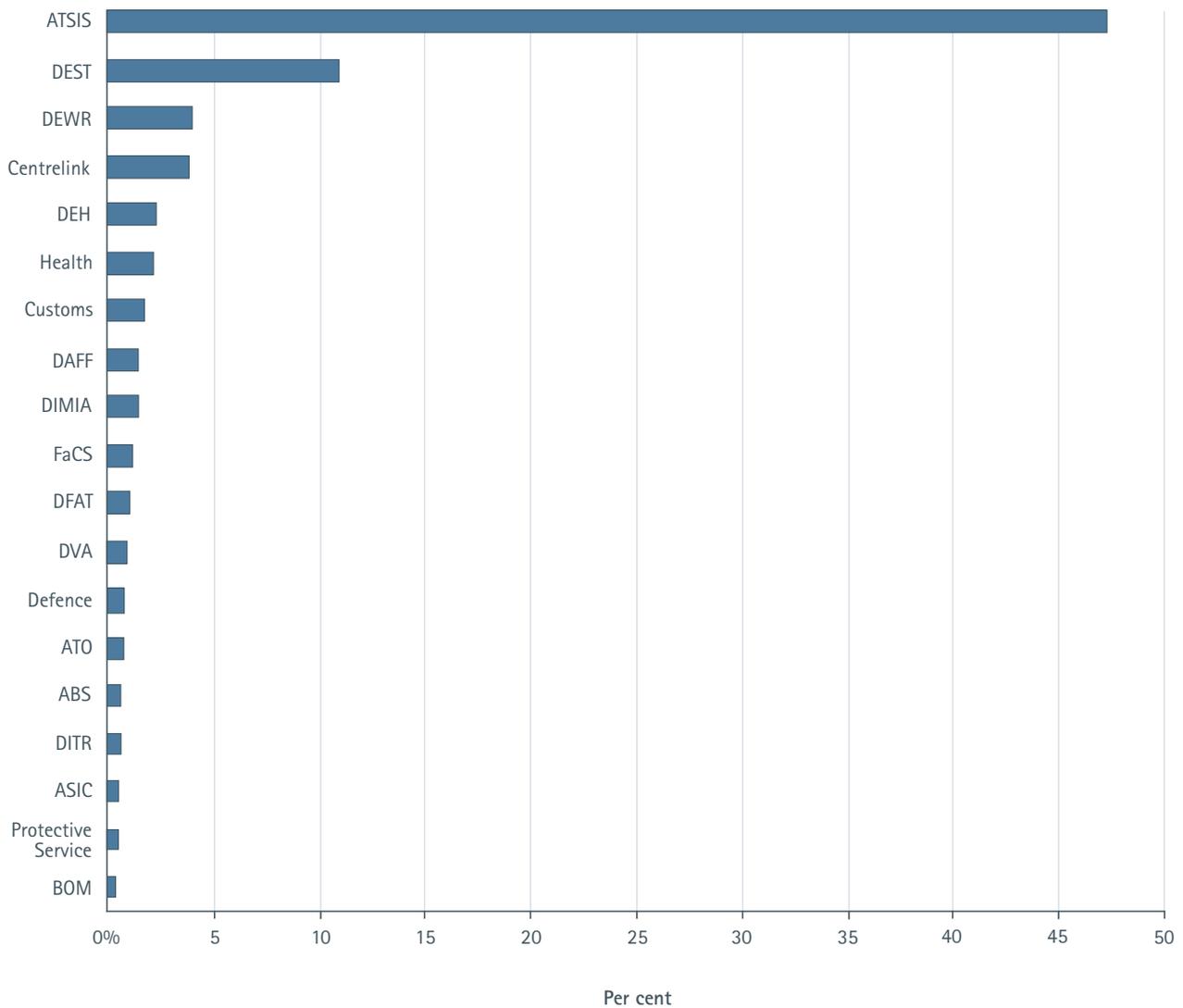
Table 8.4: Agencies with the highest proportions of ongoing Indigenous employees, 2003

Agency	Indigenous ongoing	Total ongoing staff	% Indigenous
AHL	278	341	81.5
TSRA	20	30	66.7
ATSI	506	1072	47.2
AIATSI	17	62	27.4
NNTT	31	241	12.9
DEST	160	1464	10.9

Source: APSED

At 30 June 2003, five APS agencies employed 60% of ongoing Indigenous staff. In addition to ATSI, those agencies were DEST (10.9%), DEWR and Centrelink (3.8% each) and DEH (2.2%). These five agencies accounted for almost 26% of all ongoing APS employees. Nineteen APS agencies reported that they employed no Indigenous Australians on an ongoing basis. These agencies were small except for two medium agencies (Finance and ComSuper).

Figure 8.4: Representation of Indigenous employees in agencies with more than 1000 ongoing employees,⁷ 2003



Source: APSED

As Table 8.5 shows, during 2002–03 the actual numbers of Indigenous employees increased in most classification levels, though generally not at the same rate as the overall APS workforce. For this reason, representation of Indigenous Australians as a proportion of all ongoing APS employees decreased slightly. However, both numbers and proportional representation of Indigenous employees increased at the EL and non-graduate trainee classification levels.

⁷ The ‘no data’ component of responses to Indigenous status was particularly high in Protective Service (64.8%) and Defence (61.3%).

Table 8.5: Ongoing representation of Indigenous employees by classification

Classification	1994		2002		2003	
	Number	%	Number	%	Number	%
APS 1–2	1303	3.5	337	4.2	331	4.2
APS 3–4	1123	2.8	1319	3.1	1331	3.0
APS 5–6	561	1.5	843	2.3	873	2.2
EL	132	0.6	209	0.9	242	1.0
SES	13	0.7	30	1.7	26	1.4
Trainee	19	16.5	40	10.3	49	13.5
Graduate trainee	26	3.6	21	3.8	27	3.0
Other	36		0		0	
Total	3213	2.3	2799	2.5	2879	2.4

Source: APSED

The main factor constraining growth in Indigenous employment is the reduction in the entry-level opportunities at the APS 1–2 levels considered earlier. While the proportional representation of Indigenous employees at these levels is now somewhat higher than it was 10 years ago, absolute numbers have fallen significantly. Despite these structural changes, engagements of Indigenous employees increased in absolute numbers between 1996–97 and 2001–02 before declining slightly in 2002–03. As a proportion of all ongoing engagements, Indigenous representation has halved over the past decade, falling from 5.0% in 1993–94 to 2.4% in 2002–03. Indigenous separations have risen over the same period, from 2.4% in 1993–94 to 4.0% in 2002–03. These trends are shown in Table 8.6.

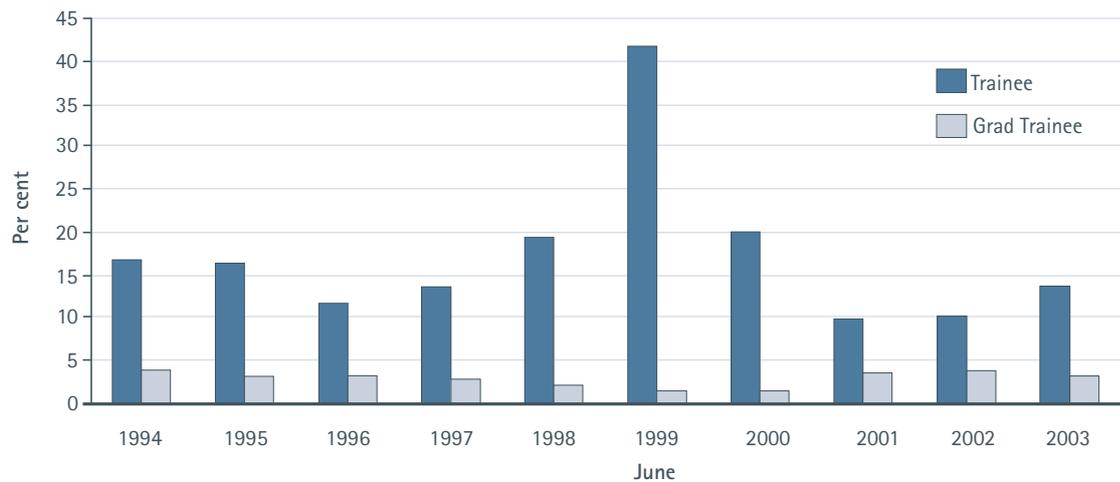
Table 8.6: Ongoing Indigenous employees' engagement and separation rates, 1993–94 to 2002–03

	1993 –94	1994 –95	1995 –96	1996 –97	1997 –98	1998 –99	1999 –00	2000 –01	2001 –02	2002 –03
Engagements	5.0	4.8	4.3	4.4	4.2	3.2	2.2	2.6	3.1	2.4
Separations	2.4	2.5	3.3	2.9	2.5	3.0	4.1	3.1	3.1	4.0

Source: APSED

In percentage terms, trainee programs represent a more important source of engagements for Indigenous employees than for non-Indigenous employees, as shown in Figure 8.5. The use of traineeships and graduate trainee programs to recruit Indigenous Australians varies over time, though Indigenous employees remain more highly represented in traineeships than graduate trainee programs (13.5% of all trainees at June 2003 were Indigenous, compared to 3.0% of graduate trainees). In actual numbers, the representation for the two groups is much closer, with 49 Indigenous trainees and 27 Indigenous graduate trainees at June 2003.

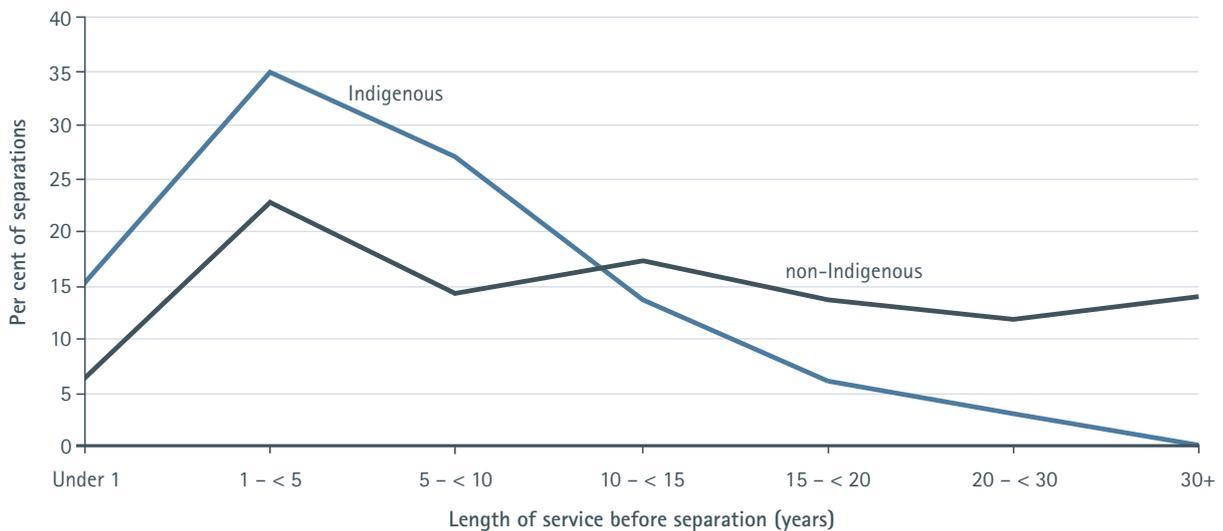
Figure 8.5 Representation of ongoing Indigenous employees in trainee classifications, 1994 to 2003



Source: APSED

Figure 8.6 compares the length of service in the APS by Indigenous status, for those staff who separated from the APS during 2002–03. It shows the proportion of total separations that occurred at different lengths of service for both Indigenous and non-Indigenous employees. Indigenous employees do not remain as long in the APS as non-Indigenous employees. Indeed, during 2002–03, 50% of Indigenous employees who left the APS had worked in the service for less than five years, compared to 29.1% of non-Indigenous employees who left the APS.

Figure 8.6: Ongoing staff: distribution of total separations by Indigenous status and length of service, 2002–03



Source: APSED

While the total number of Indigenous Australians employed in the APS is increasing, it is concerning that the rate of increase remains lower than that of non-Indigenous employees and that separation rates are higher. Representation overall has now clearly stalled since the peak in 1998–99. A number of agencies are making efforts to address this concern.

In the agency survey, 57% of agencies (51 agencies) reported employing or developing targeted strategies to recruit Indigenous Australians (46% had strategies in place, and 11% were developing strategies), including the use of special measures⁸ and identified positions.⁹

For those agencies that reported using or developing specific recruitment strategies during 2002–03, the most common measure reported was advertising employment opportunities in Indigenous media (29 agencies; four agencies reported that they are developing this measure; 14 reported that they do not have this measure in place; 42 agencies did not respond to this question). Other measures were:

- the agency's own recruitment strategy (24 agencies; eight agencies reported that they are developing this measure; 12 reported that they do not have this measure in place; 45 agencies did not respond to this question)
- participation in the National Indigenous Cadetship Program run by DEWR (22 agencies; three agencies reported that they are developing this measure; 22 reported that they do not have this measure in place; 42 agencies did not respond to this question)
- the use of identified positions (17 agencies; two agencies reported that they are developing this measure; 27 reported that they do not have this measure in place; 43 agencies did not respond to this question)
- the use of special measures provisions limiting employment opportunities only to Indigenous applicants (14 agencies; two agencies reported that they are developing this measure; 31 reported that they do not have this measure in place; 42 agencies did not respond to this question).

Thirty-three per cent of agencies reported using strategies to retain Indigenous employees and an additional 15% were developing such strategies. The most common measure used by these agencies was encouraging participation in the Indigenous APS Employees Network (reported by 27 agencies). Other measures were:

- supporting another Indigenous network such as an internal support network (23 agencies)
- providing Indigenous cultural awareness training for all employees (15 agencies)
- providing study awards (13 agencies)
- providing culturally specific training programs (11 agencies).

DAFF has an established Indigenous Strategy Steering Committee, which oversees Indigenous access to DAFF programs. One of the areas targeted by this Committee is the awareness of DAFF staff of issues relevant to Indigenous people. It also aims to increase the number of Indigenous people employed within DAFF. The Committee has developed a guide for staff, which aims to raise awareness of the cultural values of Indigenous Australians.

Yarrangi 2003–05 is DEST's Indigenous Australian recruitment and career development strategy. One objective under this plan is to attract Indigenous Australians to employment opportunities in DEST. An example of a strategy currently under way to help meet this objective is a targeted increase in recruitment through DEST's entry level programmes, with Indigenous-specific places

⁸ Chapter 4 of the Public Service Commissioner's Directions allows agency heads to use special measures by identifying specific employment opportunities as available only to Indigenous applicants.

⁹ Identified positions are jobs that require an understanding of the culture and issues faced by Indigenous Australians and an ability to deal with them sensitively. While it is likely that these positions would be occupied by Indigenous Australians, recruitment is on the basis of merit and not restricted to Indigenous applicants.

in the graduate and apprentice intakes. In addition to recruitment, another objective of Yarrangi is retention. Current strategies under way to meet this objective include maintaining an Indigenous Australian employee support network in DEST; ensuring induction arrangements meet the needs of Indigenous Australian employees; promoting career opportunities through mobility; and providing input into learning and development strategies and initiatives. For example, this year DEST introduced the policy of automatic entry for its Indigenous cadets into the graduate program on successful completion of their cadetship. This strategy directly addresses DEST's previously low cadet retention rate by providing a supported transition from study to work.

Four Centrelink areas employ an Indigenous HR consultant who has been able to develop strategies to specifically address the needs of Indigenous employees and ensure that employment practices are culturally sensitive. One area has found that the completion of the Certificate IV in Community Management has assisted some Indigenous employees in gaining temporary performance at a higher level or a promotion.

When asked about Indigenous employees' employment opportunities in the employee survey, almost 60% of employees believed that Indigenous employees had no fewer opportunities for employment, development and promotion than others, with only 7% disagreeing. However, a lower proportion of Indigenous employees (52%) agreed with the statement, with 26% disagreeing.

The employee survey also asked about job satisfaction factors, with three out of the top five factors being common to Indigenous and non-Indigenous employees (see Table 8.7). The main differences were that Indigenous employees put more weight on 'duties/expectations being made clear', and 'regular feedback and recognition' than did non-Indigenous employees.

Table 8.7: Top five job satisfaction factors, by Indigenous status

	Indigenous	Employees satisfied %	Non-Indigenous	Employees satisfied %
1	flexible working arrangements	92	good working relationships	85
2	good working relationships	72	flexible working arrangements	86
3	duties/expectations made clear	65	opportunities to utilise skills	69
4	regular feedback and recognition for effort	66	interesting work provided	74
5	salary	55	salary	62

Source: Employee survey

Table 8.7 also shows the proportion of each group satisfied with the factors they had identified as important. The majority of both Indigenous and non-Indigenous employees were satisfied with each top five job satisfaction factor. However, the average level of satisfaction for the five factors for Indigenous employees (70%) was lower than that of non-Indigenous employees (75%) and there was more variation in Indigenous responses (between 55% and 92% rating themselves as satisfied against each factor, compared to between 62% and 86% of non-Indigenous employees). Indigenous employees were more likely to be satisfied with

‘flexible working arrangements’ (92% compared with 86% for non-Indigenous employees), and less likely to be satisfied with ‘good working relationships’ (72% compared with 85% for non-Indigenous employees) and ‘salary’ (55% compared with 62%).

Indigenous employees were more polarised than other employees in their views about leadership development opportunities. Forty per cent of Indigenous employees were satisfied with their own access to leadership development opportunities in their organisation compared to 27% of non-Indigenous employees, but 44% of Indigenous employees were dissatisfied compared to 34% of non-Indigenous employees. Indigenous employees were more likely to rank ‘opportunities for career development’ in their top five factors impacting on job satisfaction (43%) compared with non-Indigenous employees (31%). However, their satisfaction level with this factor was slightly lower (37% compared with 43% for non-Indigenous employees).

Indigenous employees had significantly greater caring responsibilities than non-Indigenous employees, but were slightly more satisfied than non-Indigenous employees with their access to flexible work practices. This issue is discussed further below in ‘Life choice options’.

The APS Commission has identified Indigenous employment as a strategic priority for 2003–04 in cooperation with agencies. Its focus is on the key obstacles to improving Indigenous employment, which analysis suggests are:

- recruitment problems, particularly with more limited career pathways into the APS
- retention problems, particularly inadequate career planning and learning and development arrangements
- lack of personal support, particularly in agencies with a small number of Indigenous employees.

The primary strategies being developed are identification and implementation of strategic partnerships to open up more career pathways, to trial innovative solutions to aspects of Indigenous employment and to promote better practice approaches. The project has involved extensive consultation with Indigenous APS employees, line managers, agency HR practitioners and senior executives. The project is overseen by a multi-agency senior executive steering committee.

In addition, the APS Commission facilitates the Indigenous Employment Group that meets quarterly and provides a networking opportunity for HR practitioners involved in Indigenous employment. Regional offices also promote Indigenous recruitment and retention in their diversity networks. The APS Commission supports the national Indigenous APS Employees Network, which facilitates communication between Indigenous employees about APS workforce issues.

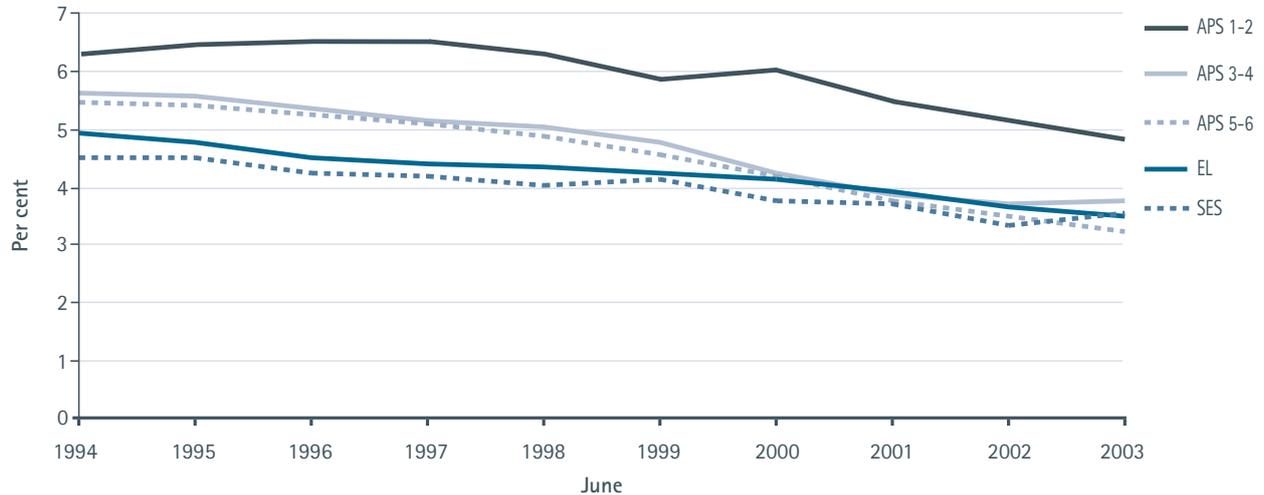
PEOPLE WITH A DISABILITY

In considering data relating to people with a disability it is important to note that there is no consistent definition across the APS of what constitutes an employment-related disability. Some agencies use a specific definition, while others leave it to individuals to decide whether to disclose a disability for the purpose of EEO data. In any case, reporting of this data is voluntary.

Over the past decade, the data show a consistent decline in the employment of people reporting a disability as a proportion of APS employees. In absolute terms, the number fell each year until 2001–02, before

recovering slightly in 2002–03. Currently, people with a disability represent 3.6% of APS employees, down from 5.5% a decade ago. While the decline in absolute numbers can be partly explained by a reduction in the number of APS 1–2 positions, where the employment of people with a disability has historically been concentrated, in fact there has been a decline at all classifications, as Figure 8.7 indicates.

Figure 8.7: Ongoing staff: representation of people with a disability by classification, 1994 to 2003

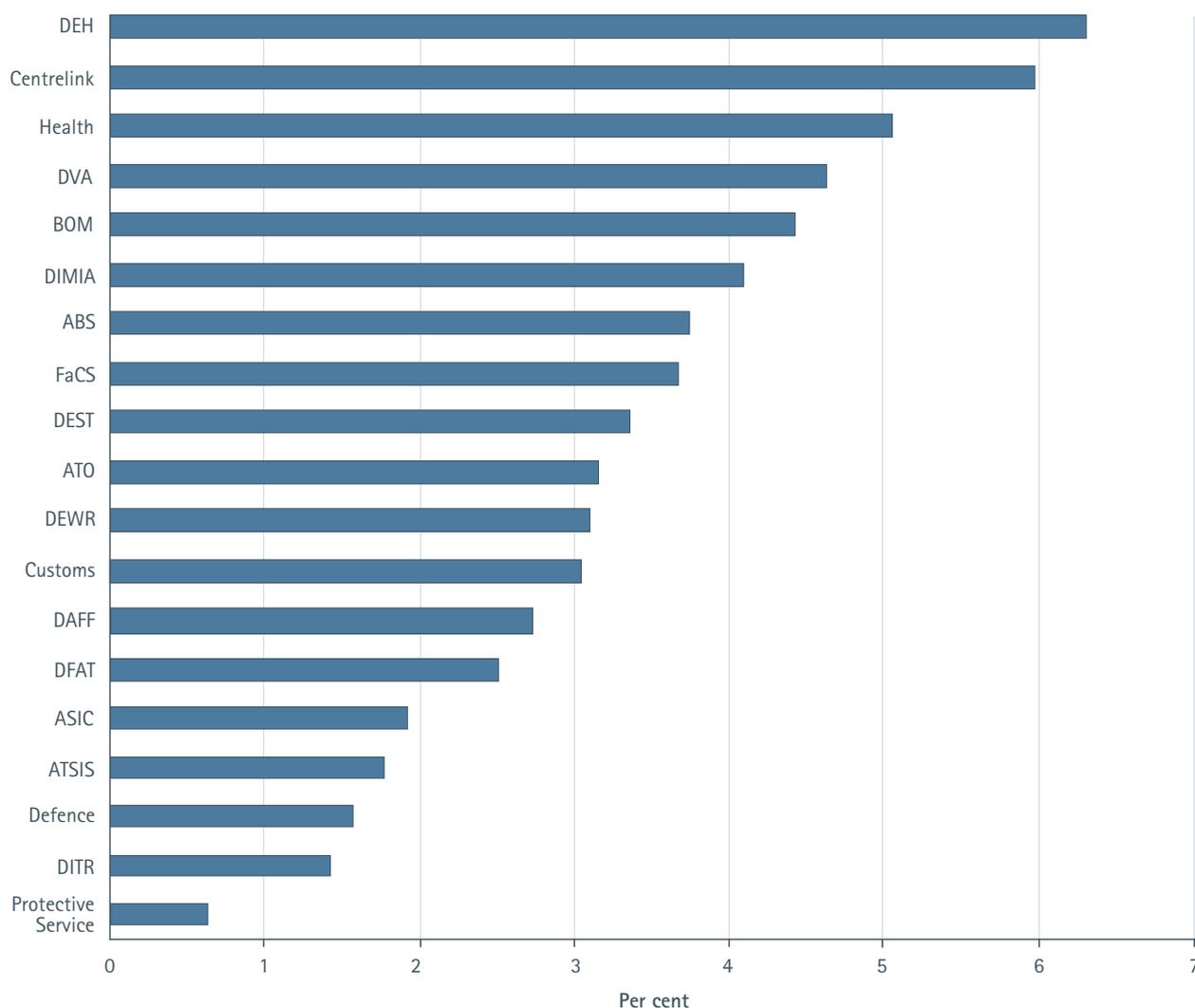


Source: APSED

Engagement and separation rates for people with a disability have changed little over the 10 years to June 2003. Between 1993–94 and 2001–02 there has been a consistent trend of separations outnumbering engagements. However, this trend reversed in 2002–03, with the number of engagements for people with a disability (403) being greater than the number of separations (310). The net percentage increase was nonetheless less than the percentage increase in employment of people without disabilities, so that there was still another small decline in the representation of people with disabilities in the APS in 2002–03.

Agencies with high representation rates of people reporting a disability are the Family Court (8.7%), the Australian Industrial Registrar (AIR) (7.6%) and AIATSIS (8.1%). None of these agencies is large, and so the actual numbers of people with a disability they employ is relatively small. Nine APS agencies reported that they employed no people with a disability on an ongoing basis. These agencies were small except for one medium-sized agency (AEC). Figure 8.8 below shows the proportion of people reporting a disability in agencies with more than 1000 ongoing employees.

Figure 8.8: Representation of people with a disability in agencies with more than 1000 ongoing employees, 2003



Note: The ‘no data’ component of responses to disability status was particularly high in Protective Service (65.0%) and Defence (58.3%).

Source: APSED

The employee survey asked respondents for their level of agreement to the following statement: ‘My agency actively supports the employment of people with a disability’. People with a disability (36%) were less likely to agree to this statement than people without a disability (57%) and more likely to disagree (18% compared to 8%).

The agency survey asked agencies about the use of specific strategies to facilitate the recruitment of people with a disability during 2002–03. In their responses:

- 81 agencies reported ensuring that selection criteria were not systemically discriminatory (two agencies reported that they are developing this measure; six agencies did not respond to the question)
- 61 agencies reported providing information on reasonable adjustment measures in the workplace (17 agencies reported that they do not have this measure in place; four agencies reported that they are developing this measure; seven agencies did not respond to the question)

- 58 agencies stated they provided assistance during the application process (22 agencies reported that they do not have this measure in place; three agencies reported that they are developing this measure; six agencies did not respond to the question)
- 52 agencies made accommodations to any testing situations (30 agencies reported that they do not have this measure in place; one agency reported that it is developing this measure; six agencies did not respond to the question)
- 13 agencies reported having worked with organisations that specialise in placing people with a disability in employment (60 agencies reported that they do not have this measure in place; eight agencies reported that they are developing this measure; eight agencies did not respond to the question)
- 11 agencies provided training for selection panels on appropriate interviewing techniques for people with disabilities (55 agencies reported that they do not have this measure in place; 16 agencies reported that they are developing this measure; seven agencies did not respond to the question).

Centrelink has established a disability coalition to inform the establishment of best practice in the employment of people with a disability and to ensure the Disability Action Plan is appropriately implemented. Strategies used include briefing recruitment agencies on Centrelink's diversity requirements, and the disability HR consultant providing information on employment opportunities to disability networks.

An increasing number of APS agencies are using contracted services provided by employment services such as Koomari and Job Match, to support people with an intellectual disability.

When asked if they used strategies to retain people with a disability, 65% of agencies (58 agencies) reported that they did. Twenty-six agencies reported that they did not use such strategies (one agency did not respond). Approaches taken by agencies included:

- providing access to contact officers who assist with issues such as discrimination (57 agencies; two agencies reported that they are developing this measure; three reported that they do not have the measure in place; 27 agencies did not respond to this question)
- providing access to adaptive technology or other practical support (56 agencies; two agencies reported that they are developing this measure; four reported that they do not have this measure in place; 27 agencies did not respond to the question)
- encouraging participation in a network for people with a disability (17 agencies; six agencies reported that they are developing this measure; 38 reported that they do not have this measure in place; 28 agencies did not respond to this question)
- disability awareness training programme for employees generally (15 agencies; seven agencies reported that they are developing this measure; 39 reported that they do not have this measure in place; 28 agencies did not respond to this question).

The Defence-sponsored Technical Equipment for Disabled Commonwealth Employees Program exists to ensure that Defence APS staff with disabilities are provided with the technical equipment that would assist them in the performance of their current duties, or facilitate advancement of their careers as opportunities occur. Defence Disability Staff Networks (DDSN)

has been established in all States and Territories to cater for the interests of staff with disabilities in Defence. The DDSN provides a forum for raising, discussing and resolving issues, including removing barriers, to enhance the participation of staff with disabilities in the workplace. The DDSN in NSW has been particularly successful in assisting staff with disabilities in their Defence careers.

Once a year, as part of its staff poll, Centrelink surveys its employees with a disability to identify issues of concern. In addition, some Centrelink areas use the following strategies: a disability HR adviser who has a role to support employees with a disability; the conduct of disability forums; cooperation between the OH&S coordinator and rehabilitation provider to ensure reasonable adjustment takes place.

In October 2003, Centrelink won a Prime Minister's Employer of the Year Award for its strong and innovative commitment towards employing people with disabilities.

The agency survey results indicate that some agencies clearly have a long way to go in the development and implementation of strategies to recruit and retain employees with a disability. The results of the employee survey add weight to the urgency of the issue, with employees with a disability emerging as a relatively dissatisfied group of employees.

People with a disability were significantly more dissatisfied with their job than people without a disability. Only 49% of people with a disability had a job satisfaction index of over five compared to 77% of people without a disability.

People with and without a disability had similar ratings for the importance of job satisfaction factors, with four out of the top five factors being common to each group. However, people with a disability put more emphasis on 'regular feedback and recognition for effort', and slightly more emphasis on 'opportunities to utilise my skills'. The top five job satisfaction factors for people with and without a disability are at Table 8.8. People with a disability were somewhat more likely to nominate career development opportunities among their top five job satisfaction factors than people without a disability (39% compared to 31%), but of those who nominated career development as a job satisfaction factor, only 10% were satisfied with their opportunities for development, compared to 45% of people without a disability.

Table 8.8: Top five job satisfaction factors, by disability status

	People with a disability	Employees satisfied %	People without a disability	Employees satisfied %
1	opportunities to utilise my skills	46	good working relationships	86
2	flexible working arrangements	69	flexible working arrangements	87
3	good working relationships	67	opportunities to utilise my skills	71
4	regular feedback/recognition for effort	34	interesting work provided	75
5	interesting work provided	35	salary	63

Source: Employee survey

Table 8.8 also shows the proportion of each group satisfied with the factors they had identified as important. Satisfaction ratings for people with and without a disability were very different. While the majority of people without a disability were satisfied with each factor identified as important, the majority of people with a disability were only satisfied with two factors ('flexible working arrangements' and 'good working relationships'). The average satisfaction rating for people with a disability was 50%, compared to 76% for other employees. Lowest ratings were for 'regular feedback/recognition for effort' and 'interesting work provided', where the percentage of people with a disability satisfied were 20 and 40 percentage points lower than other employees. The small numbers of people with a disability responding to the survey means that further analysis of significant correlations (such as by classification) within these results is not possible.

People with a disability were much less likely to rate their supervisors highly as people managers (26% compared to 48% of people without a disability), and more likely to give their supervisors a low rating in this area (39% compared to 16%). People with a disability were also much less likely than other employees to be satisfied with their own access to leadership development opportunities (9% compared to 28%) and more likely to be dissatisfied (65% compared to 33%).

People with a disability have similar levels of caring responsibilities to other employees and similar levels of satisfaction with access to flexible working practices, but they have different types of caring responsibilities. This issue is discussed further below in 'Life choice options'.

Overall, the picture is not positive. Despite the strategies agencies report having in place, the representation of people with a disability is continuing to decline. Significant numbers of employees with a disability disagree their agency is providing support and they are more dissatisfied in their jobs. Further analysis is needed in this area to identify possible causes. Agencies also need to consider more carefully, including in consultation with their employees with a disability, the effectiveness of their strategies.

NON-ENGLISH SPEAKING BACKGROUND

In the absence of an alternative, the concept 'NESB', representing people from a non-English speaking background, is used in APSED. The measure used to analyse data for this purpose is NESB1, which includes people born overseas whose first language was not English. NESB2 data, which includes children of certain migrants, has not been included as there is little evidence of employment disadvantage. The representation of NESB2 employees in the APS has been relatively stable over the past 10 years, changing from 6.3% of total ongoing employees in 1994 to 6.1% in 2003. In addition, their classification profile in 2003 is very similar to that of the overall APS workforce.

The 20 most common countries of origin for APS employees born overseas, starting with the most common, were:

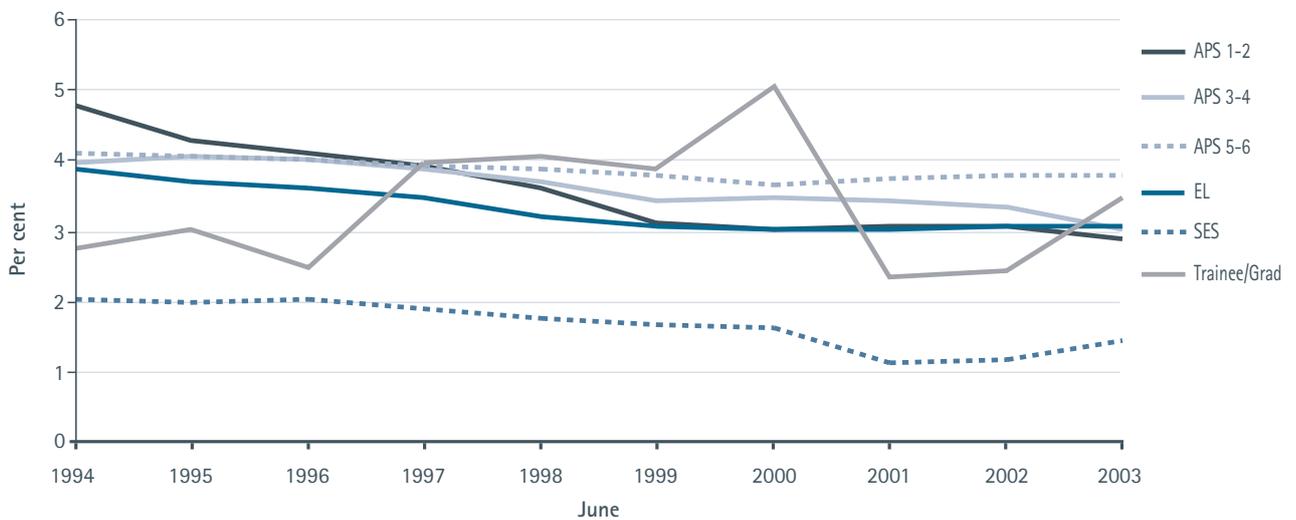
England, New Zealand, India, Sri Lanka, Malaysia, Vietnam, Scotland, Philippines, Hong Kong, Germany, China, USA, Italy, Poland, Fiji, Netherlands, Papua New Guinea, South Africa, Canada, Singapore.

The most common first languages, other than English, spoken by APS employees were:

Italian, Greek, German, Polish, Vietnamese, Spanish, Cantonese, Croatian, Dutch, Arabic, Serbian, Aboriginal languages, Macedonian, Mandarin, Turkish, Slovenian.

The proportion of people in the APS who identified themselves as being from non-English speaking backgrounds (NESB1) decreased from 3.4% in 2002 to 3.3% in 2003. This continues a consistent slow downward trend over the past decade, from 4.2% in 1994 to 3.3% in 2003. Figure 8.9 shows the representation of NESB1 employees by classification from 1994 to 2003. The trainee and graduate trainee classifications were the only ones to show an overall increase in the proportion of NESB1 employees between 1994 and 2003 (from 2.8% to 3.5%), although, despite a rise over the last two years, their representation in 2003 was below the high point of 2000 (5.1%). The increasing number of NESB trainees and graduate trainees is an encouraging sign that traineeships offer one strategy for improving NESB representation in the APS. NESB1 representation at APS 1–2 classifications fell from 4.8% to 2.9% over the 10 years to 2003 and, as highlighted earlier, APS 1–2 classifications are a declining source of recruits into the APS. For all other classification groups, the decline has been more gradual.

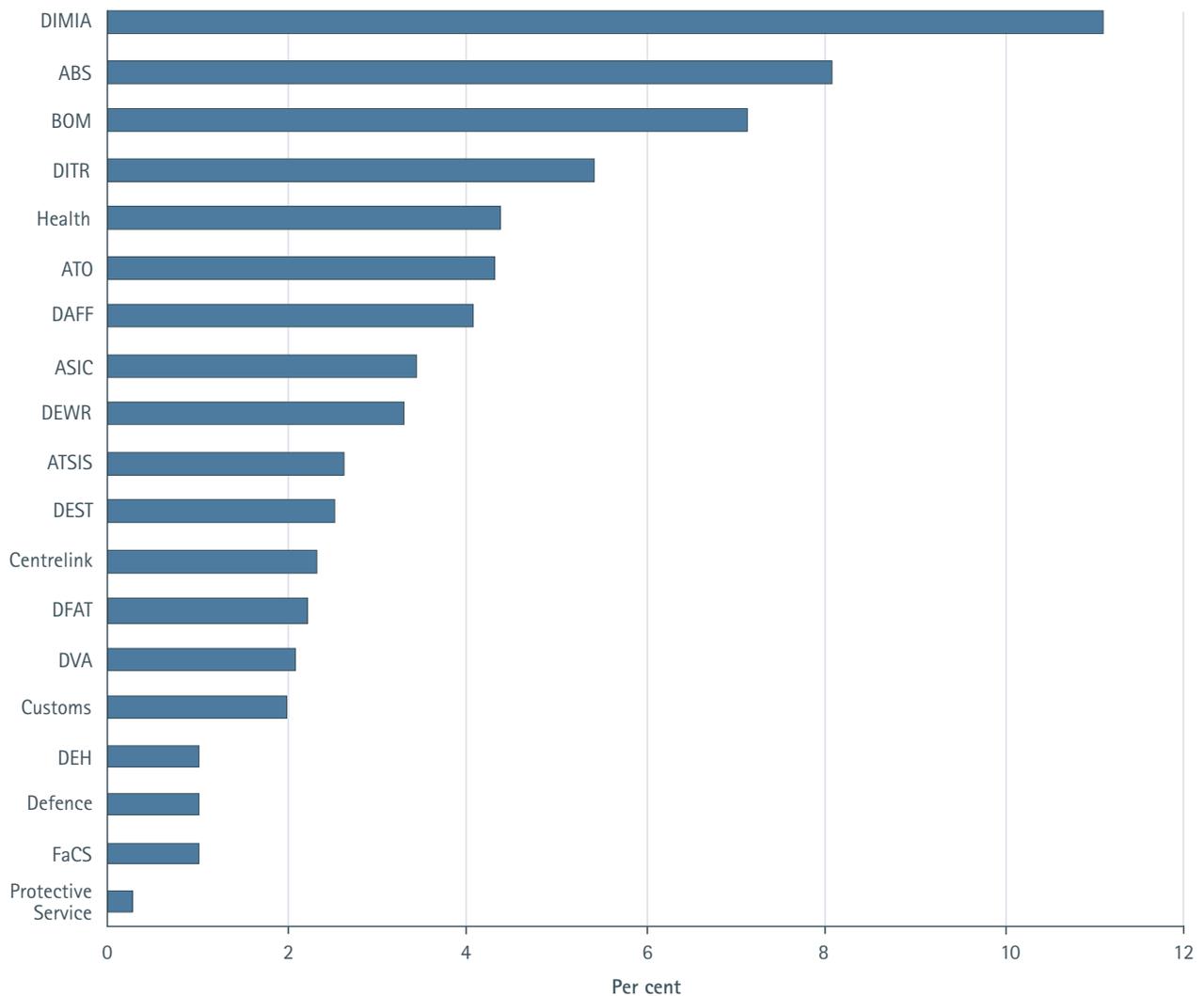
Figure 8.9: Ongoing staff: Representation of NESB1 employees by classification, 1994 to 2003



Source: APSED

Representation of NESB1 employees varies between agencies, with the National Library of Australia having the highest representation of NESB1 employees (14.0%), followed by DIMIA (11.1%), ComSuper (9.2%), NOHSC (9.0%) and CrimTrac (8.8%). These higher rates of representation may in part reflect the diversity of some of the agencies' clients. Figure 8.10 reports on those agencies with over 1000 employees.

Figure 8.10: Representation of NESB1 employees in agencies with more than 1000 ongoing employees, 2003



Source: APSED

In the employee survey, 75% of all respondents agreed that people from all cultural backgrounds have the same opportunities as others. The employee survey did not ask respondents to identify themselves as NESB. It is not therefore possible to examine employee survey responses on a NESB/non-NESB basis.

While this year’s agency survey did not ask about the recruitment and retention of NESB1 employees, some agencies are using specific strategies to attract employees from a range of culturally and linguistically diverse backgrounds. For instance, Centrelink has specifically targeted local cultural communities as part of its overall recruitment strategy. Where there is a high customer base from a different cultural or language background, local Centrelink offices have promoted vacancies through community radio or sent information to various multicultural groups. This is generally facilitated through multicultural services officers. Job advertisements have also been placed in the ethnic press for particular communities to attract applicants from specific backgrounds.

The long-term decline in the representation rate of people from a non-English speaking background in the APS has not been as severe as that for people with a disability. In addition, the representation of NESB2 employees (including the children of migrants) has been largely stable over the last decade. Nevertheless, further analysis is needed to identify the likely causes of the fall in representation of NESB1 employees.

These may include changes in the external environment (such as the representation of NESB1 in the community which has fallen slightly¹⁰) as well as internal changes. In the meantime, agencies should review their relevant strategies.

BROADER DIVERSITY ISSUES

As noted previously, the concept of diversity is a broad one, going beyond a concentration on the representation of traditional EEO groups, and encompassing the skills, knowledge and background that agencies need to meet the needs of their diverse client groups. While the recruitment, development and retention of people in the traditional EEO groups is important to diversity management in the APS, there is a growing acknowledgment among agencies of the need to address issues of demographic change, work–life balance and workplace harassment and bullying, to ensure that agencies are able to attract and retain skilled employees, and meet their capability needs both now and in the future.

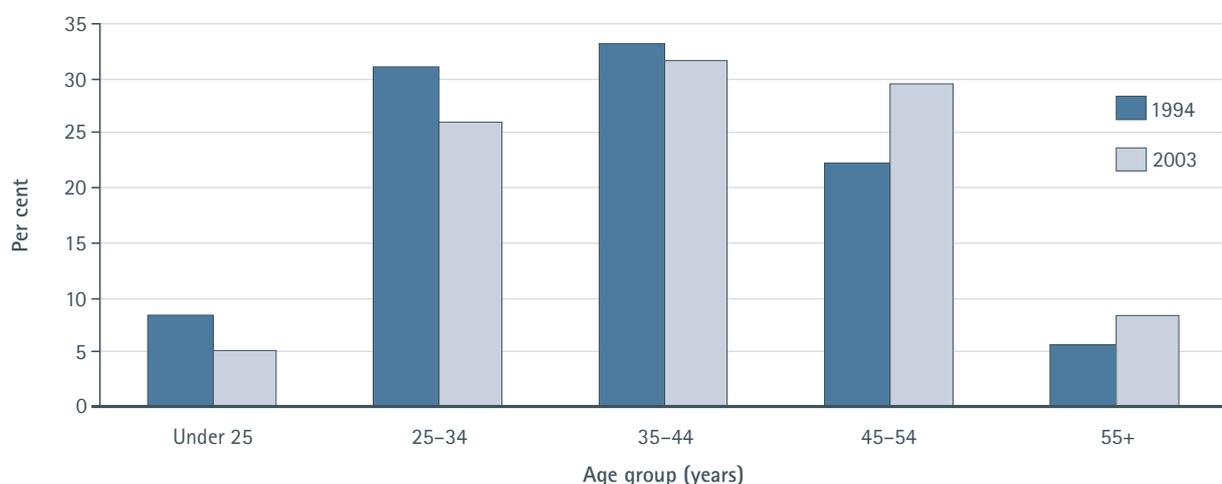
AGE PROFILE CHALLENGES

The MAC’s report *Organisational Renewal* is discussed in Chapter 9 in the context of longer-term workforce planning. The report sets out the challenges APS agencies face to maintain and enhance their ongoing capability in a changing environment.¹¹ Broadly, it identifies a future contraction of the labour market, the implications of the ageing profile of the APS, and the career intentions of new graduates as critical factors for agencies to consider in their workforce planning processes.

The statistical snapshot of the APS in Chapter 2 highlighted the ageing of the APS over the last decade, and the implications of demographic changes for workplace planning are discussed in detail in Chapter 9. These chapters highlight the growing reliance on mature-aged workers in the APS, and the importance of providing a work environment and work practices that are conducive to their optimal participation.

There has been a significant increase in the proportion of workers aged 45–54 over the last decade, from 22.1% in 1994 to 29.3% in 2003, while the proportion of younger workers has declined. The changed age profile of the APS is shown in Figure 8.11.

Figure 8.11: Ongoing staff: Age profile, 1994 and 2003



Source: APSED

¹⁰ ABS data shows that the proportion of the Australian population who were born in non-English speaking countries fell slightly from 15.8% in 1996 to 15.5% in 2001. Note, however, that the definition is not directly comparable.

¹¹ Management Advisory Committee Report 3, *Organisational Renewal*, 2003

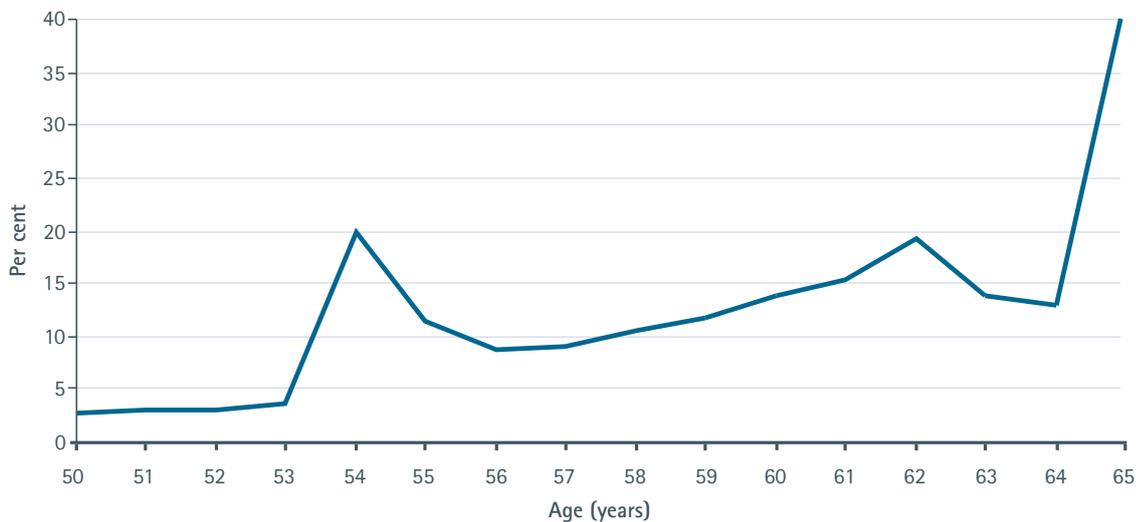
Mature-aged employees

Consistent with its ageing profile, the APS is increasingly reliant on mature-aged employees (45 and over) who now represent 37.6% of its workforce, although there is significant variation across agencies (see Chapter 2).

While 21.9% of the APS workforce could, if they wished, retire with superannuation benefits within five years (including 26.6% of ELs and 42.5% of SES), there are some indications that employees in this group may remain in the workforce longer than previous cohorts. The employee survey found that mature-aged employees had higher rates of job satisfaction than other employees. Results of employee surveys conducted for the MAC report also indicate that a high proportion of employees intend to work beyond 55.

Figure 8.12 shows the separation trends for APS employees in the 50–65 age group in 2002–03. Despite the continuing peak in departures between the ages of 53 and 55, the proportion of ongoing APS employees over 55 increased from 7.6% in 2002 to 8.3% in 2003 (rising from 5.6% in 1994).

Figure 8.12: Separation rates for ongoing employees aged 50 to 65, 2002–03



Source: APSED

There are a number of factors at play here, including the earning rates of the superannuation funds which affects the benefits available for those who resign before age 55. Nevertheless, there does appear to be a willingness on the part of mature-aged employees to remain in the workforce for longer periods of time, particularly if agencies are able to provide them with additional flexibility.

Table 8.9 shows the top five job satisfaction factors for workers 45 years and over (mature-aged employees), and employees aged under 45 years. These factors were similar between mature and non-mature-aged employees, with three out of the five common to both. The main difference between them was that mature-aged workers rated ‘seeing tangible results from my work’ and ‘opportunities to utilise my skills’ among their top five job satisfaction factors, while younger workers included ‘salary’ and ‘opportunities to develop my skills’.

Table 8.9: Top five job satisfaction factors, for employees aged over 45 and under 45

	Mature-aged employees (45 years and over)	Employees satisfied %	Non-mature-aged employees (under 45)	Employees satisfied %
1	good working relationships	84	good working relationships	85
2	opportunities to utilise my skills	79	flexible working arrangements	83
3	flexible working arrangements	85	opportunities to develop my skills	68
4	interesting work provided	84	interesting work provided	74
5	seeing tangible results from my work	81	salary	60

Source: Employee survey

The majority of both mature-aged and non-mature-aged employees were satisfied with each of the job satisfaction factors that they identified as important. However, mature-aged workers were generally more likely to be satisfied (with an average rating for the five factors of 83%) than other workers (an average rating of 74%). For the factors common to both groups, the only major difference was for ‘interesting work provided’, where mature-aged workers were more likely to be satisfied (84% compared to 74%).

There were also some interesting differences in the top five job satisfaction factors within the mature-aged cohort when they were separated into the 45–54 year age group and the 55 years and over age group, see Table 8.10.

Table 8.10: Top five job satisfaction factors, for employees aged 45–54 years and 55 years and over

	Employees aged 45–54 years	Employees satisfied %	Employees aged 55 years and over	Employees satisfied %
1	good working relationships	81	good working relationships	93
2	opportunities to utilise my skills	71	opportunities to utilise my skills	70
3	flexible working arrangements	89	chance to make a useful contribution to society	87
4	interesting work provided	78	flexible working arrangements	89
5	salary	60	seeing tangible results from my work	83

Source: Employee survey

While three out of the five top job satisfaction factors are common for both groups, 45–54 year olds placed more importance on interesting work and on salary, and those 55 years and over placed more importance on the chance to make a useful contribution to society, and seeing tangible results from their work. While the majority of both groups of employees were satisfied with the top five job satisfaction factors, those 55 years and over were more likely to be satisfied than those aged from 45–54 years, with an average satisfaction rating of 84% for their top five factors, compared to 76% (although the 45–54 year old figure is affected by the relatively greater dissatisfaction with salary). In particular, those 55 years and over were considerably more satisfied with their working relationships (93% compared with 81%).

In the survey of mature-aged workers conducted for the MAC project, mature-aged APS employees indicated that they would stay longer than intended if they had more flexible work arrangements. Of those current and former ELs and SES who had rejoined or would consider rejoining the APS, 90% of current employees and 82% of former employees said that they would prefer to work on a more flexible basis.

Given the ageing profile of the APS, agencies need to consider the scope for flexible work arrangements and management practices that optimise the participation and retention of their valued mature-aged workers. In addition to part-time work, such arrangements could include part-year or project-based work, mentoring, shedding management responsibilities and working at a reduced classification level, or leaving the APS and returning on alternative arrangements.

Agencies need to adopt a strategic approach to identifying and implementing flexibility and other initiatives. FaCS, for example, has established a strong commitment to the employment of mature-aged workers and followed this up with a survey and a series of initiatives addressing the interests of mature-aged workers that should add considerably to agency retention rates over time. The FaCS strategy, to be launched in late 2003, includes the integration of age retirement and succession planning issues into the performance management system and the application of broader workplace policies such as flexible working arrangements to encourage the retention of mature-aged employees.

The APS Commission is about to release a package of materials aimed at HR areas in agencies with an interest in developing a strategic approach to the retention of their mature-aged employees.

Younger workers

The past several years have seen a turn around in the number of younger employees working in the APS. The number of people aged less than 25 years employed as ongoing employees dropped continuously from 11,846 to 4919 staff (a drop of 58.5%) between June 1994 and June 1998. Since then, the number has risen each year, to 5200 at June 2002 and 5943 at June 2003 (an increase of 14.3% during the year).

Much of the growth during 2002–03 was in the 20–24 age group. Within the under 25 age group, the number of those aged under 20 increased by only 11 (6.3%), while the number of 20–24 year olds increased by 732 (14.6%). This increase in the proportion of 20–24 year olds, as opposed to the under 20 year olds, mainly reflects the reduction in employment opportunities at the APS 1–2 level as the nature of work being undertaken continues to demand higher standards of education, skills and experience. While other labour market factors and high school retention rates mean the trend away from APS employees in the 15–19 age group may continue, agencies should also consider other strategies to attract promising young people, such as traineeships, as the employment market tightens. This might also help to redress some of the problems concerning employment of a wider range of people, including Indigenous Australians and people with a disability.

As indicated previously, younger employees were less likely than older employees to score above five on the job satisfaction index (66%, compared with 76% for all APS employees). Table 8.11 shows differences in the ranking of the top five job satisfaction factors for employees aged under 25, compared to those aged 25 years and over.

Table 8.11 Top five job satisfaction factors, for under 25 years and 25 years and over

	Employees aged under 25 years	Employees satisfied %	Employees aged 25 years and over	Employees satisfied %
1	good working relationships	86	good working relationships	85
2	opportunities for career development	61	flexible working arrangements	87
3	salary	72	opportunities to utilise my skills	70
4	opportunities to develop my skills	63	interesting work provided	74
5	regular feedback/recognition for effort	45	salary	61

Source: Employee survey

Job satisfaction factors important to under 25 year olds were considerably different to those important to other employees, with only two out of the top five factors common to both groups (good working relationships and salary). Young employees put less weight on ‘flexible working arrangements’, ‘opportunities to utilise my skills’ and ‘interesting work provided’, and more emphasis on ‘opportunities for career development’, ‘opportunities to develop my skills’, and on ‘regular feedback/recognition for effort’.

Overall, young people were less satisfied with their most important job satisfaction factors than other employees, with an average of 65% reporting satisfaction, compared with 75% for other employees. They had particularly low rates of satisfaction with ‘regular feedback/recognition for effort (45%)’. However, they were more likely to report that they were satisfied with their salary than older employees (72% compared to 61%).

Agencies wishing to attract and retain younger workers need to consider the workplace factors important to them. According to surveys of graduates undertaken for MAC’s *Organisational Renewal*, access to favourable employment conditions (such as study leave) is by far the most important factor encouraging graduates to remain in the APS. The State of the Service employee survey shows that young people are also interested in good working relationships, opportunities for career and skill development, and feedback and recognition. Analysis of those ongoing employees at APS 3–4 and graduate trainee classifications engaged during 1997–98, shows a broadly similar pattern in retention rates between these groups, with 66.9% of the APS 3–4 employees and 60.9% of graduate trainees still employed in the APS at June 2003.

Other important factors identified through the MAC survey as encouraging graduates to stay are the same as those attracting them to the APS in the first place—job security and interesting work.

PRIVATE SECTOR AND PUBLIC SECTOR MOBILITY

In 2002–03, over 45% of all employees engaged had been working in the private sector prior to entering the APS. This is not surprising given the increase in the median age of employees on engagement, which is now 31 years. The growing number of employees join the APS at higher classifications, rather than at base grade levels, a further indicator that employees are joining with work experience outside the APS. These

employees come from a variety of workplace cultures; many will have experienced a range of managerial styles and workplace values. They have much to offer the APS in terms of broadening organisational capability, increasing agility and providing greater capacity to innovate. To maximise their potential, agencies will need to respond more flexibly to the ways in which employees' knowledge, skills and attributes are acquired, adapting their learning and development strategies to respond to lateral as well as entry level recruitment.

LIFE CHOICE OPTIONS

People at different life and career stages are looking for more flexible ways of working. Flexible work initiatives need to be inclusive, not limited to families with young children or other caring responsibilities, but catering for a wide range of life choice decisions. This may include options for all employees to adjust their working arrangements to balance their life with their work, including study leave, purchased leave, leave without pay, part-time work, and flexible working hours.

This year, the sixth annual benchmarking study of work–life balance initiatives by Australian company, *Managing Work/Life Balance*, reported that following the implementation of work–life balance strategies, federal government respondents reported a 14% reduction in turnover.¹² Additional benefits reported included reduced absenteeism, increased productivity, and higher rates of return from parental leave.

A broader analysis of work–life balance in the APS is discussed in Chapter 6. This section looks at particular work–life issues for some of the EEO groups.

A key issue for employees in reaching an effective work–life balance is access to flexible working conditions, particularly for employees with significant caring responsibilities. MAC has also identified flexible working conditions as a central issue for mature-aged workers and for graduate trainees.¹³

The APS has been a leader in providing family friendly work practices. It utilises a range of flexible approaches, including paid maternity leave, part-time work, flexible working hours, home based work, and purchased leave. This emphasis needs to continue in the future through flexible conditions and supportive management approaches as part of agencies' broader attraction and retention strategies.

From the perspective of an employer, maternity leave is a particularly important element of an overall package of employment conditions that attracts and retains women, and supports the diversity objectives of the PS Act. There are significant costs involved, and while holding positions for women on maternity leave and temporary filling arrangements can be disruptive to small agencies and specialised work areas, these factors are generally outweighed by the benefit to the APS of retaining highly skilled and increasingly qualified women.

There has been a slight decrease in the total number of women completing a period of maternity leave, from 1777 in 2001–02 to 1642 in 2002–03. Most women combine their paid maternity leave with other forms of leave, including recreation leave and long service leave, to extend the period before returning to work. The

¹² *Managing Work/Life Balance Work/Life Initiatives: The way ahead report on the year 2003 survey*, 2003. Results can be found at www.worklifebalance.com.au

¹³ op cit.

proportion of women returning to work after being on maternity leave is quite high; of the 1777 women who took maternity leave during 2001–02, only 186 (10.5%) had separated from the APS by 30 June 2003.

The employee survey results found that women were only slightly more likely to report caring responsibilities than men (37% compared to 35%). They were also slightly more satisfied than men that their supervisors would support their use of flexible work practices (85% compared to 81%).

However, there were substantial differences in work–life balance for other EEO groups.

Indigenous employees were much more likely to report having carer responsibilities (62% compared to 35% for non-Indigenous employees). They were more likely than non-Indigenous employees to care for children from 5–16 years old (75% of Indigenous employees with caring responsibilities compared to 65% of non-Indigenous employees), and slightly more likely to care for aged parents (19% compared to 15%). However, despite their extra responsibilities, Indigenous employees were more likely to be satisfied than other employees that their supervisor would support their use of flexible work practices (89% compared with 83% for non-Indigenous employees).

People with a disability had a similar rate of caring responsibilities (38%) to other employees (36%). However, there were considerable differences in the make-up of their caring responsibilities. People with a disability were much less likely to care for children under five (six per cent of carers with a disability compared to 28% for people without a disability) and much more likely to care for aged parents (34% compared to 14%) or have other caring responsibilities (19% compared to 8%). They reported similar levels of satisfaction about supervisor support of the use of flexible work practices as other employees (81% compared with 83% for other employees).

Overall, the satisfaction of employees that their supervisor would support their use of flexible work practices was very high, and there was little difference between the satisfaction of employees with and without caring responsibilities (82% compared to 84% respectively). However, one group of carers, those who care for aged parents, stands out as being relatively less satisfied, with 71% of this group expressing satisfaction that their supervisor would support the use of flexible work practices and 17% expressing dissatisfaction, compared to 83% and seven per cent respectively for all employees.

Given the ageing profile of the APS, it is likely that elder care responsibilities will increasingly concern employees. Some agencies have introduced initiatives to help their employees meet the needs of their ageing parents. For example, FaCS has contracted Carelink Referral Service, a freecall service that gives employees practical help with child and elder care issues.

Consideration could also be given by agencies to providing greater flexibility with long service leave, including to meet elder care responsibilities. An employee may elect to take long service leave on half pay, which will enable them to extend the period of leave. In addition, while long service leave has traditionally been accessed in periods of not less than 15 calendar days, a number of agencies now allow staff to access leave in minimum blocks of seven calendar days.

BULLYING, HARASSMENT AND DISCRIMINATION

A productive workplace depends on positive working relationships, which are essential for effective communication, cooperation and teamwork. Such positive relationships in the workplace depend on individuals treating each other with respect and courtesy, and without harassment. This means respecting not just obvious differences among employees such as gender, cultural background or expertise, but also less obvious aspects of diversity like work styles and thinking patterns.

Behaviour that intimidates, devalues or humiliates an employee, whether characterised as bullying, harassment or discrimination or not, destroys productive working relationships. It may cause physical and psychological harm to individuals, undermine teamwork and prevent the workplace operating in an optimal way.

In their responses to the employee survey, 18% of all employees reported experiencing what they considered to be bullying,¹⁴ harassment¹⁵ or discrimination¹⁶ during 2002–03. While this figure is high, and is cause for concern, it does appear to be lower than the results of other surveys similar to the State of the Service employee survey.

For example, 21% of New Zealand public servants who responded to a 2000 survey conducted by the New Zealand State Services Commission reported having been discriminated against, and 34% reported having been harassed or bullied.¹⁷ The New Zealand survey also found that while awareness of formal complaints procedures was high, confidence in them was low. A 2002 Canadian survey of public servants, commissioned by the Treasury Board of Canada, found that in the two years prior to the survey, 21% of employees considered they were the victims of harassment, and 17% of employees reported being discriminated against.¹⁸

Of course, differences in the questions asked in the three surveys as well as the variation in definitions of ‘harassment’, ‘discrimination’ and ‘bullying’ require that any comparison be treated with considerable caution. Nevertheless, the results do provide a useful context for the State of the Service employee survey results.

The State of the Service employee survey results show marked differences in employee responses when broken down by classification. Table 8.12 shows that lower level employees were more likely to report having been subjected to bullying, harassment or discrimination compared to SES employees.

¹⁴ For the purpose of the employee survey, ‘bullying’ was defined as repeated inappropriate behaviour, that may be direct or indirect, verbal or physical, or some form of negative interaction. It can reasonably be regarded as undermining the victim’s right to dignity.

¹⁵ For the purpose of the employee survey, ‘harassment’ was defined as any unwelcome, unsolicited, offensive, abusive, belittling or threatening behaviour directed at an individual or group because of some real or perceived attribute such as a person’s sex, sexuality, ethnicity, or disability. A reasonable person, having regard to all the circumstances, would expect the person harassed to be offended, humiliated or intimidated.

¹⁶ For the purpose of the employee survey, ‘discrimination’ was defined as any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction, social origin or other attributes that removes equality of opportunity or treatment in employment.

¹⁷ NZ State Services Commission *NZ Public Service Career Progression and Development Survey*, 2000. The question in the NZ survey on discrimination was ‘...was there any situation or event in which you felt you were treated less favourably than others in the same or similar situation because of a personal attribute such as gender, ethnicity or disability?’ The question on harassment and bullying in the NZ survey was ‘...have you experienced any unwelcome behaviour, which served to humiliate, intimidate or offend you?’

¹⁸ Public Service of Canada 2002, *2002 Public Service Employee Survey*. Results can be found at www.survev-sondage.gc.ca/2002/results-resultats/00/result-e.htm The Canadian survey defined ‘harassment’ as ‘any objectionable act, comment or display that demeans, belittles or causes personal humiliation or embarrassment, and any act of intimidation or threat.’ ‘Discrimination’ was defined as ‘...treat[ing] someone differently or unfairly because of a personal characteristic or distinction which, whether intentional or not, has an effect which imposes disadvantages not imposed upon others or which withholds or limits access to other members of society.’

Table 8.12: Employees who reported experiencing bullying, harassment or discrimination, by classification

	Yes (%)	No (%)	Not Sure (%)
APS 1–6	20	78	3
EL	13	86	1
SES	5	95	0

Source: Employee survey

The employee survey did not ask respondents about who they perceived as having bullied, harassed or discriminated against them, which makes it difficult to draw conclusions about the significant difference between the results for SES and non-SES employees. However, it is likely that the results reflect the relative variations in authority.

In terms of EEO groups:

- women (21%) were more likely to consider that they had been subjected to bullying, harassment or discrimination than men (15%)
- Indigenous and non-Indigenous employees reported reasonably similar results (21% compared with 18%)
- people with a disability (39%) were much more likely to consider that they had been subjected to bullying, harassment or discrimination than employees without a disability (17%).

Of the employees who reported experiencing bullying, harassment or discrimination in 2002–03, the majority reported that the ground for that perceived behaviour was non-specific (51%), followed by ‘other’ (41%) and gender (13%). Explanations offered by respondents of why they chose the ‘other’ category included age and sexual orientation. ‘Other’ respondents commonly referred to situations suggesting a breakdown in the management of relationships in the workplace:

It's borderline whether you consider this discrimination or 'performance management'—senior management in my agency regard it as performance management; I consider it as discrimination. I fear that if I complain I'll only make things worse for myself.

I have seen two employees engage in what I regard as bullying behaviour with their supervisors in response to performance feedback sessions. It is difficult to know how to provide support to the supervisors who have the responsibility to counsel and provide performance feedback to such persons, trying to keep the sessions professional and impartial, when they know in advance that these individuals will respond with personal attacks.

The bullying I received was from a superior. Although I was satisfied with how this issue was handled, the same officer still displays the same behaviour (or worse) to other managers and staff.

Being the victim of a bully is the worst thing that can happen to anyone. In my previous position I was constantly harassed and picked on for non-work related issues.

Sometimes non-assertive people in lower classification levels are harassed, discriminated against and bullied. They have difficulty pursuing the matter. Supervisors should be made aware of this type of behaviour so they can identify it.

To address allegations of workplace bullying, discrimination and harassment, agencies may need to assist managers to develop their capabilities to build relationships and communicate effectively with employees. These capabilities are particularly important for managers when they are required to deal with complex issues relating to performance management and underperformance (see related discussion in Chapter 9 on underperformance).

The results of the employee survey indicate that the majority of APS employees (68%) were confident about using support structures in their agencies should they be subjected to harassment, discrimination or bullying. Sixteen per cent reported that they would not be confident using support structures. Confidence varied by age, with employees under 25 most likely to be confident (85%) and employees aged 25–34 least likely to be confident (66%).

Of the employees who reported experiencing bullying, harassment or discrimination, women (62%) were more likely to raise it through the support structures in their agency compared with men (34%), as were people with a disability (60%) compared with people without a disability (49%). The results for Indigenous employees are not statistically valid, and are therefore not reported.

Of the employees who had experienced bullying, harassment or discrimination and had raised it in their agency, 70% reported being dissatisfied with the way the issue was dealt with. Nineteen per cent were satisfied and 11% were neither satisfied nor dissatisfied. This is clearly of concern, indicating the need for agencies to examine the quality and effectiveness of their review systems for addressing complaints and resolving issues of bullying, harassment and discrimination. When the results are examined by available EEO group, it was found that:

- women were more likely to be satisfied with how the issue was dealt with compared with men (20% compared with 16%) and less likely to be dissatisfied (66% compared with 79%)
- people with a disability were much more likely to be satisfied with how the issue was dealt with compared with people without a disability (39% compared with 16%) and much less likely to be dissatisfied (58% compared with 71%).

CONCLUSIONS

Diversity planning is an important contributor to broader workforce planning for business outcomes.

Trends in representation of different EEO groups have varied over the last decade. While total APS employment has declined by 15.2% since 1994, the employment of people with a disability has declined by 45.3%. The representation of NESB1 employees has also declined disproportionately, but not as dramatically as for people with a disability, with NESB1 numbers falling by 33.4% since 1994. Trends in representation of NESB2 employees have been more stable, with this group's numbers falling by 17.9%, close to the fall in total APS employment. In contrast, numbers of Indigenous employees have fallen by only 10.4%. Between 1994 and 1998 there was a gradual increase in the representation of Indigenous employees in the APS from 2.3% to 2.7%. However, since 1999 growth in representation has clearly stalled.

The large fall in the representation of people with a disability is a particular concern, as is the fall in the representation of NESB 1 employees, and the stalling of improvements in the representation of Indigenous employment. Agency assurances about measures to address employment disadvantage, particularly for

people with a disability, are not reflected in outcomes, or in the experiences and opinions of employees as recorded in the employee survey.

Consistent with *Organisational Renewal*,¹⁹ agencies need to engage in more systematic workforce planning and to understand their own workforce demographics, paying particular attention to factors such as age. There are structural issues that agencies need to examine further, particularly in relation to the attraction, career development and retention of valued mature-aged employees. Flexible working provisions are one way of addressing the needs of employees and providing a competitive advantage.

The employee survey results on the proportion of employees who have experienced discrimination, bullying or harassment are worrying. More attention may need to be given to the development of managers' skills in such areas as performance appraisal and feedback, to the efficacy of review mechanisms, and more generally to cultivating and sustaining good working relationships.

With the exception of women, the provision of data for EEO groups remains less systematic than could be wished. All agencies need to make sure that they have systems in place to provide quality data to APSED to ensure a sound basis for analysis, and to ensure that they have the data that they need for their own workforce planning purposes.

¹⁹ Management Advisory Committee Report 3, *Organisational Renewal*, 2003



CHAPTER 9: BUILDING APS CAPABILITY

This chapter examines some of the issues that are central to measuring performance and building capability at an organisational and individual level, and through them at a Service-wide level.

At an organisational level, a focus on business outcomes, and particularly on assessing performance against policy or program objectives, has been at the centre of Australian public sector reform over the last 20 years. While the importance of this focus is generally acknowledged, agency approaches to performance measurement vary, and ongoing refinement of assessment frameworks continues.

The same focus on business outcomes has increasingly underpinned agency approaches to human resource management, fostering a strategic approach to deploying, developing, assessing and rewarding agency employees. Looking to the longer term, agencies are beginning to apply the same outcomes-focused approach to planning for the workforce of the future. This means anticipating future business requirements and planning recruitment, capability development, and succession management policies to ensure that such requirements can be met against the current background of demographic change.

At an individual level, performance management is now widely used to link high-level organisational objectives to individual performance appraisal and all agencies have performance management frameworks in place. The performance management process itself has also been increasingly linked to individuals' learning and development goals, ensuring that they have the capability to enable agencies to deliver against organisational objectives. Leadership development has been a key feature of many agencies' learning and development agendas.

While much of the focus on building capability has been at the agency level, it is also important to consider whole of government capabilities such as the capacity to work collaboratively across organisational boundaries and to focus on the broader needs of government.

The chapter draws on recent work by MAC, the ANAO, Finance, and the APS Commission, as well as the agency and employee surveys to examine:

- how organisations assess their performance
- agency approaches to managing people for present and future business outcomes
- individual performance management
- agency approaches to learning and development (including leadership development)
- whole of government capabilities.

ASSESSING ORGANISATIONAL PERFORMANCE

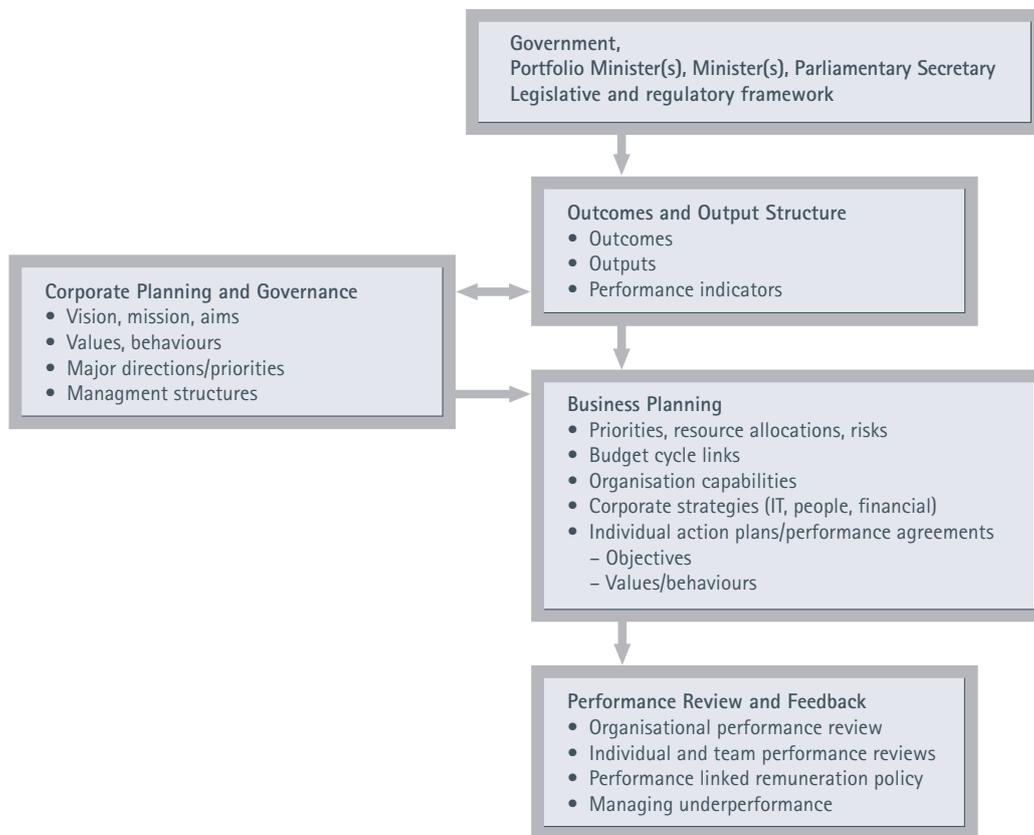
The development and reporting of appropriate performance information, both financial and non-financial, are a key element of the APS accountability framework.

While measures of broad organisational performance have always been important in the APS, they have evolved over recent years, shifting firstly from input measures to measuring results, and secondly

improving the sophistication of the results focus through the outcomes/outputs budget framework. The Auditor-General noted in 2002¹ that ‘agencies have devoted considerable resources to developing outcome/output/performance information frameworks consistent with Department of Finance [and Administration] guidelines and associated with the implementation of accrual budgeting’.

The MAC report on performance management in 2001 promoted an integrated approach to applying such information, encouraging agencies to draw on both their outcomes/outputs framework and their corporate planning and governance framework for detailed business planning and performance review and feedback.²

Figure 9.1: A generalised performance management framework



Source: MAC, 2001, p.8

¹ ANAO, *Performance Information in Portfolio Budget Statements*, Report No. 18, 2001–02.

² MAC, *Performance Management in the Australian Public Service*, Canberra, 2001, p.7. A revised edition of this report was published in 2003.

Responses to the agency survey indicate that all APS agencies had some form of organisational performance management framework in place. All agencies had reported on the basis of the outcomes/outputs framework but not all of them had used it as their main tool for regular monitoring. The main performance monitoring tools used on a regular basis by agencies were the outcomes/outputs framework (87%), corporate and business planning (84%), project planning and monitoring (75%) and the balanced scorecard (15%; a further 19% of agencies reported that they were developing a balanced scorecard).

In broad terms, these frameworks are consistent with the MAC model, with the outcomes/outputs framework providing the formal accountability framework to Ministers and the Parliament, and the corporate planning framework focusing on the strategies needed to deliver the desired results. The growing interest in 'balanced scorecards' reflects the need to build a means for monitoring corporate strategies as well as outputs and outcomes, and for measuring how the organisation's basic capability is being enhanced for the future.

Agencies generally reported that they used a full range of indicators in their performance management frameworks, with business results being cited most often, followed by financial management, customer relations, human resources and various aspects of information technology. For example, PM&C noted that in assessing its performance on a monthly basis it used workforce planning indicators, reports on contract allocation and management, and feedback on client group satisfaction. DAFF noted that its performance management and monitoring are underpinned by both its output/supply chain approach to delivering outcomes to clients and its business excellence framework approach to internal management and performance improvement.

Performance audits undertaken by the ANAO also support the view that agencies have focused on performance frameworks. However, the ANAO has found³ that further improvements were necessary so that:

- agencies could demonstrate the links between outputs, outcomes and performance indicators
- effectiveness indicators actually measure outcome performance with particular emphasis on assessing the agency's specific contribution to shared outcomes
- planned versus actual results can be assessed by the inclusion of targets or other bases for comparison.

In 2002 the Joint Committee of Public Accounts and Audit (JCPAA) also tabled the findings of its *Review of Accrual Budget Documentation*.⁴ In their report, the JCPAA concluded that the overall structure of the accrual budget documentation is sound. However, it noted the need for improvements in identifying and reporting on shared outcomes. It also indicated interest in accountability and transparency, which can be achieved by providing an analysis of performance in annual reports against targets, including where performance has not been satisfactory, rather than describing activities and processes. Following that report a further ANAO audit has been conducted to examine performance reporting in agency annual reports. The objective of the audit was to determine whether agencies had:

- established a sound annual reporting framework
- developed arrangements to ensure performance information is accurate and coherent
- appropriately analysed performance information in their annual reports.

The report of this audit is expected to be tabled in late November 2003.

³ Report No. 18, op. cit.

⁴ JCPAA, Report No. 388, June 2002.

MANAGING PEOPLE FOR BUSINESS OUTCOMES

Managing people for business outcomes involves line managers planning for, and actively managing, staff to achieve agency and program outcomes. It also involves the human resource function in the agency supporting people management practices to achieve agency outcomes. Workforce planning is central to this issue.

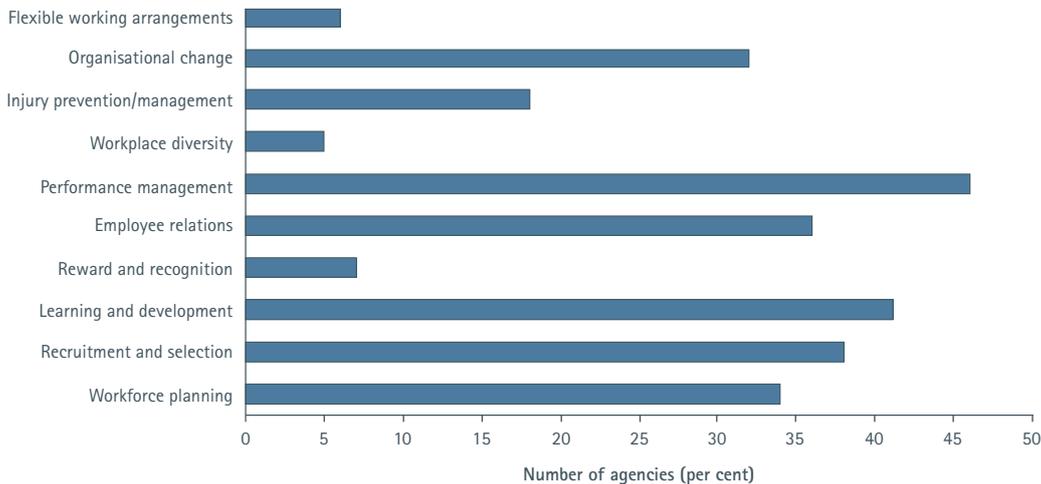
In June 2003, the ANAO tabled its report *Managing People for Business Outcomes, Year Two*.⁵ The report assessed agency performance in people management against nine practice areas set out in Figure 9.2. In making these assessments, the ANAO stressed that agencies should identify those practice areas that are most critical to business, and develop appropriate performance targets and measures. It acknowledged that it 'is not feasible for agencies to try to demonstrate all better practice principles in all practice areas'.⁶ But it also promoted strongly an integrated approach focused on improving business outcomes.

The report found that progress had been made in the majority of participating agencies in year two of the study, with three agencies making significant improvements in people management. However, it found that the integration of business and people planning activities remained a high-priority area for improvement. In particular, line managers were experiencing challenges in recruiting and in developing the required workforce capability.

AGENCY PEOPLE MANAGEMENT ISSUES

The agency survey asked agencies to identify their three highest-priority people management issues in 2002–03 from the nine practice areas identified in the ANAO's reports and an additional issue, flexible working arrangements. Results from the agency survey are at Figure 9.2.

Figure 9.2: People management issues identified by agencies as priorities



Source: Agency survey

⁵ ANAO Report No. 50, 2002–03. The findings of this report are based on an audit of 13 agencies. It builds on an audit of 14 agencies in 2001–02 ANAO Report No. 61, 2001–02, *Managing People for Business Outcomes*.

⁶ *ibid.*, p. 17.

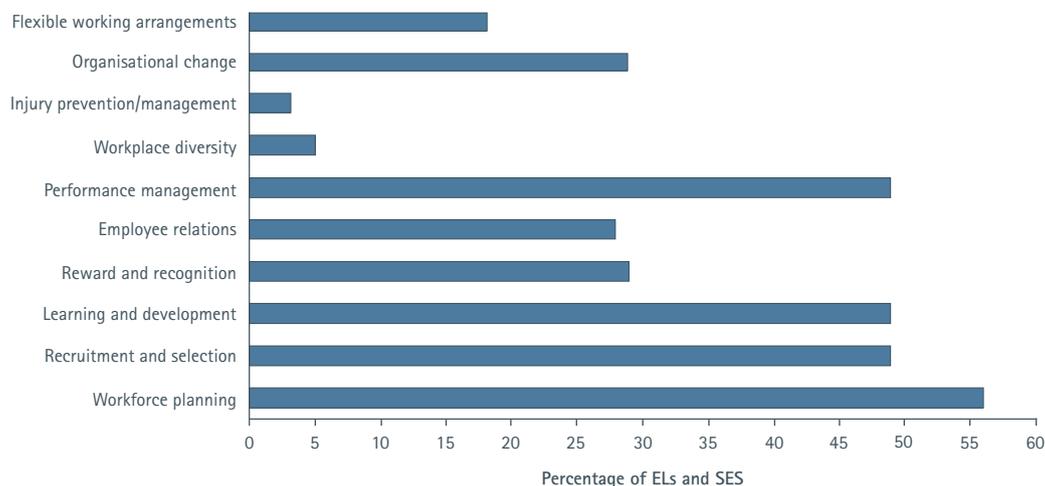
There was considerable variation among agency responses, suggesting that agencies were able to identify practice areas more critical to their own business needs. However, consistent with the findings of the ANAO report on managing people for business outcomes, the most common areas identified as a priority were performance management, learning and development, and recruitment and selection. The three lowest-rating agency priorities were reward and recognition, flexible working arrangements, and workplace diversity.

There were substantial differences in the priorities identified by small, medium and large agencies. In particular, large agencies were more likely than other agencies to identify workforce planning (50%) and learning and development (59%) as priorities. Small agencies put greater emphasis than other agencies on recruitment and selection (54%), employee relations (46%), and organisational change (49%), and less emphasis on performance management (46% compared with 58% for medium agencies and 55% for large agencies). These differences suggest that small agencies may be more concerned with immediate people management issues than medium or long-term needs, or that they have a greater emphasis on meeting skill and capability needs through recruitment, as well as by developing existing employees. It was also mentioned by several small agencies that they faced challenges when developing and delivering HR initiatives.

Being such a small agency we don't have access to the same level of resources as a larger agency and therefore we need to think creatively about the best way to deliver HRM support.

The employee survey also asked ELs and SES employees to identify their highest-priority people management issues from the same list. Results from the employee survey are at Figure 9.3. While this figure gives an indication of EL and SES priorities across the APS, it is not directly comparable to the agency results, as agency survey results are not weighted by size of agency.

Figure 9.3: People management issues identified by EL and SES employees as priorities



Source: Employee survey

Like agencies, ELs and SES employees rated the areas of performance management, learning and development, and recruitment and selection as high priorities, but put greatest emphasis on workforce planning. Workplace diversity was a low priority for employees but a substantial minority of employees viewed flexible working arrangements and rewards and recognition as priorities.

Agencies were also asked to anticipate their people management priorities for 2003–04. The practice area most likely to be rated as a priority for 2003–04 was workforce planning (chosen by 67% of agencies, up from 38% in 2002–03). There was also an increase in the number of agencies nominating learning and development as a priority (61%, up from 46% in 2002–03). These results suggest that an increasing number of agencies are recognising the need to address this issue and generally move towards a more strategic approach to people management.

HR CAPABILITY IN AGENCIES

Both the agency and employee surveys explored attitudes to critical HR challenges. For agencies there was substantial agreement (82%) that their HR function has a high level of capability in developing, implementing and evaluating policies and strategies. This result was strongest in medium and large agencies (85% and 96% respectively, compared with 73% for small agencies).

ELs and SES employees were also asked about their attitude to HR capability issues. Their perceptions were generally less favourable than agency results. While almost half of employees (49%) agreed that their agency's HR area had the ability to assist them to address critical people management issues, 22% disagreed and 25% neither agreed nor disagreed, with another 5% not sure. Employees were more likely to agree if they were located outside the ACT (56% compared with 44% of employees in the ACT). SES employees were generally more positive about these issues than ELs.

While agency and employee survey results varied on this subject, it is worth noting that *Managing People for Business Outcomes, Year Two* identified opportunities for human resource functions to improve their level of support to line managers, including by drawing on the guidance set out in the APS Commission's HR capability model, which articulates the capabilities required of effective HR staff in the APS.⁷ To assist HR practitioners to develop further their capabilities against this model, the APS Commission has designed and implemented an HR Capability Development Program.

In relation to the HR capability of line management, 47% of all employees rated their immediate supervisor as highly effective at managing people, but 35% rated them as only moderately effective and 17% rated their effectiveness as low. Supervisors were rated as more effective by younger employees and by women, and were rated as less effective by people with a disability. SES employees were most likely to rate the effectiveness of their supervisors as high, followed by APS 1–6 employees. However, APS 1–6 employees' views were more polarised than other employees, with employees in this group most likely to rate the effectiveness of their supervisors as low.

EL and SES employees were also asked for their views on specific HR issues. Fifty-three per cent of EL and SES employees agreed that the senior management in their agency supported the development, implementation and evaluation of HR policies and strategies, with only 14% disagreeing. However, employees (42%) were less likely than agencies (56%) to agree that they had the necessary data, and employees (37%) were also less likely than agencies (56%) to agree that their agency culture was receptive to change. Forty-one per cent of EL and SES employees agreed that line managers in their agencies were receptive to changes in people management policies and strategies. SES employees were generally more

⁷ *ibid.*, pp.16-17.

positive than EL employees. These results suggest that line areas in some agencies may be facing particular difficulties that HR areas need to be aware of and better support.

FACS' INTERNAL CONSULTANCY APPROACH

FaCS has used the APS Commission's HR capability model in a unique way by providing an internal HR/organisational development consultancy service to line managers and their staff. This differs from its other HR services, which either cater to the individual staff member (advisory role) or to the senior management of the organisation (high-level advice and strategy role).

FaCS' consultancy service is provided by a team of HR generalists whose role is to work with the client to 'diagnose' the problem, look to where the client would like to be and then work in partnership with the client to achieve the agreed outcomes. The team also works in a proactive way, scanning the organisational environment for issues that may have an impact on their people.

FaCS has found that the success of this internal consultancy service is dependent on a number of factors:

- the skills of the team members and their ability to listen, question, diagnose and analyse, and put things into the big picture context
 - the credibility of the HR area and more specifically the team
 - the team's ability to be across FaCS business issues
 - the acceptance of the partnership context by the line areas
 - high-level support and sponsorship for the concept.
-

Workforce planning and succession management

The MAC report on organisational renewal found that the changing APS environment creates both the imperative and the flexibility for APS agencies to structure their workforce strategies to meet business capability and renewal requirements.⁸ It found that agencies needed to engage in more systematic workforce planning, including:

- understanding their own workforce demographics and characteristics
- identifying their particular current and future capability requirements and implementing an integrated human resource management strategy to make sure they are met
- implementing effective succession management.

The report stressed that the changing profile of the APS, including its age profile, posed challenges for the management of the APS and individual agencies. In particular, it revealed that, based on current trends, around 23% of the APS is likely to depart in the next five years. SES and EL employees will make up higher proportions of this group because of their older age profile (27.4% of SES and 18.1% of EL employees were aged 50–54 years at June 2003). There is also a wide variation in the age profile of individual agencies, so that some face much higher potential retirement rates than the average.

⁸ MAC Report 3, *Organisational Renewal*, 2003. This report specifically addressed the challenge of building ongoing capability within the APS workforce.

Workforce planning issues for the APS were also raised by the Senate Finance and Public Administration References Committee in its report *Recruitment and Training in the Australian Public Service*, tabled in September 2003.⁹ The report found that recruitment in the APS faced challenges, including demographic challenges and challenges related to a more devolved environment. It identified particular issues relating to the recruitment of young people, graduates and Indigenous Australians. In addition to specific recommendations aimed at increasing recruitment and retention of these groups, it made recommendations in relation to more strategic approaches to recruitment practices, workforce planning, and the role of the APS Commission. The Government is preparing its response to the report.

The passing through of the large cohort recruited in the late 1960s and early 1970s presents a significant challenge that will not be met simply by looking at current replacement candidates: consideration needs to be given to retaining valued employees and to positioning people with potential to take on leadership roles in the future through structured development processes over a number of years. Action is also needed to build up the quality of recruits, to develop them, and to retain them, or ensure they are favourably inclined to return should they leave to broaden their experience.

Data from APSED presented in Chapter 2 highlight some concerns in relation to the extent to which agencies are systematically dealing with demographic issues. In particular, the fluctuations in intakes of graduates and other trainees, and the continuing falls in recruitment in APS 1–2 employees suggest that career pathways for young people may have been limited in recent years.

Agencies also need to encourage older workers who are making a valuable contribution to stay longer in the workforce, including by developing more flexible employment options such as flexible working hours and patterns, project work and mentoring. The financial incentive available to some members of the CSS to resign before they turn 55 (the 54/11 issue) is a matter that may need to be actively managed by some individual agencies; but agencies in general need to address the potential early departure of valued staff, particularly in the context of broader labour market issues into the future.

The agency survey asked whether agencies had put in place policies, strategies and/or frameworks that would ensure they have the skills and capabilities needed for the next one to five years. Only 36% replied that they had such policies. However, consistent with the increased priority that agencies are placing on workforce planning for 2003–04, another 54% of agencies indicated that they were developing them. Policies were more common in large agencies (41%) than in small or medium agencies (34% and 35% respectively). Where such policies existed, most were relatively current. For those agencies that had or were developing policies, strategies or frameworks, 68% had introduced or updated them within the last two years. Large and medium agencies (82% and 72%) were more likely to report having updated policies within the last two years than small agencies (55%).

Only 4% of agencies had a formal succession plan in place, with such plans being more common in large agencies (9%). However, the survey results suggest that many agencies are planning for succession in a more informal way. Over 74% of agencies indicated that their agency identified potential leaders through manager/CEO identification at all classification levels, with the manager/CEO role strongest at the EL levels, the feeder group to the SES (used by 83% of agencies). While self-identification was the most

⁹ Senate Finance and Public Administration References Committee, *Recruitment and Training in the Australian Public Service*, September 2003.

commonly reported response at all levels (between 83% and 97%), over half of all agencies reported using performance management systems to identify potential leaders (51%–57%). Assessment centres were most commonly reported at the EL levels (22%) and were much more common in large agencies (used by 64% of large agencies at the EL levels).

The ATO is implementing a specific program to ensure that there is a strong pool of contenders for future jobs at the SES Band 2 level. People can self-nominate for the program or be nominated by managers, but the Commissioner and Second Commissioners take final decisions on participation. Being in the pool means officers receive additional support and development opportunities in recognition of their performance and potential. However, movement to the Band 2 level will be based on merit and will follow APS selection processes.

Overall, the results suggest there is increasing recognition among agencies of the need to plan for future skill and capability needs and for succession management. However, there is potential for agencies to take a more formal and systematic approach to the issue. In particular, while there may be limitations to the appropriateness of formal approaches for smaller agencies, there appears to be strong potential for small and, to a lesser extent, medium agencies to put greater emphasis on forward planning.

To assist agencies in workforce planning, the APS Commission is currently developing an internet interface that will allow agencies direct access to their data from APSED. HR managers will be able to extract customised tables providing a demographic profile of staff in their agency, as well as APS averages for benchmarking. Data items include age, length of service, employment status, gender, EEO group and location but do not yet include qualifications. The data can be shown in both tables and charts that can be downloaded into reports. Agency-specific data will be confidential to the particular agency.

PERFORMANCE MANAGEMENT

The 2001 MAC report on performance management in the APS stated that ‘Performance management is an essential tool that is relevant at all levels in all APS agencies’. It noted that performance management ‘provides the means to improve organisational performance by linking and aligning individual, team and organisational objectives and results’ and that it ‘provides a means to recognise and reward good performance and to manage underperformance’.¹⁰

The MAC report indicated in 2001 that it believed that the public sector had made significant progress in dealing with performance management issues. It identified three factors for successful performance management:

- alignment, based on a detailed understanding of the outcomes sought, the nature of the business and the culture of the organisation
- credibility amongst staff through transparency, fairness, simplicity, and CEO and management commitment
- integration, ensuring a clear line of sight for staff between their responsibilities and the objectives of the organisation (see Figure 9.4 below), along with careful implementation and adequate training.

¹⁰ MAC, op. cit., p. 7.

The employee survey sought information about:

- whether their performance objectives are linked to the agency’s business and to the standards against which performance can be assessed
- their experience of assessment and feedback
- their experience of recognition and reward for performance.

For agencies, the survey sought information on measures to ensure implementation of, and accountability for, formal performance management schemes.

PERFORMANCE OBJECTIVES AND STANDARDS

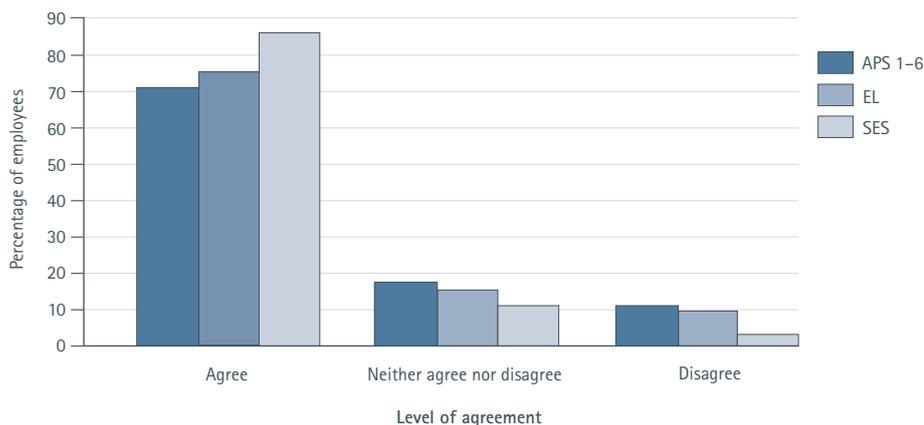
Establishing a formal agreement against which the performance assessment is made assists employees to understand managerial and organisational expectations, and the standards against which judgments about performance will be made.

Of the 79% of employees who received feedback in the last year, most of these employees (93%) indicated that their most recent formal assessment had been undertaken against a formal agreement or work plan. The MAC report emphasised that ‘performance management systems will work when staff see a clear link between their work and the goals of the organisation’.¹¹

About three-quarters of employees (72%) agreed that the links between their agency’s business and their work had been made clear in the development of their performance agreement. The same proportion of employees indicated that they understood the standards used to evaluate their performance.¹²

Figure 9.4 shows that more SES employees than non-SES employees agreed that the links between the agency’s business and their work were made clear in developing their performance agreement.

Figure 9.4: Employees' views of whether their agency's business was linked to their performance agreement



Source: Employee survey

¹¹ *ibid.*, p. 10.

¹² All employees were asked these questions but those answering ‘not applicable’ have been excluded.

The importance of individuals understanding the standards against which their performance is assessed is demonstrated by the fact that of the employees who did not agree that their most recent performance agreement helped them perform well, 77% reported that they did not understand the standards used to evaluate their performance.

I was assessed against what appeared to be general indicators—perhaps they had some formal basis which was not explained to me.

ASSESSMENT AND FEEDBACK

Seventy-nine per cent of employees reported receiving formal individual performance feedback in their current agency in the last 12 months and, of these, 95% reported that this feedback was provided by their direct supervisor.

Overall, 43% of employees agreed that their most recent performance assessment would help them perform well.¹³ A further 35% neither agreed nor disagreed that it would help them perform well. It may be that for many of these employees their assessment confirmed their current perception of their level of performance. Twenty-one per cent of employees did not believe that the assessment would help. More SES employees (61%) were likely to agree that their performance assessment would help them perform well than non-SES employees (43%).

There was considerable variation in employees' views in large agencies about whether their most recent performance assessment would help them perform well. The range was from only 19% of employees in one large agency agreeing that it would help them to perform well to a maximum of 60% in another large agency.

It works very well where I am right now, but only because we have a new management team who are committed to making it work. When staff know what is expected of them they mostly work well.

The usefulness of individual performance management is much dependent on the particular manager conducting the performance review.

More than two-thirds of all employees (67%) indicated that their most recent performance assessment had included a discussion of behaviour. Behaviour was mostly assessed against agency-specific values and behaviours (44%), against all APS Values (24%) and/or against APS Values most relevant to their job (20%). However, 19% of employees indicated that their behaviour had not been assessed and a further 12% were unsure.

There are no specific behaviours or values in the performance agreement; it relates only to projects and tasks to be undertaken and completed.

There appears to be a link between whether there was an assessment of behaviour and the usefulness to employees of their performance feedback. Employees whose behaviours had not been assessed were less likely to consider that their performance assessment would help them perform well in future than employees whose behaviours had been assessed.

REWARDS AND RECOGNITION

Sixty-five per cent of all employees indicated that under the performance assessment system in their agency some part of their pay was linked to an assessment of their performance. The link could occur in more than one way so that employees could, for example, have access to advancement through the salary range and/or a performance bonus.

Opinions were sought from employees who had any part of their pay linked to an assessment of performance, on how well the performance pay system operated in their agency.

Table 9.1: Views on the operation of performance pay

	Agree %	Neither agree nor disagree %	Disagree %
Operates fairly and consistently	40	26	31
Acts as an incentive to perform well	41	27	30
Ensures performance assessment is managed systematically and regularly	51	23	24
Accurately reflects differences in individuals' performance	22	26	48
Provides appropriate rewards for top performers	25	24	47
Contributes to a workplace culture in which individuals work together effectively	24	35	39
Contributes to a workplace which upholds APS Values	34	38	24

Source: Employee survey

The aggregate results presented in Table 9.1 indicate that linking pay to performance continues to present a major challenge in the Service. There is considerable recognition among employees with some pay linked to performance, that performance pay ensures that performance assessment is managed systematically and regularly (51% agree and 24% disagree), but large numbers of employees do not agree that performance pay accurately reflects differences in individuals' performance (48%), provides appropriate rewards for top performers (47%) or contributes to a workplace culture in which individuals work together effectively (39%). Some of these views may not be well informed, as performance pay outcomes are kept confidential in most agencies. Nonetheless, the perceptions do need to be considered carefully.

The MAC report on performance management had also noted that reward and recognition were issues.¹⁴ For mature-aged workers recognition for effort (for both current and former employees who were surveyed) was the most highly rated workplace factor but also the one with which they were most dissatisfied. For graduates recognition for effort was ranked in third place.

Even though I was assessed as eligible for top-level performance pay I still think it's very unhelpful in terms of performance management.

¹⁴ MAC, op. cit., 2001, p. 25

As performance pay is directly linked to salary increases and a bonus there is a real incentive for people to perform both in terms of business outcomes and leadership behaviours.... The better you perform in both aspects the better the base salary increase. A performance bonus only does not provide the incentive to perform that a link to the amount of base pay provides. The more transparency in the ratings given, e.g. through a group moderation process, the more consistent the outcome.

It is possible that part of this dissatisfaction reflects a culture in the APS that still needs to shift, such that supervisors and senior management accept greater individual responsibility and more active performance management. A more significant factor, however, would seem to be the quality of the performance management system. For example, the proportion of employees who considered that performance pay ensures performance assessment is managed systematically and regularly was as high as 70% in one large agency and the proportion who considered the performance pay system operates fairly and consistently was as high as 55% in another three large agencies (with only between 18% and 23% of employees in these three agencies having disagreed). In no large agency, however, did a majority of employees consider performance pay accurately reflects differences in individual performance, the highest level being 32% in agreement, with another 30% neither agreeing or disagreeing.

Linking performance to pay does not provide for open and honest feedback.

Performance evaluation is great. Tying it to performance pay introduces unnecessary complexities.

The debate on the merits of performance pay remains open, therefore. The risks do appear to be manageable, however, if the performance management system is well designed and carefully implemented.

The MAC report indicated that perceived fairness is a critical factor in the credibility of performance management systems.¹⁵ According to MAC, central to views about fairness are:

- consistency in application
- systematic training and review of managers' capabilities as part of their assessment
- moderation of the review process to facilitate greater consistency in the development of, and assessment against, agreements.

These could be useful areas for scrutiny by agencies wishing to improve perceptions about fairness and hence credibility of their systems.

There was no clear correlation between views on performance pay and the size of the pay available in the agency concerned. Nonetheless, given the continuing challenge to ensure credibility amongst staff, a modest approach may deliver the benefits of locking in systematic performance assessment with less risk of significant disparity between reward and actual performance, particularly while schemes are being bedded down and skills developed.

SUPPORT ARRANGEMENTS FOR PERFORMANCE MANAGEMENT

Most agencies (87%) reported that it is mandatory for all staff to have a formal performance agreement. The measures used by agencies to assist managers to implement the agency's performance management system are set out in Table 9.2.

¹⁵ *ibid.*

Table 9.2: Assistance to managers in implementing performance management for staff

	Yes %	No %	Being developed %
Mandatory training on aspects of performance management systems	33	52	15
Self-nominating training on aspects of performance management systems	70	22	8
Providing consistent guidelines and forms for establishing performance agreements	92	1	7
Advice from corporate area	98	1	1

Source: Agency survey

Table 9.2 shows that most agencies provided managers with consistent guidelines and advice from the corporate area. As well, a high proportion of agencies indicated that self-nominated training was available. Given the need for agencies to improve perceptions of performance management systems, particularly the links with performance pay, mandatory training on performance assessment systems may be a useful strategy. Another useful strategy is to clarify the role of a supervisor's supervisor, to promote consistency and quality in the assessment process and to ensure feedback addresses longer-term career development issues, as well as immediate performance.

Agencies were asked about how they ensured line managers were accountable for implementing performance management systems. The most commonly used mechanism was incorporating accountability measures in a more senior manager's performance agreement, and this occurred in nearly two-thirds of cases. Inclusion in the line manager's own performance agreement was the mechanism for 61% of agencies. Only 28% of agencies reported testing compliance in implementing performance management arrangements in their staff surveys.

ANAO AUDIT OF PERFORMANCE MANAGEMENT

The ANAO is currently undertaking an audit entitled the *Administration of Performance Management in the APS*. The audit objectives are to provide:

- an assessment of the extent to which agencies' strategies and plans conform with the strategic framework set out in the MAC report *Performance Management in the Australian Public Service*
- assurance that performance management is being implemented efficiently and effectively in accordance with better practice principles
- an estimate of the extent and cost of performance-linked remuneration, both performance bonuses and performance-linked increments across the APS.

As part of the audit all APS agencies with more than 100 staff are being surveyed, as are the staff in those agencies. The audit is expected to be tabled at the end of March 2004.

The detailed work being undertaken by the ANAO may provide a deeper understanding of the issues involved in sound performance management. On the one hand, individual performance assessment is generally viewed positively by most employees. On the other hand, the use of performance pay is obviously one to which most agencies still need to give more attention.

UNSATISFACTORY PERFORMANCE

Identifying and addressing unsatisfactory performance is a difficult issue for managers, but it is important that the challenges involved be dealt with effectively. In 2001, the MAC report noted that ‘the challenge of handling underperformance is a key one for the overall credibility of performance management’.¹⁶

The agency survey sought information about formal action taken by agencies to address unsatisfactory performance, the results achieved and the assistance provided to managers to deal with unsatisfactory performance. Where employees believed that a colleague in their immediate work area consistently underperformed, the employee survey sought views about the impact of unsatisfactory performance and whether employees felt that it was being dealt with effectively.

Managing unsatisfactory performance requires commitment on the part of the direct manager and support and leadership from senior management. As well, adequate training and assistance must be provided to managers dealing with unsatisfactory performance.

In an area under extreme pressure I find it difficult myself, as do other managers, to justify the time required to effectively deal with underperformance. Also, if the organisation lacks a broader will and commitment to managing underperformance, then taking action is risky unless you are willing to devote considerable time to documentation, performance tracking etc. This is a challenging area for all workplaces, but especially so if 99% of the expectations/rewards are for producing outputs.

Fifty per cent of employees indicated that an employee in their immediate work area had underperformed consistently. This is a large figure, but needs to be analysed carefully. It may mean that on average one person in every second area is identified by all those in the work area as underperforming, so that 50% of employees will identify someone in their work area as underperforming while the total number identified as underperforming may be only a small fraction of 50%.

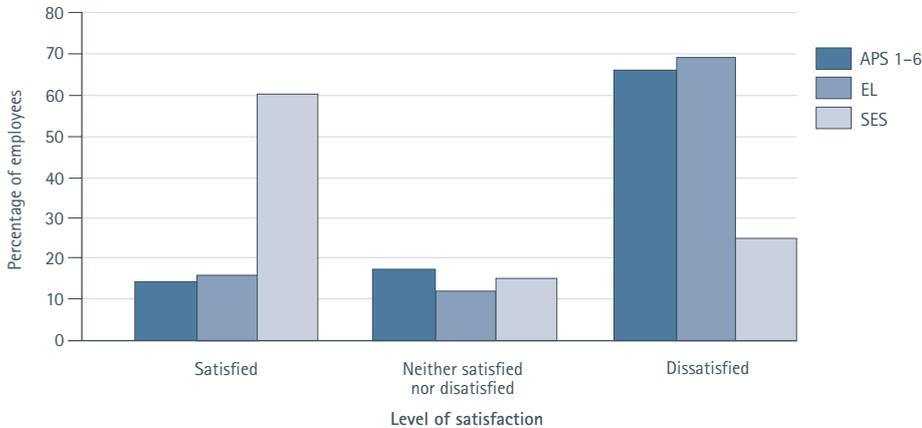
The underperforming employee was identified as a peer by more than half of the respondents, a subordinate by about a third and a supervisor by 16% of respondents. A substantial majority of the respondents reporting the existence of unsatisfactory performance (84%) felt that it had an adverse effect on their immediate work team.

An examination of respondents by level indicated that a slightly higher proportion of ELs (54%) than APS 1–6 (49%) or SES officers (51%) reported underperformance in their immediate work area. Employees (52%) in large agencies were more likely to identify underperformance than those in medium (40%) or small agencies (41%).

The level of unsatisfactory performance reported by employees is a concern. It is also of concern that two-thirds of employees were dissatisfied with the way underperformance was handled. This varied by classification as Figure 9.5 shows.

¹⁶ *ibid.*, p. 28.

Figure 9.5: Employees' level of satisfaction with handling underperformance



Source: Employee survey

The higher level of satisfaction with how underperformance is managed reported by the SES employees may be a result of greater involvement, and to some extent their greater knowledge of any action being taken to address underperformance. It might also, of course, reflect denial by some SES employees that they are managing the issue unsatisfactorily.

Efforts are being made to deal with underperformers, and they are not always obvious to third parties.

Employees at other levels may not be aware that action is occurring and this may lead to the higher levels of dissatisfaction. However, results of the employee survey reinforce the importance of not only identifying and taking prompt action to address unsatisfactory performance, but also managing the perceptions of employees in the immediate work area.

Perceptions that unsatisfactory performance is present in the workplace and that it is not dealt with effectively may have implications for other performance management policies. For example, of the employees who were dissatisfied with the way underperformance was being handled, 64% indicated that they did not believe that performance pay accurately reflected differences in individual performance (the overall result for employees whose performance assessment system was linked to pay, shown in Table 9.1, was 48%).

Underperformance is a difficult issue for the supervisor but also for the person who is not achieving the required level of performance.

Generally the underperformer does not want to be in the situation they are in. I find the major concern I have about underperformance is that many managers do not deal with it when they should, i.e. early on in the staff member's career, but rather seek to shift the underperformer to another work unit to let someone else work out the problem. This is not acceptable as not only is the manager avoiding their responsibilities but they are allowing the underperformance to become a greater problem by delaying remedial action.

At the agency level, 39% of agencies indicated that formal action regarding unsatisfactory performance had commenced in 2002–03. The results of action undertaken to address underperformance are set out in Table 9.3. It should be noted that each agency could nominate multiple actions.

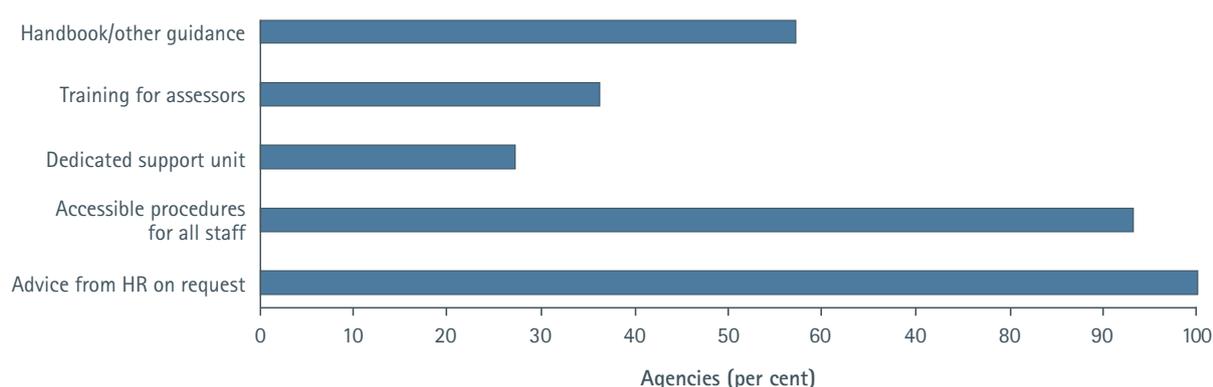
Table 9.3: Results of underperformance action

Result	Number of agencies reporting this outcome	Number of times this outcome occurred
Action not finalised	22	55
Development program instituted	18	67
Satisfactory performance standard attained	17	54
Termination of employment without incentive	9	30
Assignment to other duties	8	15
Reduction in classification	7	9
Termination of employment with incentive	2	2
Voluntary redundancy	2	4
No action taken (against employee)	2	3
Other (including resignation, invalidity, medical assessment)	11	25

Source: Agency survey

In relation to assistance to specifically manage underperformance, the majority of agencies (96%) reported that assistance was provided to managers to formally assess whether employees’ work performance was satisfactory. The types of assistance and the proportions of agencies that used them are shown in Figure 9.6. Agencies could provide more than one form of assistance.

Figure 9.6: Types of assistance provided to assess work performance



Source: Agency survey

Agencies also noted in their comments that other forms of assistance that were provided included: procedures being outlined in the CA; specialised training being available on request; and having an employee assistance program in place.

Given that 50% of employees indicated that they felt that an employee in their immediate work area had consistently underperformed, this issue remains a matter of concern. There is no question that it is a difficult

issue to address successfully, although there is the potential for agencies to look at streamlining arrangements through their workplace agreements. Employee comments raised particular concerns about underperformance at more senior levels not being addressed, the burden of work involved in the processes, the complexity of procedures and the contribution to underperformance made by organisational systems. The challenge for the APS is to address both actual underperformance and perceptions of it.

As with most of the APS we lack an effective system for dealing with underperformance. Attempts are fraught with administrative and legal risk. The chance of success is too low to warrant the effort of the process.

Managing underperformance remains a major challenge for the APS.

The APS Commission has produced a booklet, *Performance management*, to provide guidance to agency heads, human resource managers and agency staff more generally on performance management.¹⁷ It sets out basic requirements of the legislative and policy framework which agencies must observe in managing performance. As well, to assist agencies simplify their procedures for managing underperformance, it includes clauses relating to management of unsatisfactory performance. Agencies can adopt or adapt these clauses, which provide a minimalist but effective approach to the management of underperformance.

LEARNING AND DEVELOPMENT

A key component of the performance management process is to identify the development needs of individual staff, and capability requirements of the agency as a whole. Responding to capability needs through effective strategies for managing learning and development is a key process for building organisational capability.¹⁸ The ANAO's 2001–02 performance audit report on the management of learning and development across the Service found that agencies had made significant efforts to ensure that learning and development strategies were properly aligned with the business needs identified in their corporate plans.¹⁹ However, agencies were not able to demonstrate the efficiency and effectiveness of their investment in learning and development and its contribution to organisational effectiveness.

The 2003 MAC report *Organisational Renewal* also looked at issues of learning and development in the context of building organisational capability.²⁰ MAC found that structured learning and development is important to building capability and that strategies require adjustment to ensure changing capability needs are met. Among other things, it highlighted the need for:

- effective graduate development programs
- programs to support accelerated skills development
- activities to orient those coming in through lateral recruitment to key elements of the APS Values, ethos and processes
- innovative approaches attuned to the greater number of employees on part-time and other alternative arrangements and to the geographic spread of the APS workforce

¹⁷ APS Commission, *Performance Management*, June 2002, <http://www.apsc.gov.au/publications>

¹⁸ Learning and development as discussed in this section refers to learning activities on the job as well as more formal off-the-job activities. Seminars, conferences, classroom training courses, leadership programs, academic study, and in-house programs are counted along with mentoring, coaching, job rotation and work placements.

¹⁹ ANAO, *Management of Learning and Development in the Australian Public Service*, Report No. 64, 2001–02.

²⁰ MAC, op. cit., 2003.

- a focus on continuous learning and development for older workers
- strategic use of selected mature-aged workers in coaching and mentoring roles.

As a direct response to the findings of the ANAO report, the ANAO and the APS Commission collaborated to produce a better practice guide, *Building capability—A framework for managing learning and development in the APS*, which was launched in April 2003. The guide draws on the findings of the ANAO and MAC reports, as well as international and private sector trends. It encourages and supports agencies in developing a more strategic approach to planning, delivering and evaluating learning and development to meet organisational goals and deliver best value for money.

APS training has also been the focus of an inquiry by the Senate Finance and Public Administration References Committee, which tabled its report on 19 September 2003.²¹ The committee noted that there had been many positive developments in APS training, such as the considerable effort agencies have invested in linking training priorities to corporate and business objectives, the development of accredited and articulated training programs, and the way some agencies have capitalised on the flexibility available to them under devolution to tailor training activities to their particular business operational needs. The learning and development aspects of the committee's report also reinforced many of the findings of the ANAO audit, including:

- the need to ensure learning and development planning and activities are aligned to the agency's business directions
- the paucity of data on the level and cost of learning and development across many agencies
- the limited evaluation of whether learning and development investment is achieving its purpose.

The committee was critical of the fact that the limited data available on APS training hampered its ability to explore trends and assess value for money. The report made a number of recommendations directly related to APS learning and development. The Government has yet to respond to the Senate report.

ALIGNING LEARNING AND DEVELOPMENT TO BUSINESS GOALS

Aligning learning with business goals is the first principle of the framework for building capability identified in the APS Commission and ANAO's better practice guide. The agency survey asked agencies about the measures they had used in 2002–03 to ensure learning and development undertaken was aligned with the business goals of the organisation.

Consistent with the ANAO's 2002 findings, agency responses indicated a strong focus on this issue. The approach most frequently used by agencies was identifying learning and development priorities through a performance management system (used by 90% of agencies). Discussing priorities in the annual report (81%), including priorities in CAs and AWAs (75%), and identifying priorities in workgroup plans (62%) were all also common. The least common approach, including learning and development priorities as part of the corporate plan, was used by 54% of agencies, and another 19% were developing this measure.

There were considerable differences on the basis of size in how agencies chose to align learning and development with business goals. Large agencies were more likely to report ensuring learning and

²¹ Senate Finance and Public Administration References Committee, op. cit.

development undertaken was aligned with the business goals of the organisation by including learning and development priorities as part of their corporate plan than small and medium agencies (77% of large agencies, compared with 54% overall). Medium agencies were more likely to use a performance management system than other agencies (96%, compared with 90% overall). Small agencies were more likely than other agencies to include learning and development priorities as a provision in their CAs or AWAs (81%, compared with 75% overall).

More than half of the agencies (53%) reported that they had measures other than those specified in the survey to align learning and development with business goals. These included the development of specific learning and development plans by senior management and the inclusion of learning and development in HR strategic plans.

At AGO, teams discuss learning and development as part of their business planning processes, including at the individual team member level. Every person in the AGO has a personal advancement plan as part of their performance agreement.

ITSA has a training advisory committee that comprises senior line managers and HR staff. The committee provides strategic guidance on learning and development priorities based on input from the ITSA leadership team. These priorities, once endorsed by the executive board, are disseminated to all staff.

Customs has a structured and comprehensive approach to its internal technical training regime that is linked into its corporate planning framework and identified workforce characteristics. Future work is being directed at more closely integrating training and development with career management, succession planning, performance management and feedback.

IDENTIFYING LEARNING AND DEVELOPMENT NEEDS

The APS Commission and ANAO's better practice guide includes identifying short and long-term capability requirements as a key element in aligning learning with the business. The State of the Service surveys asked both agencies and employees about how learning and development needs were identified in 2002–03.

The agency survey results suggest that learning and development needs were most commonly identified at the work unit level. Management identification of needs was the most common response (selected by 99% of agencies), followed by managers and individuals identifying needs together through the performance management system (98%) and individual self-identification of needs (92%). Nevertheless, a substantial proportion of agencies used more formal systems of analysis such as identifying aggregate needs through the performance management system (51%), analysing organisational capability (46%), and training needs analyses (37%).

Identifying learning and development needs through broader formal planning systems, such as workforce planning (28%), staff surveys (28%) and succession planning (27%), was not as widely used, although results discussed elsewhere suggest an increasing number of agencies are focusing on workforce planning issues. It appears that there are still a significant number of agencies that have yet to make the link between their approaches to learning and development and broader workforce planning issues, which is essential to longer-term capability building.

The employee survey results provide an indication of how individual employees perceive their own learning needs have been identified. Employees were most likely to say that they had identified their own learning and development needs in the last 12 months (67%). Only a minority of employees (20%) said that their learning and development needs were specifically identified by their manager, although almost half (47%) stated that they had identified needs together with their manager as part of the performance management process.

Agency results do not give an indication of how widely each identification method was used within the organisation. However, the disparity between the employee and agency results on this issue does suggest that there are very different perceptions about the role of management in identifying learning needs, and that management's role may not be visible to employees, with the risk of misalignment between learning and the business.

At NOHSC, a consultant conducted a skills gap analysis during 2002 to identify the skills and capabilities to deliver against the strategic plan and business plan.

At Treasury, learning and development priorities are identified through data from its career development and performance management systems. A professional development strategic issues group was established to refine departmental technical learning and development policies and initiatives. In addition, a high-level working group has examined the development needs of the organisation from a strategic perspective. This informed development activities for 2002–03 and will shape activities in coming years.

At DAFF, individual businesses within the agency discuss training priorities in local consultative committees, which in turn feed into business training and development plans.

At Centrelink, when new Government initiatives are introduced, Centrelink assesses the skill requirements for each job role and determines the training needs for those groups.

DOTARS uses a Secretary's Statement of Skills to outline key learning and development priorities. During 2002–03 a learning and development taskforce reviewed the Statement of Skills and suggested some amendments, especially in the provision of lists of specific skill requirements. The soon to be released amended statement will provide a strategic overview of the importance of learning development to the department and will outline individual, business group and organisation roles in determining learning and development priorities.

At Health, business units have developed Statements of Knowledge and Abilities to provide information on the attributes that the department requires staff to have, at a level appropriate to their positions. The statements are designed to assist staff in a variety of ways, including in the identification of their learning and development priorities.

LEARNING AND DEVELOPMENT PRIORITIES

The APS Commission and ANAO's better practice guide states that 'agency business objectives and capability requirements should drive the subject matter and content of learning options'.²² The State of the Service surveys explored agency and employee learning and development priorities.

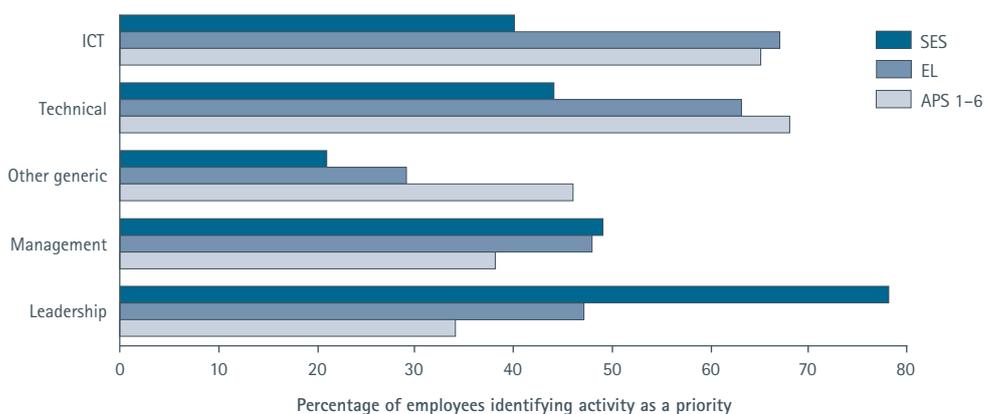
²² APS Commission and ANAO, op. cit., p. 16.

All but two agencies were able to identify their key agency-wide learning and development priorities, with the priorities identified differing considerably for different classification levels. For example, generic public sector capabilities, such as developing policy, customer service and writing skills, and technical training and information communication training, were more likely to be seen as a priority for lower classification levels. Management training, such as financial, risk, project and people management, was most commonly identified by agencies as a priority at the APS 5–6 and EL levels (72% and 82% respectively). Leadership training was most likely to be identified by agencies as a priority for EL employees (70%), followed by the SES (61%).

The employee survey also asked employees about their learning priorities.²³ Employees who responded to the question (around three-quarters of all respondents) put greatest emphasis on training that was specific to their position, including technical training (identified as a priority for 2002–03 by 63% of employees) and information/communication training (52%). Management and leadership training were more likely to be viewed as a priority for 2003–04 than for 2002–03 (management up from 41% to 45% and leadership up from 38% to 48%).

Figure 9.7 shows 2002–03 learning priorities for employees at different classification levels. In general, APS and EL classifications placed a greater priority on ICT and technical training for their job, while the SES placed a much greater priority on leadership development.

Figure 9.7: Employees' learning and development priorities by classification



Source: Employee survey

An agency-wide needs analysis identified leadership and management issues as a priority for development in DAFF. The high priorities identified within that broad area were: financial, risk and project management skills; feedback skills; self-awareness; and team building.

RESOURCE ALLOCATION

The ANAO's 2002 report found that across the Service, the collection of data on expenditure on learning and development and staff training days was patchy. The better practice guide published by the APS

²³ These priorities are not directly comparable with agency results, as agency results are not weighted by employee size.

Commission and ANAO highlights the need for agencies to collect meaningful data on inputs, as well as outcomes, so as to have necessary information to assess value for money arising from learning and development investments. It recommends a minimum data set for agencies, including:

- the number of days of formal learning and development per person per year
- expenditure on formal learning and development as a percentage of running costs
- expenditure on outsourced providers
- expenditure on learning and development consultants
- qualitative views (by key stakeholders such as the executive, management and others) on changes in organisational and individual capability and performance.²⁴

The agency survey found that the collection of data on learning and development expenditure in the APS continues to be problematic. Only 64% of agencies stated that they could estimate their investment in learning and development in 2002–03. Only 47% of agencies could provide information on the number of days of learning and development undertaken per person and only 60% of agencies provided figures on overall off-the-job expenditure. Only one agency had developed a process for measuring on-the-job learning and development, although 25% of agencies reported that they were currently developing such a process.

The agency survey found that, for agencies able to provide information, most (55%) provided two to five days of formal off-the-job training per employee in 2002–03. Reports of average total expenditure per employee varied by size of agency, with large agencies (\$2590 per employee or 3.3% of operating expenses) spending more than small agencies (\$1995 per employee or 2.0% of operating expenses).²⁵ Average expenditure for all agencies was \$2513 per employee.

Survey results in relation to expenditure differ substantially from survey findings by the ANAO. From a survey conducted in 1999–2000, the ANAO estimated that average expenditure on learning and development across the APS was about \$1000 per employee.²⁶ The ANAO recognised this as a conservative estimate. In particular, its figures excluded salary and wage costs, whereas agencies were asked to include salary costs in the State of the Service survey.

It is possible that the State of the Service results reflect in part an increased focus on capturing learning and development expenditure data among agencies since the release of the ANAO's audit report. In any case, the discrepancy in the ANAO and agency survey data, along with the high proportion of agencies unable to provide any data, highlights the need for agencies to improve data collection on this issue.

Not surprisingly, small agencies spent more than large agencies on outsourced learning and development and learning and development consultants.

The Defence business skilling review is an initiative to develop a whole-of-Defence system for managing sets of learning and development skills that are common across the department. Expected outcomes of the review include improved management visibility of levels of investment in learning and development activities and improved visibility of all associated learning and development activities.

²⁴ *ibid.*, p. 22.

²⁵ Agencies were asked to include the sum of all costs associated with learning and development activity including venue costs, catering, presenter fees, travel expenses, development and design costs, material, salary costs and on-costs of participants in this total expenditure figure.

²⁶ ANAO, Report No. 64, 2001–02, *op. cit.*, p. 3.

DELIVERY OF PROGRAMS

One of the key principles identified in the APS Commission and ANAO's better practice guide is that agencies provide appropriate learning and development delivery options, including by systematically planning learning interventions appropriate to the characteristics of the organisation.²⁷ The agency survey asked agencies about the most commonly used learning and development delivery options adopted for different classification levels.

For all classification levels, programs delivered by external providers, and external conferences, courses or seminars were most common, with more than 70% of agencies nominating these as one of their five most commonly used activities at all levels. APS Commission courses were also commonly used at all levels (between 55% and 65% of agencies). However, there was considerable variation in the use of other activities, suggesting that agencies are taking into account the needs of different groups in determining appropriate learning options.

University courses were most commonly used for APS 5–6s (58%) and ELs (57%). Vocational education and training was most commonly used at the APS 1–4 and 5–6 levels (36% and 32%). The importance of programs delivered by own agency staff fell as classification level rose (from 66% of agencies for APS 1–4 to 38% for SES). In contrast, ELs and SES employees appeared to favour programs that give them a cross-agency perspective and opportunities to exchange ideas and learning, with 96% and 99% of agencies nominating external conferences, courses or seminars as a common learning activity for these groups respectively.

Coaching, mentoring and e-learning were all commonly used as learning and development activities in only a minority of agencies, although coaching was relatively widely used for APS 1–4s (37%).

EVALUATION OF LEARNING AND DEVELOPMENT STRATEGIES

The 2002 ANAO report found that, in general, agencies were not evaluating learning and development strategies, and were consequently not in a position to determine how successful learning and development outcomes had been in assisting agencies to achieve their business outcomes. Performance indicators used were generally measures of activity rather than effectiveness. Responding to this finding, the ANAO and APS Commission's better practice guide places a strong emphasis on evaluating learning and development, recommending that agencies maintain a minimum data set covering outputs and outcomes of programs, as well as inputs.²⁸

The agency survey asked agencies which aspects of learning and development were evaluated in their agency. The results suggest a high degree of evaluation of the content of programs and the effectiveness of their delivery, but less of a focus on the benefits of the programs to individuals and the organisation. For example, agencies were most likely to say that they were evaluating the relevance and currency of program content (80%) and the effectiveness of presenters/facilitators (83%). A large majority (76%) of agencies evaluated the effectiveness of learning and development in meeting identified objectives, and just under half of agencies (44%) said they evaluated learning and development in terms of value for money. However, only 35% measured the degree of capability acquired by the individual, and 38% measured improvement

²⁷ ANAO and APS Commission, *op. cit.*, p. 16.

²⁸ *ibid.*, p. 24.

in individual performance. Fifteen per cent of agencies had tackled the difficult issue of measuring improvement in agency performance.

Despite these results, agencies appear to be beginning to pay greater attention to evaluating the benefits of learning and development to individual and agency performance. Individual capability and performance, and agency performance were the evaluation areas most likely to be being developed by agencies (between 27% and 30%). Twenty-four per cent of agencies were developing methods of evaluating learning and development in terms of value for money.

Centrelink's people measure in its balanced scorecard includes an indicator related to learning. A formal evaluation of learning is being carried out with the aim of assessing whether it is making a difference to organisational performance. A project, 'Return on Training Investment' is being implemented to gauge the cost/benefits of learning in the organisation.

CHILD SUPPORT AGENCY

CSA won the Silver award in the Prime Minister's 2002 awards for excellence in public sector management for 'People development: Aligning culture and capabilities with vision'.

The success of the cultural transformation strategy at the CSA has been due to:

- strong commitment from senior management
- sequential implementation of a number of integrated people management strategies over a long term (five years)
- the consistent reinforcement of a learning culture as a prerequisite for meeting business delivery objectives.

The consistent reinforcement of a learning culture is achieved by a versatile approach to corporate and people management strategies:

- There is a detailed capability framework for all APS and ELs, integrated with the performance management strategy, which provides a platform for a comprehensive approach to learning and development based in the workplace.
- Team leaders are the main providers of learning and development for their staff and are specifically trained for this role.
- The national evaluation policy for training encompasses many aspects of evaluation including the requirement for training programs to use effective adult learning principles.
- Each team has members designated as coaches and mentors to provide ongoing support in the workplace.

The agency business plan emphasises 'continued support for staff', reflection, consultation with staff, and building on learning to refine processes as vital to business success.

LEADERSHIP

A key learning and development priority identified by agencies for their EL and SES employees was leadership development. The demographic shifts in the APS and the increasing focus on the need for organisational renewal has put increased pressure on agencies to address the issue of leadership development. MAC has identified the next five years as crucial to the APS in the development of a sufficient cohort of potential leaders to meet the environmental and demographic changes that are expected.²⁹ In particular, its 2003 report on organisational renewal found that agencies need to ensure that:

- a sufficient pool of people with the right capabilities, skills and experience is available to replace key people in middle and senior management and specialist positions
- employees recruited into the APS at middle and senior management levels receive orientation to key elements of APS Values, ethos and processes
- there is effective graduate management, providing development opportunities and experiences to form a strong pool of leaders
- programs to support accelerated skills development and a systematic exposure to different work experiences are provided
- strategies are developed to equip leaders to retain and make best use of older workers
- effective knowledge management processes are in place.

The agency and employee surveys explored several issues relating to leadership in the APS, including leadership performance, provision of development opportunities and employee attitudes to leadership development. Data from the survey are considered below in conjunction with APS Commission internal research and information from its leadership development activities and programs.

Leadership development

Research conducted by the APS Commission during 2002–03 noted a number of common themes in leadership development within agencies including:

- a shift away from broad classroom-based programs to more targeted development opportunities
- an increasing use of capability frameworks (both the SELC Framework and agency-specific frameworks) to provide a context for leadership development programs
- an increasing treatment of leadership development as part of an overall strategy placing greater emphasis on integration and alignment with business objectives.

The research found that most agencies had recently conducted, or were in the process of conducting, a leadership development program. The target groups of these programs varied from APS 5–6 to SES, depending in part on the size of the agency, and required only a short time (no more than two days) out of the workplace.

The agency survey confirmed that the majority of agencies place a high priority on leadership activities, particularly for ELs, the SES feeder group. The survey asked agencies to identify their four highest learning and development priorities for different classification levels. Of the 87 agencies that identified their learning and

²⁹ MAC, op. cit., 2003.

development priorities, the proportion indicating at least one priority in the broad category of leadership ranged from 23% at the APS 1–4 level to 70% at the EL levels (with 61% indicating leadership as a priority for the SES). Eighty-one per cent of agencies saw leadership development as a priority for their EL staff for 2003–04.

Leadership and management training was also a priority for many employees. Thirty-eight per cent of employees who responded to the question on learning and development priorities nominated leadership as one of their top three important learning and development areas for 2002–03, with 48% nominating it as a top three priority for the learning and development they plan to undertake in 2003–04. Forty-one per cent of employees nominated management training as a top three priority for 2002–03, with 43% anticipating it as a priority for 2003–04.

Despite the priority placed on leadership development, employee satisfaction with leadership development opportunities was mixed. Employees were more likely to indicate dissatisfaction with leadership development opportunities (35%) than satisfaction (27%), although they were most likely to indicate that they were neither satisfied nor dissatisfied (38%).³⁰

Satisfaction levels were significantly related to age and length of service. Employees 45 years and older were more likely to be satisfied and less likely to be dissatisfied with their leadership development opportunities. Employees with between one to five years of service in their current agency reported the lowest levels of satisfaction and highest levels of dissatisfaction. SES employees were much more likely to report satisfaction (67%) than APS or EL employees (25% and 33% respectively). These results suggest that, to some extent, dissatisfaction may be a function of the stage at which employees are in their career, with younger, relatively recently recruited employees, and employees at lower classification levels yet to be given significant leadership development opportunities.

When employees were asked to provide general comments on leadership, many spoke about their dissatisfaction with leadership development opportunities. Reasons for dissatisfaction with opportunities included time and budget constraints, and access to Canberra-based programs for regional employees. Nevertheless, when survey results were analysed there were no significant differences in satisfaction with opportunities for employees based both in and out of the ACT, including at the EL and SES levels.

Due to budgetary constraints [leadership development] is very limited. I only got training last year because it was mandatory (Code of Conduct) or it was paid for by another section who booked out the entire course and had spare places.

Difficult to get time out to do management/leadership training I badly need.

There are no training opportunities for people at my level in WA—all the management type training or anything appropriate is all given in Canberra.

Employee comments also highlight the crucial role that management support plays in employees' satisfaction with leadership development opportunities. Management is key in the development of employees' leadership capability, both in giving access to learning and development opportunities, and in facilitating the implementation of development strategies in the workplace.

³⁰ All employees were asked this question, but those answering 'not applicable' have been excluded.

There is insufficient follow-up by managers to ensure identified learning needs are addressed.

Over the years I have had so many applications for training rejected, that I have given up applying for any training.

My immediate team leader has no idea on how to help staff develop their skills in the area of leadership.

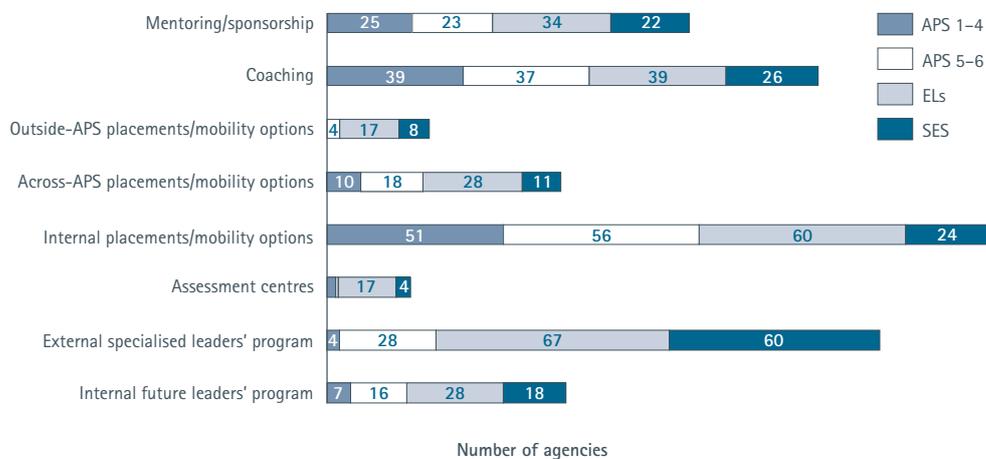
My supervisor is very supportive of training opportunities.

Leadership capability development opportunities

There is a broad range of activities that can be used by agencies to develop leadership capability, ranging from on-the-job approaches such as coaching and mentoring to more formal structured opportunities such as future leaders' programs. Agencies were asked to identify the leadership development activities they offer at different classification levels. Agency responses are shown at Figure 9.8.

For all classifications, more informal approaches such as internal placements, coaching and mentoring were common. The use of more formal opportunities was concentrated at the EL and SES levels, where external specialised leaders' programs were the most commonly offered opportunity. Assessment centres and outside APS placements were only commonly used at the EL levels.

Figure 9.8: Agencies offering leadership development activities for different classifications



Source: Agency survey

Large agencies were more likely to offer most opportunities, including internal future leaders' programs, across-APS placements, coaching and mentoring. Assessment centres were primarily offered by large agencies at the EL levels (50% of large agencies). Leadership development programs external to the agency were most likely to be used by small agencies at the EL levels (80%) and medium agencies at the APS 5-6 level (38%). Placement/mobility options inside the agency were important for all agency sizes, particularly for non-SES levels, but were most important for medium agencies at the EL levels (81%).

Among agencies identifying the general category of leadership as a learning and development priority, the agency survey also showed a considerable variation in the content of leadership training offered at different

classification levels. For APS 5–6, leadership programs had a strong operational focus. For ELs, there was a focus on more generic leadership skills, and the transition from management to leadership, and for the SES, there was a common theme of development of strategic skills. Development programs focused on communication skills and relationship management were consistently reported across all levels.

Senior Executive Leadership Capability Framework

The Senior Executive Leadership Capability (SELC) Framework is an articulation of the crucial success factors for senior APS leaders—in particular, the behaviours that support high performance. Since September 1999, the SELC Framework capabilities have been the core criteria for selection to the SES.

The *State of the Service Report 2001–02* reported the results of a review of the SELC Framework, which found that most portfolio secretaries preferred no change to the framework while its use and understanding was still being consolidated across the APS. There was some interest in the APS Commission undertaking further work to improve the practical application of the framework. The APS Commission has subsequently undertaken an extensive process to identify descriptions and behaviours for the components of the SELC Framework from EL1 to SES Band 3. This work, while not changing the SELC Framework as the selection criteria for the SES, will be used to articulate a development pathway for ELs and SES employees, identifying the key management skills and leadership capabilities required on transition from each level to the next. The APS Commission will use this to review with agencies appropriate development strategies, and the role of APS Commission programs to complement agency-based development activities.

The number of agency requests to the APS Commission for selection criteria for particular SES vacancies additional to those specified in the SELC Framework provides a useful barometer of the continued relevance of the framework. There have been comparatively few such requests. The Public Service Commissioner agreed to 24 requests in 1999–2000 (representing 13% of SES vacancies advertised), rising to 34 in 2000–01 (19% of vacancies), dropping again to 21 (10% of vacancies) in 2001–02. In 2002–03 there were 24 requests received from 12 agencies (17% of vacancies), with the ATO most frequently seeking additional criteria (nine requests). In the main, requests continue to relate to the need for specific corporate/financial skills, specific taxation expertise, or legal skills.

The employee survey asked employees to rate their immediate supervisor (not necessarily a member of the SES) against capabilities similar to those in the SELC Framework. The majority of employees rated their supervisors highly. Table 9.4 shows ratings against each capability from strongest to weakest.

Table 9.4: Performance of employees' immediate supervisor

Capability	Employee response %		
	High	Medium	Low
Demonstrates personal drive and integrity	61	24	14
Achieves results	58	29	10
Communicates effectively	52	30	17
Cultivates productive working relationships	50	29	19
Influences strategic thinking	50	27	19

Source: Employee survey

The relatively higher rating of the first two capabilities and relatively lower rating of the last two capabilities amongst immediate supervisors is consistent with trends identified in the feeder group to the SES who participate in the Career Development Assessment Centre (CDAC) program. There is a consistent pattern that CDAC participants are commonly strong in the areas of personal drive and achieving results, but weaker in the areas of productive working relations and shaping strategic thinking.

SES leadership training

The Public Service Commissioner has a specific responsibility under the PS Act to 'contribute to, and foster, leadership in the APS'. In practice, the APS Commission exercises this responsibility in close collaboration with agencies. In the area of leadership development, individual agencies are often best placed to undertake significant elements of leadership development in the context of their own organisational issues. The APS Commission, however, is in a unique position to promote interaction amongst the leadership cadre of the APS, and amongst the feeder group for the SES, which is an important ingredient to building the 'constructive working relationships' capability, and to building capacity in the APS to address whole of government priorities (discussed further below).

There is evidence that SES employees have a preference for development activities that provide them with opportunities for cross-agency interaction. For example, external conferences, seminars and short courses were the most commonly offered learning and development activity for SES employees across all agencies. This preference is further reflected through participation rates of SES employees at the APS Commission's broad-based, short and topical leadership development events such as breakfast and lunch seminars.

Over the last three years 44% of new SES employees have attended the APS Commission's 'Orientation to the Senior Executive Service' program. The annual average of new SES employees attending the program has, however, dropped from 51% in 2000 to 39% in 2002. Feedback from participants remains very positive, so that reduced participation may relate more to lack of strong and systematic encouragement by some agency heads. Attendance at events such as the SES orientation can play an important role in developing a cross-agency perspective, and promoting collaboration between SES employees in all APS agencies. These issues are discussed further in the context of whole of government issues below.

Other programs offered to the SES at Band 2 and 3 levels are the APS Commission's 'Leading Australia's Future in Asia' fellowships and, from 2003–04, executive fellowships from the Australian and New Zealand School of Government (ANZSOG).

The Australian Government became a member of the cross-jurisdictional ANZSOG in September 2002, and is represented on the foundation board by the Public Service Commissioner. ANZSOG is a first-tier, professional school established collaboratively by a consortium of Australian and New Zealand governments, universities and business schools to provide world-class education and training to emerging public sector leaders. The Public Service Commissioner also participates as a member of the ANZSOG research committee and the ANZSOG quality committee.

ANZSOG's Executive Fellows Program (EFP) is tailored for senior executives to enhance core leadership and management skills needed to direct organisations within the public service. The first EFP commenced in Sydney on 1 September 2003 and concluded on 19 September. Of the first EFP's 80 participants, 16 were Australian Government agency participants.

In 2002–03, a strong focus by agencies and the APS Commission on providing innovative leadership development activities remained. However, the Public Service Commissioner has emphasised the need to balance the capabilities set out in the SELC Framework with the technical and management skills needed in the emerging environment, including financial, contract, project and risk management skills, and communications expertise.³¹ The need for improvements in specific areas of management has been highlighted in a number of different forums.³² The Secretary of PM&C, Dr Peter Shergold, has reinforced the Commissioner’s message on this issue.³³

SES feeder group

Recent State of the Service reports have consistently noted increased attention to identifying the development needs of those EL staff who form the feeder group of the SES. This trend continued in 2002–03, with research conducted for the APS Commission indicating that some agencies widened that focus to include APS 5–6.

ANZSOG offers an Executive Masters of Public Administration (Executive MPA) to high-performing EL2s. The masters program includes core units developed around the areas of policy analysis and development, public sector management, ethics and personal effectiveness skills and electives. The first cohort of this program commenced study in May 2003, with more than 30 participants from 17 Australian Government departments and agencies.

The School has now run the first modules of the masters program. While it is too early to discern additional development requirements, these early deliveries have reinforced the accuracy of the development needs identified in the original ANZSOG business model, and provided additional information for further refinement of future components.

CDAC continues to enjoy strong support from the 27 participating agencies. Since the inception of CDAC, participation has included 417 high-performing EL2s identified by their agencies as having the capability to reach the SES within two years. CDAC participants’ performance is rated against the SELC Framework.

Comparison of the progression from EL to SES between participants in CDAC and non-participants shows that 32% of 2000–01 CDAC participants are now in the SES, compared with 5% of non-participating EL2s.

CDAC participation rates overall remain well below the rate of appointment to the SES (though near that rate for a number of the participating agencies). Given the challenge of increasing the numbers with capacity to take on leadership positions in the next five years, agencies should consider increasing participation of suitable staff in the CDAC program, including younger people in the feeder group for whom CDAC might indicate more clearly their development requirements.

³¹ See, for example ‘The Public Sector of the Future’, speech to the Forum of Commonwealth Agencies in NSW Incorporated, 27 February 2003.

³² For example, ANAO, *Recordkeeping in large Commonwealth organisations*, Report No. 7, September, 2003; MAC, *Australian Government Use of Information and Communications Technology*, Report No. 2, 2002.

³³ Dr P Shergold, ‘A change in leadership; what does it mean?’, speech to IPAA, ACT, 11 June 2003.

WHOLE OF GOVERNMENT CAPABILITIES

The *State of the Service Report 2001–02* indicated that the conduct of whole of government issues would be canvassed in more detail in this year's report. Issues of this type involve work undertaken across agencies to achieve a shared goal and integrated government response. Such issues can be characterised as falling across boundaries established by individual portfolio responsibilities, and therefore requiring an interagency approach, often in collaboration with other jurisdictions and/or community, business, welfare or other groups.

SERVICE-WIDE ISSUES FOR WHOLE OF GOVERNMENT ACTIVITY

Whole of government issues have always existed, but their increasing importance among key government priorities is a current phenomenon both in Australia and overseas. The main drivers behind the increasing priority being given to issues of this type are globalisation and global developments, budget pressures, technology and changing community expectations of government service delivery. Since the mid-1980s, whole of government issues have been progressively tackled in an increasingly devolved environment, characterised by an emphasis on vertical agency-based effectiveness and a focus on agency or portfolio outcomes. There is now a growing emphasis on the need for developing horizontal ways of working to complement vertical portfolio cultures and structures.

Specific whole of government activities undertaken in recent years include:

- Australians Working Together
- response to the Bali attack
- COAG Indigenous Communities Coordination Taskforce
- Australian Greenhouse Office
- Natural Resource Management Team
- National Illicit Drugs Strategy
- the 2000 Olympics
- Sustainable Regions
- salinity issues
- regional forest agreements
- foot and mouth simulation
- response to the ANSETT collapse
- National Counter-Terrorism Committee
- Centrelink Business Partnership Arrangement
- Family Assistance Office
- National Transport Safety Authority
- response to Severe Acute Respiratory Syndrome (SARS) outbreak.

The Government's current policy agenda and priorities include a range of issues (e.g. national security and defence, work and family life, demographics, science and innovation, education, sustainable environment,

energy, rural and regional affairs, and transport) that call for a whole of government approach, as Prime Minister Howard stressed in a major address late in 2002.³⁴

The effective handling of whole of government issues has been under discussion by MAC, and will be the subject of a MAC report in the near future. Drawing on practical experience of the initiatives listed above, the MAC report will canvass changes that may be required to APS arrangements when whole of government issues arise. These changes will emphasise the effective integration of a vertical, portfolio-based management structure with horizontal networks working across the APS and beyond. The report will examine adaptive strategies that can be applied to APS structures and processes, budgeting and accountability measures, information technology and infrastructure, and community consultation processes.

In practice, steps need to be taken at all these levels to increase the capability of the APS to deliver whole of government outcomes. In addition, such capability requires effort to improve Service-wide leadership, and to promote cultural and behavioural change. There is scope to introduce a genuine bias towards collegiality and networking behaviour amongst APS employees. Senior leaders have a direct role in modelling such behaviour—and indeed it should be noted that the PS Act identifies ‘promot[ing] cooperation with other agencies’ as a core function of the SES.³⁵ More broadly, the APS Values offer a common ground upon which to build a culture that supports collaboration, lateral thinking and information sharing. As shown in Chapter 3, these are widely agreed to be relevant to the daily work of APS employees despite operational and regional differences, and to apply to agency businesses across organisational structures.

AGENCY ACTION TO SUPPORT WHOLE OF GOVERNMENT ACTIVITY

Whole of government activities may occur on a number of levels, from ongoing cooperative approaches to formal committee structures. Different arrangements will be needed to underpin different types of activities. Formal multi-agency decision-making forums will of course establish their own lines of accountability and operational arrangements. However, there is also an important role for policies or guidelines within individual agencies intended to support employee participation in interagency collaboration, whether that activity is conducted through an ongoing cooperative arrangement such as a one-stop shop for service delivery or a formal committee.

The agency survey sought information concerning the extent of systems and procedures in individual agencies supporting whole of government activities. Ten agencies reported either having or developing guidelines/policies to guide employees’ participation in formal, multi-agency decision-making forums such as interdepartmental committees or taskforces. Seventy-nine agencies reported having no specifically tailored guidelines or policies addressing whole of government interactions, although having relevant arrangements as part of general agency internal processes. A number of small agencies indicated that they did not require such guidelines.

With respect to the specific policies and guidelines just outlined, four agencies had procedures for ensuring that only employees with the relevant skills, knowledge and authority participate in multi-agency forums, procedures establishing responsibility for recordkeeping, and procedures for reporting back to other agency

³⁴ ‘Strategic leadership for Australia: Policy directions in a complex world,’ presented to the Committee for Economic Development of Australia, 20 November 2002.

³⁵ *Public Service Act 1999*, s. 35(2)(b).

employees. Five agencies reported having procedures for ensuring appropriate authority for views expressed on the agency's behalf, and three reported having procedures for ongoing briefing of involved Ministers.

CAPACITY BUILDING FOR WHOLE OF GOVERNMENT ACTIVITY

In a devolved management environment, agency heads are responsible for the development of the capabilities required to achieve their agency's business objectives, including participation in broader whole of government objectives.

At the entry level, agencies could promote whole of government aspects of their work in attracting graduates, and ensure that a whole of government focus runs through their induction programs, encouraging from the outset a bias towards collegiality.

At more senior levels, overall mobility among the SES does not appear to be a significant factor affecting whole of government interaction. APSED reveals that 41% of the SES have worked in three or more agencies. This is consistent with the employee survey, where 44% of SES respondents stated that they had worked in three or more portfolios. Nevertheless it is also true that, according to APSED, 39% of SES have worked in only one agency (38% of SES respondents to the employee survey).

It is important that this large group of the leadership cadre with limited APS experience is encouraged to network across the APS. There may be value in considering the usefulness of temporary placements outside a home agency, or involvement in particular cross-agency projects, to help develop a capacity for collaborative work and for taking a whole of government perspective. In this context, it is worth noting that 14% of all employees surveyed (17% of ELs and 22% of SES employees) responded that they had access to placement and mobility options across the APS as part of their leadership development. Twenty-eight agencies reported offering such opportunities to ELs; 11 reported offering them to SES employees.

Employees could also be encouraged to become involved in informal and formal networks as a means of broadening their perspective and contacts. The APS Commission hosts a number of cross-agency networks, often at regional level, which encourage staff, particularly ELs and SES employees, to participate in cross-agency networks and development opportunities. ANZSOG offers the added benefit of networking across jurisdictions.

Capacity building may also be required in particular skills. Much whole of government activity, for example, is project-based, and project management skills are particularly relevant. Such activity also frequently involves interaction across jurisdictions and with communities, where communication and negotiation skills are important.

The report of the MAC project will have more to say on training tailored to whole of government capability building. Broadly speaking, capability building for whole of government needs to address both ongoing interactions and specific project-based work, and to support both broad capabilities (such as the capacity to facilitate cooperation and partnerships) and particular skills (such as change management, brokering and negotiation skills).

INCENTIVE STRUCTURES

Performance management systems and processes also have a role to play in supporting the development of whole of government capabilities. This applies to both collaborative behaviour and strategic focus. The danger is that, where formal reward and recognition systems draw exclusively on individual agency targets, they run the risk of undervaluing networking skills and whole of government activities.

In practice, most agencies seek to supplement results-oriented performance criteria with some behavioural criteria. Almost 61% of agencies responding to the agency survey reported including in their assessment process behavioural criteria drawn from the APS Values or agency-specific values or behaviours. A further 15% of agencies reported developing such criteria. Where these behavioural criteria include communication and team-based behaviours, they should support both intra- and inter-agency collaboration.

THE INDIGENOUS COMMUNITIES COORDINATION TASKFORCE

The Indigenous Communities Coordination Taskforce (ICCT) is a cross-portfolio taskforce and was established in July 2002, following a decision by the Council of Australian Governments (COAG) to establish a whole of government trial in up to 10 Indigenous communities/regions. The trial is based on a new approach with governments (Australian, State and Territory, as well as local in many instances) and communities working together to address priority issues and share responsibility for getting better results. More information is available at www.icc.gov.au.

Australian Government engagement in the COAG trial involves all major service portfolios led by a Ministers' group chaired by the Minister for Immigration and Multicultural and Indigenous Affairs and supported by a Secretaries' group, chaired by the Secretary of DIMIA. The ICCT supports the Australian Government Secretaries' group and has had a key role in establishing the trials with communities and other governments.

Whole of government structures

The Ministers' and Secretaries' groups, as well as the ICCT, are formal whole of government structures. Taskforce members work as a team, but most remain employees of their originating agency. The cross-portfolio taskforce reports directly to the Secretaries' group, and on a day-to-day basis the head of the Taskforce reports to the chair of the Secretaries' group.

Other whole of government arrangements that have been put in place to support the trials include:

- Lead agency and Secretary sponsor arrangements: each site has a designated Secretary sponsor and lead Commonwealth agency, responsible for leading and coordinating activity across all Commonwealth agencies for that site.
- State-based forums (for all Commonwealth agencies with key portfolio interests in Indigenous communities) in each jurisdiction have also been developed or refreshed.
- A flexible funding pool (\$6m over two years, 2003–04 and 2004–05) has been established as a short-term measure to provide support for flexible and innovative responses to priority

community needs in the COAG Indigenous trial sites. Projects supported by this funding will enable capacity building and modelling of cross-portfolio approaches. The pool funding was drawn from existing programs to enable this additional flexibility in the short term, whilst other more permanent and workable mechanisms for flexible funding responses are developed.

The development of new working relationships within and across government agencies has taken time and is still evolving. There has been a focus on securing greater clarity around the roles of lead agencies and relations with State and Territory counterparts, as well as on building governance arrangements for the sites. While sharing information has underpinned much of the initial activity to date between government agencies, attention is now becoming increasingly focused on developing joined up responses that are flexible and respond more effectively to community priorities, using existing resources.

This process has highlighted the need for adjusting the ways that resources—both staff and finance—are managed to better support whole of government approaches.

CONCLUSIONS

It is not possible to make a detailed, overall assessment of the current capability of the APS. There is, however, evidence of concerted effort to improve capability and to address the demographic challenge of the impending 'changing of the guard'.

One area where agencies appear to be making progress is in relation to managing people for business outcomes. In particular, there is evidence of better integration and more attention directed at workforce planning, although these improvements have come from a relatively low base.

There is also improvement in the area of performance management, with all agencies having performance management frameworks in place and employees generally positive about performance management. However, agencies still face serious challenges, particularly in the areas of rewarding performance and handling underperformance.

In the area of learning and development, there is a move to a more structured approach, with some agencies demonstrating very significant advances. Nevertheless, there is still substantial room for improvement, particularly in terms of the collection of information on learning and development expenditure, and in the use of a more serious and evidence-based approach to evaluation.

Leadership development is one area of capability development that has received increased attention in recent years. Despite a high level of activity in this area, more concerted effort is needed, particularly in response to succession management pressures. The APS would also benefit from greater support for Service-wide programs.

Whole of government capability issues are receiving increasing prominence, and the focus of MAC on whole of government is to be welcomed. When MAC's report is released it should provide a much greater level of guidance on good practice on whole of government issues, including on building the capability of the APS as a whole in this area.



CHAPTER 10: OUTSOURCED SERVICES

Outsourcing refers to an arrangement whereby an APS agency has a function or service, which was previously undertaken in-house, performed by a private sector provider. Outsourcing usually involves market testing through a competitive tendering and contracting process. Under these outsourced arrangements the APS agency retains overall responsibility and accountability for the function or service.

In its response in 2001 to the report by Richard Humphry AO *Review of whole of government information technology outsourcing initiative*, the Government decided that progress with the implementation of information and communication technology (ICT) outsourcing would be monitored and reported annually by the Public Service Commissioner in the State of the Service report. In accordance with the Government's decision, the APS Commission continues to ask questions of agencies about the implementation of ICT outsourcing and to report on those results.

DEVELOPMENTS IN THE POLICY AND OPERATING FRAMEWORK

Outsourcing in the APS continues to receive considerable attention. Since June 2002, several reports on aspects of outsourcing in the APS have been released. The Government responded to the Senate report of August 2001 on information technology in the APS. The MAC released its report on the Australian Government use of ICT in October 2002. The ANAO looked at outsourcing as part of its annual reporting of financial statements of major Commonwealth entities. These developments are briefly discussed below. The ANAO also tabled two performance audits of ICT management, including in relation to outsourcing in the departments of Defence and Health and other agencies.¹

The JCPAA is currently conducting an inquiry into the potential risks concerning the management and integrity of the Commonwealth's electronic information. As part of the inquiry, the Committee is examining IT security, including in relation to external providers. At the time of preparation of the State of the Service report, the Committee had not yet reported to Parliament.

GOVERNMENT RESPONSE TO THE 2001 SENATE COMMITTEE REPORT—*RE-BOOTING THE IT AGENDA IN THE AUSTRALIAN PUBLIC SERVICE*

In August 2001, the Senate Finance and Public Administration References Committee recommended improvements to contract management and probity, data security, savings and intellectual property management. Accountability and transparency issues were also considered.

In June 2003, the Government responded, supporting most of the recommendations made by the Committee. The Government emphasised that the devolved management framework requires that each agency is responsible for managing its own procurement functions. The Government response highlighted the potential for unnecessary duplication of functions that would result from some of the (unendorsed) recommendations of the Committee. The response reiterated the role of the Public Service Commissioner in reporting on ICT outsourcing in the State of the Service report.

¹ ANAO, *Management of specialist information system skills*, Report No.56, 2002–03. ANAO, *Health group IT outsourcing tender process*, Report No.14, 2002–03.

MANAGEMENT ADVISORY COMMITTEE REPORT

The main objective of the MAC report, *Australian Government use of information and communications technology* (October 2002), was to provide an appropriate framework to guide agencies during the process of transformation to a devolved ICT investment and governance environment.

As a result of the report, a new 'federal' governance model was adopted. This model involves a senior advisory group known as the Information Management Strategy Committee (IMSC), supported by a Chief Information Officer (CIO) Committee. The IMSC will provide leadership and advice to the APS on ICT strategic and governance issues, including standards to promote interoperability. The CIO Committee will take a lead role in facilitating learning and information exchange among agencies. Agency heads retain responsibility for their ICT resources in line with their responsibilities for business objectives.

The report noted the need to identify key lessons of the early ICT outsourcing contracts, as they approach the end of their first cycle, to assist agencies entering into new and 'second-generation' ICT sourcing agreements. This was viewed as an initial priority that requires immediate investigation. The IMSC established a working group to investigate the issue of second-generation ICT outsourcing and develop templates to assist agencies involved in the process.

The report noted that contract management skills still needed to be improved in the APS, and recommended drawing on APS-wide experience in this area, complemented by work undertaken by the ANAO. A working group may be formed in the future by the IMSC for consideration of this.

AUDIT OF FINANCIAL STATEMENTS OF MAJOR COMMONWEALTH ENTITIES

The ANAO (June 2003) conducted an audit of the internal environment of agencies to determine whether reliance can be placed on current control structures to produce complete, accurate and valid information for financial reporting purposes. The audit also sought to assess the impact IT outsourcing arrangements had on the maturity of ICT governance arrangements. It concluded that the cluster contract arrangements have generally had a positive impact on IT security practices in agencies. However, the audit found that some contracts do not adequately specify security requirements. The importance of disaster recovery planning to IT infrastructure outsourcing was also raised, both in terms of the need to be clear who is responsible for it, and as a matter to be specified in contracts.

AGENCIES' OUTSOURCING DURING 2002-03

Last year's State of the Service report reviewed agency progress with outsourcing for the period 1 January 2001 to 30 June 2002. This period extended beyond the standard financial year reporting period and was adopted to correspond with the period following the Humphry Review.

This year the reporting period reflects the standard period of 1 July 2002 to 30 June 2003. This means that it is not always possible to compare this year's data to last year's. In addition, this year's agency survey questions on outsourcing in agencies were generally limited to 'new' outsourcing arrangements finalised during 2002-03 so as to avoid overlap between reporting periods.² The results of this year's agency survey,

² In the agency survey, agencies were asked to report on outsourcing contracts and contract extensions *signed* in 2002-03, whether effective in 2002-03 or after 30 June 2003.

therefore, provide a snapshot of agencies' experience with outsourcing during 2002–03. At this stage it is not always possible to identify trends. The development of a longitudinal data set should, however, redress this situation in future reports. It is also worth noting that the agency survey was not limited to the outsourcing of ICT functions but also included questions on the outsourcing of human resource/workplace relations (HR/WR) functions as well as other corporate functions or services.

This year, for the first time, the report includes information on 'insourcing'. Insourcing occurs when an agency brings a function or service that was previously contracted out back into the agency. While the extent of insourcing to date is limited, it has been identified as a possible emerging issue, particularly given the difficulties agencies reported concerning contractor performance.

Overall, 48 of the 89 agencies (or 54%) reported finalising new outsourcing contracts or contract extensions in regard to at least one aspect of a service or function during 2002–03, including in relation to ICT services, HR/WR services and other corporate services. Forty agencies reported that they did not finalise new outsourcing contracts or contract extensions during this period and one agency did not respond to the question.

In responding to the agency survey, agencies were asked to report only on outsourced and insourced services or functions worth more than \$100,000 (departmental funds) or \$5 million (administered funds). Agency responses identifying services or functions worth less than these amounts were disregarded for the sake of consistency. In addition, any agency response that did not provide basic data requested in the survey was disregarded.³

OUTSOURCING OF ICT SERVICES

Twenty-six of the 89 agencies (five large, 12 medium and nine small) reported outsourcing at least one aspect of ICT services (other than strategic planning for ICT) during 2002–03. It should be noted that even though a large number of agencies did not report engaging in outsourcing of ICT services during the year, this should not be interpreted as a lack of action regarding the implementation of the ICT initiative. For example, 73 agencies reported the amount they spent on the management of ICT contracts during 2002–03⁴, demonstrating that the vast majority of agencies (82%) had some aspect of ICT services outsourced during 2002–03. This data indicates that mature outsourcing arrangements, whereby no new ICT outsourced contracts were finalised in 2002–03, are in place in over half of all agencies.

Of those agencies that reported finalising new contracts for outsourced ICT services during 2002–03, 11 indicated that they *wholly* outsourced ICT. The majority (15), however, indicated that they *partially* outsourced ICT services. The average length of ICT contracts finalised during 2002–03 was 3.3 years, although the range varied between one and 12 years.⁵ The annualised average dollar value per ICT contract for large agencies was \$14.8 million. Medium agencies averaged \$515,000 and small agencies averaged \$378,000.

³This occurred, for example, when an agency answered 'yes' to the question 'Did your agency outsource any ICT services during 2002–03?' but did not provide related data on the number of contracts, contract duration, dollar value, etc.

⁴Small agencies were less likely to report against this question compared with medium and large agencies (73% of small agencies compared with 92% of medium and 86% of large).

⁵Please note that some agencies appear to have reported 'bundles' of contracts rather than every individual contract. This means that the number of contracts reported and the related contract duration and dollar value is indicative only.

Five of the 89 agencies reported partially outsourcing some aspect of strategic planning for ICT during 2002–03. Contracts for ICT-related strategic planning ranged from six months to two years and averaged \$260,000 (per annum).⁶

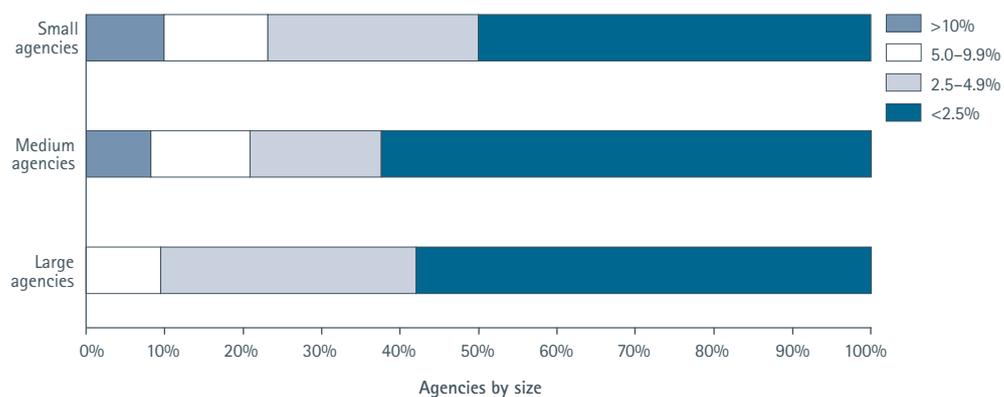
This year agencies were also asked to report on insourcing that occurred during the year. Four agencies indicated that they had insourced some aspect of ICT, with one indicating that it had insourced the *whole* of its ICT function. The main reasons for insourcing appeared to be contractor performance and contractor insolvency (see ‘Contract management’ below for further details). One agency also indicated that it insourced strategic planning for ICT.

Resources

The agency survey asked agencies to estimate the proportion of annual resources dedicated to ICT contract management in 2002–03 as a percentage of the total cost of all outsourced ICT contracts.⁷ Overall, the majority (56%) of the 73 responding agencies reported spending less than 2.5% of the total value of ICT outsourced services on managing related contracts. However, the amounts reported varied considerably. For example, five agencies reported dedicating more than 10%. This may relate in part to the cycle of agency contracts.

Consistent with findings in previous reports, small agencies tended to dedicate a larger proportion of resources on contract management compared with medium and large agencies. This reflects the lack of economies of scale present in contract management in small agencies. Figure 10.1 shows that small agencies were more likely than large agencies to have dedicated more than five per cent and less likely than medium and large agencies to have dedicated less than 2.5% to contract management.

Figure 10.1: Amount dedicated to contract management



Source: Agency survey

⁶ The mean average takes into account one contract valued at \$1.4 million (annualised). The median average is around \$67,000 per annum.

⁷ Agencies were asked to include human resource costs and other administrative costs.

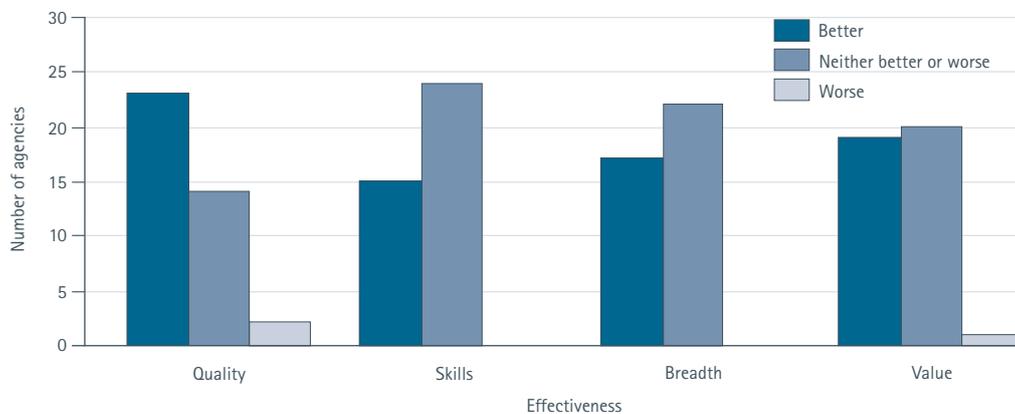
Agencies' evaluation of outsourced ICT services

The extent of the effectiveness of outsourcing can be difficult to determine. The APS Commission recognises that there are many benchmarks against which effectiveness can be measured. However, for simplicity's sake agencies were asked to report the effectiveness of outsourced services or functions against four key outcomes: overall service quality, the breadth of services available, access to skills, and value for money. Agencies were also asked to report on the mechanisms they used to evaluate outsourced services during 2002–03.

Of the 41 agencies that did report having undertaken some performance evaluation of outsourced ICT services during 2002–03, the majority reported conducting a review of the service by management (68%). Other measures reported include feedback mechanisms (56%), inspection and monitoring (54%), key performance indicators (51%), audits (41%), client surveys (39%), contract clauses (39%) and complaint records (32%).

Of the 41 agencies that reported undertaking some performance evaluation of outsourced ICT services during 2002–03, the majority of agencies (23 agencies or 56%) reported that the overall quality of ICT services to end users had changed for the better, and only two agencies (or 5%) reported a change for the worse. The response against other criteria (such as value for money, access to skills, and end users' access to a broader range of services) was not quite as positive, nor was it negative. Figure 10.2 shows that, in terms of access to skills, the breadth of services available and value for money, the vast majority of agencies reported a better outcome or no overall change for the better or worse.

Figure 10.2: Effectiveness of ICT outsourcing



Source: Agency survey

ICT OUTSOURCING BEYOND 2002–03

Agencies were asked to indicate the outsourcing approaches they were considering adopting during 2003–04. The approach most commonly reported was 'complete new tender process', with 26% of all agencies indicating that they were considering this approach. Other approaches included 'renew contract with variations' (24%), 'conclude multiple smaller contracts' (21%), 'piggyback on other agency contracts' (13%), 'renew contract as is' (10%) and 'partner in tender process with another agency' (10%).

THE END OF GROUP 5

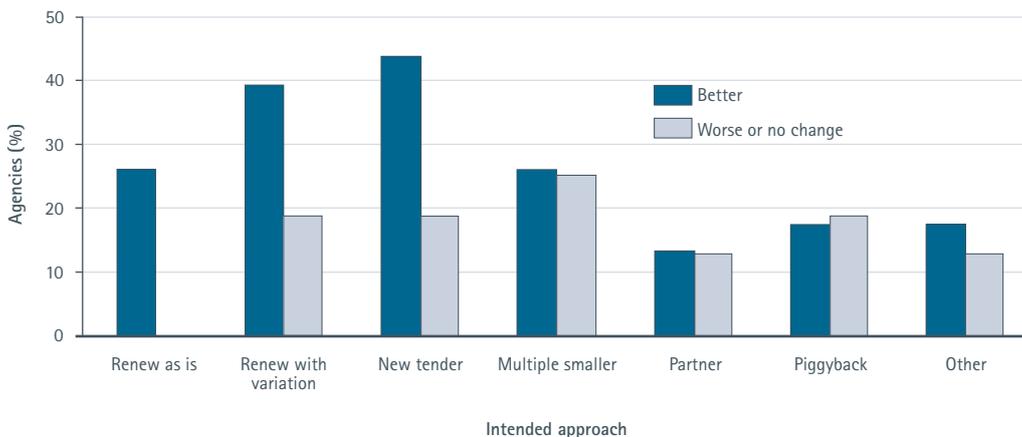
Group 5 (comprising DOTARS, DCITA, PM&C, DITR, ACCC and NOIE) has a \$90 million contract with Telstra Enterprise Services encompassing around 4000 desktops, midrange and data communication services. By July 2004 it will no longer exist with all the agencies involved going their own way.

The main reason for the end of Group 5 is that the agencies did not see any advantage (including an opportunity for savings) in staying together. Agencies believe they will gain greater strategic control of their ICT through direct contractual and partnering relationships with provider(s). Some Group 5 agencies, NOIE for example, are planning to select a single supplier for their ICT. Other agencies, such as DOTARS and PM&C, are planning to select suppliers to provide specific services, such as desktop. This may also include bringing some ICT functions back in-house.

Regardless of sourcing methods, all Group 5 agencies are seeking better ICT outcomes by drawing on the experience gained during the first round of sourcing across the Australian Government. Specifically, agencies are aiming for improved contracts, more beneficial relationships with providers and better quality ICT services.

Interestingly, there appears to be no correlation between agency views on present value for money and the proposed approaches to ICT outsourcing that agencies are considering adopting in 2003–04. This appears also to be the case in relation to agency views on access to skills. However, there does appear to be a relationship between service quality and agency intentions for 2003–04. Figure 10.3 shows that agencies that reported better quality ICT services were much more likely to report an intention to renew the contract as is, renew the contract with variations and/or complete a new tender process. For example, of the agencies that indicated an intention to renew their ICT contract as is, all of them reported improvements in the quality of ICT services to end users.

Figure 10.3: Agencies' intentions for 2003–04 by quality outcomes



Source: Agency survey

One possible explanation of these results is that agencies' experience with ICT outsourcing has increased and they are now better able to assess quality of service delivery within a value for money context. This is consistent with the survey results, which appear to indicate that quality outcomes currently play a significant role in agency decision-making on future ICT outsourcing.

In terms of the estimated costs of ICT services in 2003–04, the vast majority of agencies (64 or 72% of all 89 agencies) reported an expected increase of less than 10% in comparison with costs for 2002–03. Ten agencies reported an expected increase of between 11% and 20% and eight agencies anticipate an increase of more than 20% (with three agencies anticipating an increase of greater than 40%). Two of the agencies anticipating an increase of more than 40% reported that the size of the increase reflected a significant change in direction concerning the delivery of ICT services. A further three agencies anticipate that the cost of ICT services will fall in 2003–04. There appeared to be no correlation between the size of the agency and the anticipated change in costs.

OUTSOURCING OF HUMAN RESOURCE/WORKPLACE RELATIONS SERVICES

This year 17 of the 89 agencies reported that they had outsourced some aspect of HR/WR services during 2002–03 other than strategic planning for HR/WR (four large, six medium and seven small).

Of those agencies that reported finalising contracts for HR/WR services during 2002–03, only two reported *wholly* outsourcing HR/WR. The vast majority (14 agencies) indicated that they *partially* outsourced HR/WR services. One agency did not respond to the question.

Twenty-three HR/WR contracts finalised in 2002–03 were reported by agencies.⁸ Only three large agencies reported finalising two or more new HR/WR contracts during 2002–03. The remaining 14 agencies reported finalising one contract during this period. The average length of HR/WR contracts finalised during 2002–03 was 2.5 years. Large agencies were more likely to have slightly shorter contracts in place.

Agencies were asked to report the dollar value of HR/WR contracts finalised during 2002–03. The average annualised dollar value was around \$540,000, although the range was between \$23,000 and \$4.5 million. The annualised average for large agencies was around \$1 million. Medium agencies averaged around \$290,000 and small agencies averaged around \$70,000. This difference reflects the size of the services involved and, therefore, the scope of the contracts.

Two agencies reported partially outsourcing HR/WR strategic planning during 2002–03. Related contracts were generally short (around one year) and contract values varied.

Two agencies indicated that they had insourced some aspect of HR/WR, with one indicating it had insourced the *whole* of the HR/WR function. The main reasons for insourcing appeared to be contractor performance and contractor insolvency (see 'Contract management' below for further details).

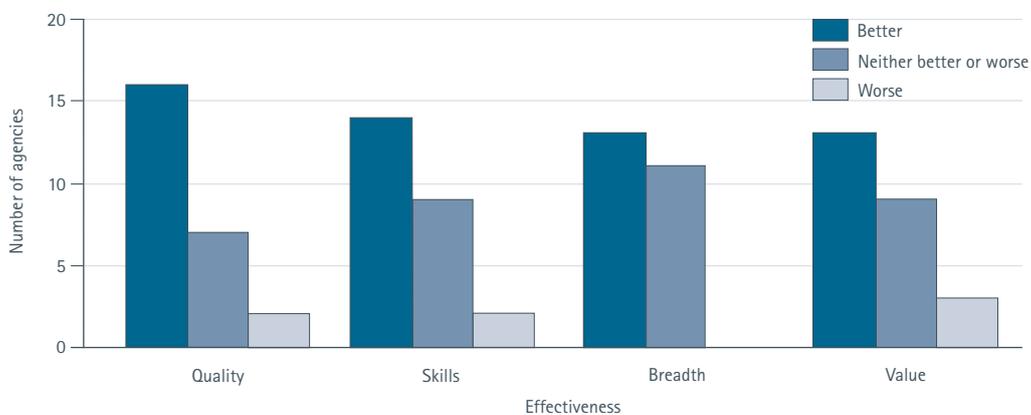
⁸ Please note that some agencies appear to have reported 'bundles' of contracts rather than every individual contract. This means that the number of contracts reported and the related contract duration and dollar value is indicative only.

Agencies' evaluation of outsourced HR/WR services

Twenty-seven of the 89 agencies reported conducting some performance evaluation of outsourced HR/WR services during the reporting period. A further 33 agencies stated that they have not evaluated outsourced HR/WR services.

Of the 27 agencies that reported undertaking some performance evaluation of outsourced HR/WR services during 2002–03, the majority of agencies (16 agencies or 59%) reported that the overall quality of HR/WR services to end users had changed for the better. The response against other criteria was similar, although three agencies reported that value for money had changed for the worse. Overall, as Figure 10.4 shows, it appears that agencies' experience with HR/WR outsourcing is generally more positive compared with ICT outsourcing.

Figure 10.4: Effectiveness of HR/WR outsourcing



Source: Agency survey

OUTSOURCING OF OTHER CORPORATE SERVICES DURING 2002–03

This year 32 of the 89 agencies reported that they had outsourced some aspect of other corporate services during 2002–03.⁹ The most frequently reported other corporate functions or services were property management (13 agencies), internal audit (13 agencies), financial management services (six agencies), legal services (five agencies) and office services (five agencies). Other functions or services reported included cleaning services, security (both vetting and guarding), records management and mail/freight services.

One agency reported that it had wholly insourced its financial management function during 2002–03. Another agency reported partially insourcing records management.

⁹ In the agency survey, the term 'other corporate' was defined as including records management, property management, office services, legal services, library services, printing/publishing services, ministerial services, financial processing, budget management, and internal audit.

CONTRACT MANAGEMENT

Contract management is an integral part of agency outsourcing activity. The agency survey asked agencies questions about difficulties they experienced implementing outsourced contracts during 2002–03. The questions on difficulties with implementation were general in nature and not limited to any type of service or function.

Overall, 38 agencies reported experiencing difficulties when managing outsourced contracts during the year, which was almost half of all 80 agencies that responded to the question. There appeared to be no correlation between agency size and the likelihood of reporting a difficulty.

The difficulties reported by agencies this year appear to be very similar to those reported in previous years, with contractor performance and the scope of the contract being reported as concerns by many agencies. In addition, a number of agencies reported that contract management capability (discussed separately below) had also posed problems.

Contractor performance was the most commonly reported difficulty (28 agencies). It also tended to be regarded as one of the most serious problems affecting outsourcing. One-third of agencies that experienced this problem rated it as a ‘major’ difficulty, although medium agencies were more likely to rate it this way. Agencies reported a variety of strategies to address the issue of contractor performance including managing the relationship through negotiations with the contractor, varying the contract, engaging a new contractor, terminating the contract and insourcing the function.

Another difficulty, which was reported by 19 agencies, was the scope of the contract (i.e. what the contract covers and does not cover). Unlike contractor performance, however, this problem tended to be viewed by agencies as a minor problem. Not surprisingly, the most common strategy to address this issue was through a contract variation. Negotiation and discussion with the contractor was also a common strategy used by agencies, as was reviewing the contract.

Only five agencies reported internal staff resistance to outsourcing as a problem this year. One agency rated it as a major problem. It would appear that this particular difficulty is becoming less of an issue for most agencies.

While contractor insolvency was a problem for only a handful of agencies, its impact on agency operations can be considerable. Both Finance and DEWR reported contractor insolvency as a major difficulty during the year, although they dealt with the problem in different ways. Finance engaged a new contractor, whereas DEWR chose to insource the function.

CONTRACT MANAGEMENT CAPABILITY

The need for contract management skills in the APS has increased significantly during the last decade, reflecting the expansion of contracting out in the APS (including in relation to the provision of services to the public). Contract management skills have become an important capability for the APS.

Contract management capability was reported as a difficulty by 14 agencies, although only two agencies rated it as a major problem.

Small agencies were more likely to report contract management capability as a difficulty compared with medium and large agencies. This probably reflects the fact that employees in small agencies generally have a wider range of responsibilities. Strategies to address agency contract management capability included training staff, recruiting staff and increasing resources.

The agency survey did not ask agencies about the extent of contract management training they provide to their staff. In a devolved environment, it is difficult to estimate the extent to which agencies are addressing this issue. It is noteworthy, however, that the IMSC is considering establishing a working group to help agencies draw on APS-wide experience in contract management.

THE APS VALUES AND CODE AND PRIVATE SECTOR PROVIDERS

It is the responsibility of agency heads to ensure that non-public servants delivering services on behalf of government, providing in-house services to agencies or working as consultants on particular projects are aware of the expected standards of conduct in the APS.¹⁰ Agency heads must also determine whether the standards set out in the APS Values and Code of Conduct should apply in full or in part and how best to communicate and enforce the standards that apply to non-public servants. While this is particularly relevant where contractors are providing services to the public on behalf of the APS, it is also relevant where contractors are providing services to agencies, such as ICT services.

Against this background, it is worth noting that almost one-third of the 80 agencies that responded to the question reported that they currently do not have arrangements in place to define and communicate expectations to contractors of ICT services about compliance with relevant Values and elements of the Code of Conduct. Small agencies were much more likely to report not having arrangements in place compared with medium and large agencies (46% of responding small agencies compared with 17% of responding medium agencies and 24% of responding large agencies).

Given that contracting with private sector companies is unlikely to decline in the foreseeable future, such arrangements represent an important means of managing the risks and complexities associated with the provision of outsourced services. Agencies need to consider carefully how to manage contractual arrangements with a view to reducing the risk of unfair and unethical practices.

Of the 53 agencies that do define and communicate expectations of this kind to ICT contractors, the most commonly reported measures were the inclusion of related information in tender documentation (45 agencies) and the use of a general contract clause referring to the APS Values and the Code of Conduct (43 agencies). Other measures include:

- the use of a specific contract clause on only relevant aspects of the APS Values and the Code of Conduct (21 agencies)
- the use of key performance indicators (17 agencies)
- the use of non-contractual arrangements (12 agencies).

Non-contractual arrangements include providing information to contractor staff on commencement of services (AGD) and holding discussions with the contractor to ensure they behave in a way that is consistent

¹⁰ A range of other obligations also apply to non-public servants, including in relation to privacy, official information and recordkeeping.

with the Values and the Code of Conduct (AIR). The ANMM also reported providing contractors with APS Commission information on the Values and the Code.

Although defining and communicating expectations to contractors is important, it is also necessary to ensure that those expectations are met. This is an area that will be addressed in future reports.

Conflict of interest

A related issue for managing outsourcing is the degree to which conflicts of interest are identified and managed. Overall, 57 of the 89 agencies reported that they had some form of measure in place to manage conflict of interest in outsourcing processes, and another six agencies reported that they were currently developing such measures.

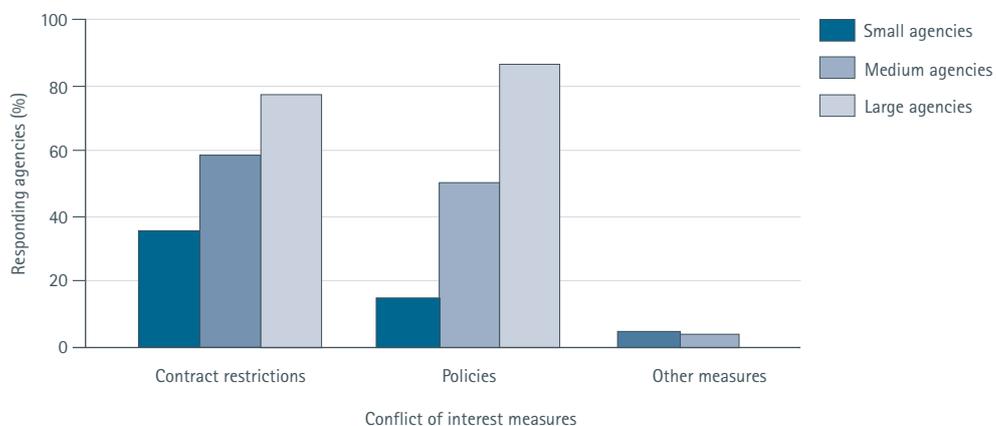
Large agencies were much more likely to report having one or more measures in place compared with medium and small agencies (95% of large agencies, 69% of medium agencies and 44% of small agencies).

Agencies were asked whether they used contractual provisions to restrict the employment of key decision-makers in the tender process by successful tenderers. This approach is encouraged in the Commissioner’s recent guidelines on official conduct. Forty-six agencies reported that they had such provisions in place. Small agencies were less likely to have adopted this practice (35% of responding small agencies compared with 58% of responding medium agencies and 77% of responding large agencies).

Agencies were also asked whether policies (other than contract restrictions) had been implemented to help raise employees’ awareness of obligations in relation to conflict of interest. Thirty-eight agencies had these policies in place, and a further eight reported that they were currently being developed. Once again, small agencies were much less likely to have adopted this practice (15% of responding small agencies compared with 50% of responding medium agencies and 86% of responding large agencies). Figure 10.5 shows the differences between small, medium and large agencies in relation to measures in place to deal with conflict of interest in outsourcing.

Other measures to manage potential conflict of interest in outsourcing processes cited by agencies included the use of a probity service for large tenders (AGO), and the inclusion of information in a personnel guide or CEIs on avoiding conflict of interest in relation to contracting (PM&C and ITSA).

Figure 10.5: Conflict of interest measures by agency size



Source: Agency survey

EMPLOYEES' PERCEPTIONS OF OUTSOURCED SERVICES

The employee survey contained one question on the quality of ICT and HR services. Overall, 71% of respondents rated the quality of ICT services (whether outsourced or not) in their agency as 'medium' or 'high'. Nineteen per cent rated the quality as 'low'. Respondents were much more likely to rate the quality as 'low' if they thought that the ICT services in their agency were wholly outsourced. For example, of those employees who rated the quality of ICT services as 'low', 63% thought that ICT services in their agency were wholly outsourced, 23% thought they were partially outsourced and six per cent thought they were not outsourced (the remaining eight per cent were not sure).

It is extremely difficult to verify the accuracy of respondents' views on the extent of ICT outsourcing in their agency.¹¹ It is possible that employees' perceptions of ICT outsourcing are a result of difficulties experienced during the implementation of the first round of ICT outsourcing. If so, employee perceptions may improve as the APS becomes more adept at ICT outsourcing.

A more positive picture has emerged regarding the provision of HR services. Eighty per cent of respondents rated the quality of HR services in their agency as 'medium' or 'high', with 13% rating the quality as 'low'. In contrast to responses on ICT services, respondents were more likely to rate the quality as 'low' if they thought that the HR services in their agency were not outsourced. For example, of those employees who rated the quality of HR services as 'low', 14% thought that HR services in their agency were wholly outsourced, 31% thought they were partially outsourced and 40% thought they were not outsourced (the remaining 15% were not sure).

Again, it is extremely difficult to verify the accuracy of respondents' views on the extent of outsourcing of HR services within their agency. However, it is evident that employees are generally positive about outsourced HR services. This accords generally with agency responses on the quality of outsourced HR services, which indicate that outsourcing HR services has resulted in quality improvements.

CONCLUSIONS

Agencies in the APS are continuing to outsource services and functions and, in doing so, they are becoming more experienced in the tendering and contracting process.

Results of the agency survey on agency intentions in relation to ICT outsourcing appear to indicate that agencies are placing more emphasis on quality outcomes when entering into decisions on future contracting. As agencies become more experienced and are able to better gauge value for money in relation to ICT services, other considerations, such as the quality of ICT services, appear to play an increasingly significant role in the contracting process.

A particularly positive story is emerging in relation to the outsourcing of HR services, with agencies reporting a significant improvement in quality of services resulting from outsourcing. This is supported by results from the employee survey, which show that employees are generally positive about the quality of outsourced HR services.

¹¹ The agency survey questions were generally limited to reporting on outsourcing within 2002–03, whereas the employee survey did not distinguish between outsourcing that occurred during or prior to 2002–03, making comparisons between the two surveys problematic.

Other indications that agencies are benefiting from their experiences with outsourcing include the changes reported in relation to difficulties experienced by agencies in this area. While some issues continue to pose challenges for many agencies (such as contractor performance and contract management capability), internal resistance to outsourcing has become less prevalent in the APS and is having less impact in the majority of agencies that still experience it. This would appear to be a direct result of agencies' experience in outsourcing and the effort that has been spent in managing the transition to outsourcing.

However it is evident that in some agencies there is still insufficient capability to manage outsourcing effectively. Contract management is central to successful outsourcing and indications are that many agencies are facing difficulties maintaining the required level of skilled contract managers they need to support and drive their outsourcing arrangements.

There is also room for improvement by a number of agencies in clarifying and managing ethical aspects of outsourcing arrangements.

Small agencies continue to face challenges posed by the lack of economies of scale and their capacity to develop specialist skills to deal with the multitude of issues that outsourcing throws up. As a result, small agencies are more likely to include contracting issues within a range of tasks. In contrast, medium and large agencies are more able to develop a level of expertise in regard to contracting.



CRITICAL CHALLENGES FOR THE APS AS A WHOLE

The APS is currently in a growth phase, though that should not be assumed to continue. More certain trends relate to the composition of the APS, and the context within which it will be operating at least in the medium term.

In particular, the Service will continue to age, and the impending ‘changing of the guard’ represents a serious challenge, even if not a crisis. Around 42% of SES and 27% of ELs will be eligible to retire with superannuation benefits within the next five years. There are likely to be increases in mobility, with dangers for the Service if this means losing more high performing people than we gain. The risk of this is serious in an increasingly competitive labour market, with fewer young people coming out of the education system and more businesses looking for the best and brightest.

APS agencies are addressing demands from the public for higher quality and more responsive services but these demands can only be expected to increase with a better informed citizenry. Services will increasingly be required to be tailored to individuals, and to offer choice and to allow greater integration. Policy agendas will be focused on finding solutions to complex problems, and responses will be expected to be coherent, well coordinated and speedy. The APS must be able to deliver, working closely with other organisations and people. Amongst these complex problems are social ones requiring a good understanding of different cultures and respect for the views of different individuals and different communities. Community expectations will also demand the APS make best use of new technology, to offer services equivalent to those the public demand and receive in the market place.

The requirement for the APS to be responsive to the elected government can only increase. The inexorable pressures of the media and modern communications are part of the governmental environment and require greater responsiveness by the APS. At the same time, there is also increased transparency and legitimate demand for good decision making within the APS that is impartial and open to review.

In this context of change within the APS, and in its external environment, critical challenges can be drawn from the *State of the Service Report 2002–03*:

1. Ensuring there is a strong pool available to take on leadership roles into the future, both in the short to medium term and through deliberate capability building for the longer term.
2. Actively addressing diversity, both to improve APS capability and performance, and to overcome emerging concerns about employment in the APS, particularly of Indigenous Australians, people with a disability and people from non-English speaking backgrounds.
3. Getting more from an organisation, including through more effective approaches to workforce planning, performance management (particularly around rewards and handling underperformance), and linking this to more structured learning and development.

4. Ensuring an effective relationship between the APS and the Government and the Parliament, recognising the need to support the wider range of employees involved to meet their obligations of responsiveness, open accountability and apolitical professionalism and impartiality.
-

More generally, the context of continuing change confirms the importance of flexibility and adaptability, and the benefits of the Values approach to ensuring integrity without detailed and inflexible rules. This approach requires effort beyond mere rhetoric, and APS agencies still have some way to go to embed the APS Values into their organisational cultures.

The APS is well positioned to address these challenges of the future. The more devolved arrangements in place allow agencies considerable flexibility to gear their conditions, structures and approaches to their business objectives. They have facilitated a heightened focus on organisational performance, capability development and client service.

CROSS-CUTTING THEMES

The report has also highlighted a number of cross-cutting themes relevant to a number of the topics covered through the various chapters.

WHOLE OF GOVERNMENT

The first of these is the need to strike an optimal balance between devolution and coordination to achieve whole of government activities and Service-wide capability objectives. This issue was highlighted in last year's report and remains a key challenge.

An example of a strategy to respond to this challenge is the new 'federal' governance model for ICT represented by the IMSC. The IMSC is intended to provide leadership and advice to the APS on ICT strategic and governance issues, including standards to promote interoperability. While agency heads retain responsibility for IT matters in their agencies, the IMSC will take a lead role in facilitating learning and information exchange.

The IMSC grew out of the MAC report *Australian Government use of information and communications technology*. MAC is now looking at whole of government matters more generally, and examining innovative means of developing interagency or horizontal networks to complement vertical agency-based lines of management in the interests of achieving broad government objectives. A balance also needs to be maintained between agency and Service-wide cultures, an issue identified in this report in the discussion of how agencies are managing both agency-specific and APS Values. Training is another such issue. In the devolved public service context, agency heads are responsible for the development of the capabilities required to achieve their agency's business objectives. Where Service-wide objectives are to be addressed, relevant training activities may be best managed collaboratively, and on a whole of government basis. This is particularly relevant to the SES who have statutory responsibilities as the leadership cadre of the APS.

SMALL AGENCIES

Another cross-cutting theme to emerge from this year's report is that of small agency capacity and capability. Results of the agency survey show that, in some areas at least, small agencies are facing particular issues in implementing APS-wide policies in building capability and/or administrative arrangements, including in relation to service delivery, people management, workforce planning and outsourcing.

Quantifiable indicators or standards for the quality of services provided to the public were more common in large agencies with public contact (96%) than in small agencies with such contact (69%).

Employees in small agencies with service charters were less likely to rate their knowledge of the content of their service charter as high (59%) than employees in large agencies (72%).

Fifteen per cent of small agencies, 23% of medium agencies and 68% of large agencies reported that they had policies in place in relation to avoiding conflict of interest when an employee takes up employment after leaving the APS.

Sixty-eight per cent of small agencies, 73% of medium agencies and 91% of large agencies currently have a requirement that SES employees make a written statement of their interests.

Small agencies were less likely than medium or large agencies to agree that their HR function has a high level of capability in developing, implementing and evaluating policies and strategies (73% compared with 85% and 96% respectively).

Small agencies were more likely to report contract management capability as a difficulty than were medium and large agencies.

Small agencies were much more likely to report not having arrangements in place to define and communicate expectations to contractors of ICT services about compliance with relevant Values and elements of the Code of Conduct than were medium and large agencies (46% of responding small agencies compared with 17% of responding medium agencies and 24% of responding large agencies).

These findings are consistent with an independent client survey conducted for the APS Commission during the year. In responding to the client survey, small agencies indicated that they had difficulty in meeting the range of system requirements. They indicated that they could benefit from a closer relationship with the APS Commission and that they needed more assistance. This message from small agencies to the APS Commissioner is likely to be equally relevant to other central agencies (and indeed to Portfolio Secretaries with implicit responsibility to support small agencies in their portfolios).

CHALLENGES FOR PARTICULAR AGENCIES

The particular challenges faced by individual agencies will of course vary. A number of these challenges have been identified in the relevant chapters of this report, as summarised on the following pages.

EMBEDDING THE APS VALUES AND THE CODE OF CONDUCT (CHAPTER 3)

Agencies generally are taking steps to hardwire the Values into management policies, instructions and guidance, and there is a good degree of employee familiarity with the APS Values and the Code of Conduct. There is more to be done by some in the area of performance management in particular. Agencies need to consider reviewing their policies and approaches on performance management to ensure they promote behaviour in line with the APS Values and the Code.

In an environment where rules and prescription have been reduced, agencies need to place greater reliance on assurance and accountability mechanisms.

Survey results indicate that awareness about the whistleblowing provisions needs to be raised and agencies need to ensure they are accessible and easy to use. Gaining the confidence of those considering reporting perceived inappropriate conduct is an essential part of any whistleblowing scheme.

Employee surveys are another key quality assurance mechanism. While a majority of agencies have conducted a staff survey in the last three years, a number have not recently conducted a staff survey and currently have no plans to do so.

RELATIONS WITH THE GOVERNMENT AND THE PARLIAMENT (CHAPTER 4)

Agencies need to ensure that the significant number of employees likely to come into contact with Ministers or their advisers have the confidence to manage the challenges that inevitably arise, and that they have available ready and reliable support from those around them.

Employees should be made aware of policies or protocols for interactions with Ministers and their offices. In improving this awareness, it is also important that agencies do not cause any misunderstanding by Ministers or their advisers: the policies or protocols should be aimed clearly to support APS employees meet their responsibilities for high quality services to the Minister and for accountability. They should not impact adversely on the need for timeliness, or inhibit the provision of proactive and relevant advice.

Agencies should also be ensuring that employees who are likely to appear before parliamentary committees are well equipped to respond in a manner that is consistent with their rights and responsibilities. One of the main methods of ensuring that employees are well equipped to respond to committees is the provision of relevant and adequate training. All new SES in particular should be well grounded in their rights and responsibilities before Parliament.

While there is evidence of substantial effort to improve record management systems, some agencies still need to take a more strategic approach, particularly in relation to electronic records. Some small agencies, in particular, need to review their systems. Further work also needs to be done to ensure that agencies' recordkeeping policies are implemented. Targeted training and information that meets the need of middle and senior management continues to be a priority area for further development within many agencies.

RELATIONS WITH THE PUBLIC (CHAPTER 5)

Some agencies are making considerable investments in developing customer-focused service delivery skills and behaviour in their staff and are developing programs designed to meet the needs of individual customers. Improving performance in this area remains an essential activity for the APS and requires continued concerted effort into the future.

Individual agency performance on service charters, particularly in terms of employee awareness and views of effectiveness of service charters, varies considerably, and small agencies generally have less positive results. Agencies do need to constantly monitor and review the effectiveness of their service charters to ensure that they accurately reflect changing client needs.

The issue of encouraging and utilising public consultation and communication is a growing one for the APS. Individual agencies, in consultation with their Ministers, should consider areas and policies where they could benefit from more extensive public consultation and communication.

WORKPLACE RELATIONSHIPS (CHAPTER 6)

The employee survey results on APS employees' perceptions of merit are reasonably positive. The variability between agencies is of concern, however, particularly in agencies where fewer than half of all employees agreed that merit is consistently applied.

The high levels of job satisfaction reported by APS employees and their high levels of satisfaction with access to flexible work practices to assist in achieving work-life balance is unambiguously good news. Again, however, for a few agencies the results were less positive. This unevenness of results suggests there is still room for improvement in this area, including through more use of flexible working arrangements.

Less than half of all employees reported being satisfied with their overall say in decisions that impact on their work, and nearly a quarter reported being dissatisfied. Encouraging regular staff meetings, particularly at the section/unit/team level would go a long way to address this concern.

PERSONAL BEHAVIOUR (CHAPTER 7)

A rigorous and systematic approach is important to ensuring APS employees take seriously the Values and Code of Conduct, and agencies need to ensure a reasonable degree of internal consistency if their approach is to gain the respect of employees. Greater effort could be devoted to raising awareness about the application of the Code and procedures for raising suspected breaches including, as noted above, by means of whistleblowing reports as mentioned in s. 16 of the PS Act. The APS Commission is intending to conduct an evaluation of management of breaches of the Code of Conduct in 2003-04, and will consider these and other relevant issues in the context of that evaluation. As well as feeding into next year's report, this evaluation should provide material for a good practice guide.

Agencies have put in place a variety of measures to deal with conflict of interest, although there is room for improvement in a number of areas. Nearly a quarter of all agencies do not have in place measures to meet the Government requirement for SES employees to make a written assessment of their interests. There is also more to do in relation to regulation of post-separation employment, both outside the outsourcing situation and for those who have been involved in a tender process.

WORKPLACE DIVERSITY (CHAPTER 8)

In addition to recruitment of Indigenous Australians, people with a disability and people from a non-English speaking background, agencies' diversity planning also needs to address issues surrounding the retention of Indigenous employees and low levels of workplace satisfaction among people with disabilities.

Consistent with *Organisational Renewal*, agencies need to engage in more systematic workforce planning and to understand their own workforce demographics, paying particular attention to factors such as age and to attraction and retention strategies such as flexible working provisions.

Agencies need to refocus on the prevention of discrimination, bullying and harassment, and creating effective systems to address these issues.

BUILDING APS CAPABILITY (CHAPTER 9)

While there is evidence of improvement in the area of performance management—with all agencies having performance management frameworks in place and employees generally positive about performance management—agencies still face serious challenges, particularly in the areas of rewarding performance and handling underperformance.

In the area of learning and development, there is a move to a more structured approach, with some agencies demonstrating very significant advances. Nevertheless, there is still substantial room for improvement. A more serious and evidence-based approach to evaluation is also needed, requiring in particular the collection of information on learning and development expenditure, and on the impact of learning and development programs.

Leadership development is one area of capability development that has received substantially increased attention in recent years. Despite a high level of activity in this area, more concerted effort is needed, particularly in response to succession management pressures. Greater support for service-wide programs would also help to build the leadership cadre the APS needs, with the capacity to work across organisational boundaries.

OUTSOURCING (CHAPTER 10)

Contract management is central to successful outsourcing and indications are that many agencies are facing difficulties maintaining the required level of skilled contract managers they need to support and drive their outsourcing arrangements.

There is also room for improvement by a number of agencies in clarifying and managing ethical aspects of outsourcing arrangements.



LIST OF AGENCIES (OR SEMI-AUTONOMOUS PARTS OF AGENCIES) THAT RESPONDED TO THE AGENCY SURVEY

Aboriginal and Torres Strait Islander Commission (now Aboriginal and Torres Strait Islander Services)
Aboriginal Hostels Limited
Administrative Appeals Tribunal
Attorney-General's Department
Australian Agency for International Development
Australian Antarctic Division
Australian Broadcasting Authority
Australian Bureau of Statistics
Australian Centre for International Agricultural Research
Australian Communications Authority
Australian Competition and Consumer Commission
Australian Crime Commission
Australian Customs Service
Australian Electoral Commission
Australian Greenhouse Office
Australian Industrial Registry
Australian Institute of Aboriginal and Torres Strait Islander Studies
Australian Institute of Family Studies
Australian Institute of Health and Welfare
Australian National Audit Office
Australian National Maritime Museum
Australian Office of Financial Management
Australian Protective Service
Australian Public Service Commission
Australian Radiation Protection and Nuclear Safety Agency
Australian Research Council
Australian Securities and Investment Commission
Australian Taxation Office
Australian Transaction Reports and Analysis Centre
Australian War Memorial

Bureau of Meteorology
Centrelink
Child Support Agency
Comcare
Commonwealth Director of Public Prosecutions
Commonwealth Grants Commission
ComSuper
CrimTrac
CRS Australia
Defence Housing Authority
Department of Agriculture, Fisheries and Forestry
Department of Communications, Information Technology and the Arts
Department of Defence
Department of Education, Science and Training
Department of Employment and Workplace Relations
Department of Family and Community Services
Department of Finance and Administration
Department of Foreign Affairs and Trade
Department of Health and Ageing
Department of Immigration and Multicultural and Indigenous Affairs
Department of Industry, Tourism and Resources
Department of the Environment and Heritage
Department of the Prime Minister and Cabinet
Department of the Treasury
Department of Transport and Regional Services
Department of Veterans' Affairs
Equal Opportunity for Women in the Workplace Agency
Family Court of Australia
Federal Court of Australia
Federal Magistrates Service
Food Standards Australia New Zealand
Geoscience Australia
Great Barrier Reef Marine Park Authority
Human Rights and Equal Opportunity Commission
Insolvency Trustee Service Australia

IP Australia
Migration Review Tribunal
National Archives of Australia
National Capital Authority
National Library of Australia
National Museum of Australia
National Native Title Tribunal
National Occupational Health and Safety Commission (Worksafe)
National Oceans Office
National Office for the Information Economy
National Science and Technology Centre—Questacon
Office of Film and Literature Classification
Office of National Assessments
Office of the Commonwealth Ombudsman
Office of the Employment Advocate
Office of the Federal Privacy Commissioner
Office of the Parliamentary Counsel
Productivity Commission
Professional Services Review
Refugee Review Tribunal
Royal Australian Mint
ScreenSound Australia
Social Security Appeals Tribunal
Torres Strait Regional Authority



AGENCY SURVEY METHODOLOGY

The scope of the agency survey was the 89 APS agencies, or semi-autonomous parts of agencies, employing 20 or more staff under the PS Act. The agencies were sent the survey in May 2003 for completion. Agencies were given six weeks to complete and submit their response. As part of their survey return, agency heads were required to 'sign off' their agency's response. All 89 agencies responded to the online agency survey by the due date. This represents a 100% response rate.

This year the agency survey was an online survey rather than a paper survey. The survey design reflects the decision to develop a longitudinal data set to facilitate trend analysis of certain issues.

To assist with analysis of data from the agency survey in this year's report, agencies have been grouped according to size. Of the 89 responding agencies, 22 were classified as large (>1000 APS employees), 26 as medium (251–1000 APS employees) and 41 as small (20–250 APS employees). These size categories are generally consistent with those used by the ANAO in Report No. 49 of 1998–99, *Staffing reductions in the Australian Public Service*.

EMPLOYEE SURVEY METHODOLOGY

The employee survey was designed to establish the views of APS employees on a range of issues, including work-life balance, the APS Values, the Code of Conduct, job satisfaction, and learning and development. The results of the employee survey are one of the main sources of information on which the APS Commission has drawn during the preparation of this report.

The employee survey was also designed to complement the agency survey. The results of the employee survey were, in part, intended to act as a 'reality check' in analysing responses to the agency survey. To achieve this objective, similar questions were asked in both surveys on a range of topics. Additional questions, suitable for employees but not for agencies (such as on job satisfaction), were also included in the employee survey.

SCOPE AND COVERAGE

The scope of the survey was all APS employees (both ongoing and non-ongoing) in agencies with more than 100 APS employees. Employees in agencies that employed 100 or fewer APS employees were excluded on the basis that their responses could possibly identify them.

At the time the survey sample was selected, the most up-to-date data (contained in the *Statistical Bulletin 2001–02*) indicated that the total number of APS employees at 30 June 2002 was 123,494. The survey sample was selected from the total population of APS employees from agencies with more than 100 APS employees, which at 30 June 2002, was 122,529.

STRATIFICATION

A stratified random sample of 6279 APS employees was selected using two databases maintained by the APS Commission—the APS Employment Database (APSED) and the Senior Executive Management System (SEMS). The sample was stratified by:

- level (APS, EL and SES classification groups)
- agency size (small 100–250 APS employees; medium 251–1000 APS employees; large >1000 APS employees)
- agency (only for the 22 large agencies)
- location (ACT and non-ACT).

To enable sound statistical inferences to be made about all APS employees, the individuals were randomly selected from each of the strata. Each individual within a stratum had an equal chance of selection.

The sampling rates varied between the strata to ensure that sufficient statistical accuracy would be achieved for survey estimates from APS employees with the key characteristics captured by the stratification variables (level, location, agency and agency size). To gain the same accuracy for estimates for a small population (such as the SES) a much higher sampling rate was required than for a larger population (such as APS-level employees).

The accuracy requirements varied between the demographic variables listed above, and this also led to differing sampling rates for these demographic variables.

This stratification process has not introduced a bias in the population estimates because the responses are appropriately weighted to take these differing sample rates into account. See the section ‘Weighting and estimation’ for further details.

REPORTING OF LARGE AGENCY RESULTS

The survey was designed to allow the APS Commission to provide the large agencies that want them, a copy of their own employee survey results for internal management purposes, subject to the results satisfying a statistical accuracy benchmark. To enable this, the 22 agencies with more than 1000 APS employees were included separately in the stratification process (see the section ‘Stratification’ above).

Where relevant, the State of the Service report includes agency level results of large agencies that met the minimum number of weighted responses (see the section ‘Measures of accuracy and error’ below).

PRIVACY, ANONYMITY AND CONFIDENTIALITY

Maintaining confidentiality throughout the entire employee survey process was a primary concern to the APS Commission.

Privacy arrangements for APSED preclude APS Commission staff, other than those in the APSED team and the Commission’s Executive, from accessing APSED data relating to individuals. This meant that the identity of those individuals selected in the non-SES sample from the APSED were not known to the State of the Service team, ORIMA Research staff or any other non-APSED staff involved in the survey.

Privacy arrangements for the SEMS database, however, do allow for limited access within the APS Commission on a project-by-project basis. The identity of individuals selected in the SES sample were known to the State of the Service team and relevant ORIMA Research staff. However, all responses to the employee survey were anonymous so individuals could not be identified. Respondents were not asked to provide names, positions or workplace location (other than postcode) when responding to the survey.

The need to maintain respondent anonymity affected survey design and the ability to conduct targeted follow-up.

SURVEY DESIGN

Initial input into the draft employee survey was sought from several central agencies, including DEWR and the NAA. The draft survey was then subjected to cognitive testing involving individuals at the APS, EL and SES levels from AQIS, Defence, DEWR, Health and the APS Commission. A further refined draft survey was then tested at a focus group session attended by individuals at the APS, EL and SES levels from Centrelink, Comcare, Customs, DIMIA, NOHSC and the APS Commission.

The majority of questions, 78 of 90, were asked of all respondents. Two questions were asked of SES-level employees only. Five questions were asked of EL and SES employees only. Five questions were asked of APS and EL-level employees but not SES.

The questions asked of employees were not dependent on location (inside or outside the ACT) or agency size (small, medium or large).

The employee survey was delivered using two methods. The main delivery method was online via a secure internet site. Employees working in agencies with routinely available desktop internet access were sent a letter from the Commissioner inviting them to participate in the online survey.

The secondary, paper-based, delivery method was developed and implemented for employees working in agencies that do not routinely have access to the internet at their workplace desktops. A list of agencies without routinely available desktop internet access is at Appendix 3. Employees selected in the random sample from these agencies received a letter from the Commissioner inviting them to participate in the survey, as well as a paper copy of the survey to complete and return to ORIMA Research.

The 6649 invitation letters were mailed out to respondents' workplace addresses between 22 and 27 May 2003.¹ Respondents were asked to complete the survey and return it by Wednesday, 18 June 2003.

An adjustment was made to the final sample size to account for separations from the APS that were estimated to have occurred between 30 June 2002 and the time the sample was drawn (early May 2003).² Accordingly, the final sample size was reduced by 370 to 6279.

¹ Because of their unique operating environment involving a high proportion of APS employees posted throughout the world, all DFAT employees included in the sample were emailed the invitation letter. This was done to prevent paper copy letters arriving at employees' workplace addresses after the close-off date.

² The reduction in the sample was based on APSED's annual separation rates calculated over the previous two-year period. The annual rate was multiplied by 0.8 to account for the ten-month period between 30 June 2002 and when the sample was drawn (early May 2003).

WEIGHTING AND ESTIMATION

The survey responses were re-weighted to reflect the characteristics of the underlying population of APS employees. This was done to ensure that the overall demographic characteristics of the survey results exactly matched the demographic characteristics of all APS employees. The re-weighting process was based on five main demographic characteristics:

- level (APS, EL and SES classification group)
- location (ACT and non-ACT)
- agency size (small 100–250 APS employees; medium 251–1000 APS employees; large >1000 APS employees)
- agency (only for the 22 large agencies)
- sex.

There were therefore 288 different weights applied—level (3) multiplied by location (2) multiplied by agency size and agency (24) multiplied by sex (2). For this survey, the weights were calculated by dividing the populations of each stratum by the number of respondents to the survey in each stratum. For example, if there are 4000 EL women at medium-sized agencies in the ACT and 200 responded, the weight assigned to each ACT EL woman working in a medium-sized agency is 20. If the data were not re-weighted, some strata could be over-represented and others under-represented in the total survey results.

The weighting approach adopted assumes that respondents respond in the same way as non-respondents for the characteristics of interest. Applying the weighting method above, the responding persons are used to represent the non-responding persons. However, the re-weighting by sex has the effect of rectifying to some degree any potential non-respondent bias arising from differences in the sex of respondents.

In this survey, with anonymous responses, it was not possible to identify the non-respondents. This severely limited our ability to follow-up non-respondents. However, there would need to be a marked difference in the views of non-respondents from those of the respondents to alter or bias the overall results to any significant extent. For analysis presented in this report it was assumed that there was no significant bias between those who responded in the survey and those who did not respond.

The results are calculated under the assumption that responding persons answer in the same way as non-respondents. This should be considered when using the data to make inferences about the APS population.

Please note that results have generally been presented rounded to the nearest whole percentage point (i.e. 38% not 37.7%). Due to this rounding, the percentage results for some questions may not add up to exactly 100%.

MEASURES OF ERROR AND ACCURACY

Two types of error can occur in sample surveys: sampling error and non-sampling error. Sampling error arises because in a sample survey not all of the population are surveyed. Hence a measured sample statistic is not usually identical with the true population behaviour. Non-sampling errors cause bias in statistical results and can occur at any stage of a survey and can also occur with censuses (i.e. when every member of the target population is included). Sampling error can be estimated mathematically whereas estimating non-

sampling error can be difficult. It is important to be aware of these errors, in particular non-sampling error, so they can be either minimised or eliminated from the survey.

Non-sampling error

The survey received a response rate of 50.7%. This response rate excludes responses that were received but were insufficiently complete to provide input into the data generated.

This response rate is very creditable for a voluntary survey.

Other non-sampling errors can result from imperfections in reporting by respondents, errors made in recording and coding of responses, and errors made in processing the data. No quantifiable estimates are available on the effect of non-sampling errors. However, every effort was made to reduce the non-sampling errors to a minimum by careful survey design and efficient operating procedures. In particular, the online survey design minimised the possibility of errors made in recording and coding of responses, as the respondents themselves entered the data when responding to the survey.

In addition, identifiable errors made by respondents while completing the survey were removed from the results database. For example, responses made by APS-level employees to an EL-only question have been removed to ensure the integrity of the data. Blank responses were generally coded to non-response categories. The exception to this practice was where responses were needed for demographic items for weighting purposes. In instances where this occurred, survey responses were disregarded.

Sampling error

One measure of the sampling error of an estimate is the standard error. There are about 19 chances in 20 that a sample estimate will be within two standard errors of the true population value. This is known as the 95% confidence interval.

For instance, we are 95% confident that the estimate of the population that would be satisfied that their supervisor would support the use of flexible work practices is between 81.8% and 84.4% (an estimate of 83.1% and a standard error of 1.3%).

The following table illustrates the standard errors from the sample design associated with estimates from 11 key questions in the employee survey. Generally, the higher the sample size for a question, the lower the standard error. For example, questions following a 'filter' question are more likely to have a slightly higher standard error because the population size responding to that question is lower than for 'non-filtered' questions. The standard error for the performance pay question estimate, for example, is slightly higher than for many others because only employees with access to performance-related pay were asked the question, thereby reducing the sample size.

Question	95% confidence interval	Estimate
Satisfied that supervisor would support use of flexible work practices	+/-1.3%	83.1%
Consider that merit is consistently applied in engagement/promotion/transfer decisions resulting from a competitive selection process	+/-1.7%	59.0%
Familiar with the APS Values	+/-1.5%	76.9%
Familiar with the APS Code of Conduct	+/-1.5%	74.4%
Faced an ethical challenge in dealing with Ministers and/or Ministers' offices	+/-2.6%	34.7%
Directly involved in delivering services to the public or managing employees delivering such services	+/-1.8%	60.5%
Subjected to harassment, discrimination or bullying in the workplace	+/-1.4%	18.1%
Received formal individual performance feedback in previous 12 months	+/-1.5%	78.5%
Agree that performance pay system operates fairly and consistently	+/-2.2%	40.0%
Consider that an employee in work area consistently underperformed in 2002–03	+/-1.8%	50.2%
Consider that immediate supervisor is highly or very highly effective at managing people	+/-1.8%	46.8%

Please note results for questions where the number of weighted responses is fewer than 20 have not been reported. This approach has been adopted for two reasons: firstly, to eliminate the possible identification of individuals who responded to these questions; secondly, to remove less reliable results from the analysis. This approach has not affected reporting of results at the aggregate level; however, it has limited our ability to report on disaggregated data where the sample size is small—as is sometimes the case for questions following ‘filter’ questions.

INTERPRETATION OF SCALES

Scales were included in any question that required a respondent to measure the strength or level of a theoretical construct. In its simplest form in the survey, a scale asked a respondent to rate the level of importance, satisfaction or effectiveness of various workplace variables on a five-point scale.

The scales used in the surveys were generally balanced—that is, they allowed the respondents to express one of the two extremes of view (e.g. satisfaction and dissatisfaction). These scales were also designed with a midpoint that allowed respondents to enter a ‘neutral’ response.

When interpreting scales it is important to realise that there is not an ordinal relationship between points in a scale. That is, the strength of opinion to shift a respondent from ‘neutral’ to ‘satisfied’ may be much smaller than the strength required to shift a respondent to ‘very satisfied’ rather than ‘satisfied’.

SUMMARY INDEXES

Summary indexes have been used to assist analysis of results of a number of survey questions comprising several parts. The indexes operate to condense a multiple response question into a single index for comparative purposes. For example, in exploring respondents' overall level of job satisfaction, a question comprising 15 factors was summarised into a single index using a point scoring system. In this way, analysis of the 15 job satisfaction factors can be supplemented by analysis at the summary level.

GLOSSARY

AAT	Administrative Appeals Tribunal
AAWI	Average annualised wage increase
ABA	Australian Broadcasting Authority
ABS	Australian Bureau of Statistics
ACA	Australian Communications Authority
ACC	Australian Crime Commission
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
AEC	Australian Electoral Commission
AFP	Australian Federal Police
AGD	Attorney General's Department
Agency survey	The agency survey for the State of the Service Report 2002–03
AGO	Australian Greenhouse Office
AHL	Aboriginal Hostels Limited
AIATSIS	Australian Institute of Aboriginal and Torres Strait Islander Studies
AIFS	Australian Institute of Family Studies
AIHW	Australian Institute of Health and Welfare
AIR	Australian Industrial Registry
AIRC	Australian Industrial Relations Commission
ANZSOG	Australian and New Zealand School of Government
ANAO	Australian National Audit Office
APS Commission	Australian Public Service Commission
APS	Australian Public Service
APSED	Australian Public Service Employment Database
ARPANSA	Australian Radiation Protection and Nuclear Safety Agency
AQIS	Australian Quarantine Inspection Service
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
ATSIC	Aboriginal and Torres Strait Islander Commission
ATSIS	Aboriginal and Torres Strait Islander Services
AWA	Australian workplace agreement

BOM	Bureau of Meteorology
CA	Certified agreement
CAC Act	Commonwealth Authorities and Companies Act 1997
CDAC	Career Development Assessment Centre
CEI	Chief executive instructions
CIO	Chief information officer
COAG	Council of Australian Governments
Code	APS Code of Conduct embodied in s. 13 of the <i>Public Service Act 1999</i>
Commissioner's Directions	Public Service Commissioner's Directions
CRS	CRS Australia
CSA	Child Support Agency
CSS	Commonwealth Superannuation Scheme
Customs	Australian Customs Service
DAFF	Department of Agriculture, Fisheries and Forestry
DCITA	Department of Communications, Information Technology and the Arts
DDSN	Defence disability staff networks
Defence	Department of Defence
DEH	Department of the Environment and Heritage
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DFAT	Department of Foreign Affairs and Trade
DHA	Defence Housing Authority
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
Directions	Public Service Commissioner's Directions
DIRKS	Designing and implementing recordkeeping systems
DITR	Department of Industry, Tourism and Resources
DOTARS	Department of Transport and Regional Services
DPP	Commonwealth Director of Public Prosecutions
DVA	Department of Veterans' Affairs
EL	Executive level employees
Employee survey	The employee survey for the State of the Service Report 2002–03
EEO	Equal employment opportunity
EOWA	Equal Opportunity for Women in the Workplace Agency

FaCS	Department of Family and Community Services
Family Court	Family Court of Australia
Finance	Department of Finance and Administration
FMA Act	Financial Management and Accountability Act 1997
FSANZ	Food Standards Australia New Zealand
Gazette	Commonwealth of Australia Gazette
GBRMPA	Great Barrier Reef Marine Park Authority
Health	Department of Health and Ageing
HR	Human resources
HREOC	Human Rights and Equal Opportunity Commission
HRM	Human resource management
Humphry Review	Review of the whole of government information technology outsourcing initiative – Richard Humphry AO (December 2000)
ICAC	Independent Commission Against Corruption
ICCT	Indigenous Communities Coordination Taskforce
ICT	Information and communication technology
IMSC	Information Management Strategy Committee
IP Australia	Intellectual Property Australia
IPAA	Institute of Public Administration Australia
IT	Information technology
ITSA	Insolvency and Trustee Service Australia
JCPAA	Joint Committee of Public Accounts and Audit
KPI	Key performance indicators
MAC	Management Advisory Committee
MRT	Migration Review Tribunal
NAA	National Archives of Australia
NED	Nominal expiry date
NESB	Non-English speaking background
NLA	National Library of Australia
NMA	National Museum of Australia
NNTT	National Native Title Tribunal
NOHSC	National Occupational Health and Safety Commission
NOIE	National Office for the Information Economy
OEA	Office of the Employment Advocate

OECD	Organisation for Economic Cooperation and Development
OH&S	Occupational health and safety
Ombudsman	Office of the Commonwealth Ombudsman
ONA	Office of National Assessments
the Order	Senate Order on departmental and agency contracts
PM&C	Department of the Prime Minister and Cabinet
PRC	Promotion review committee
Protective Service	Australian Protective Service
PS Act	<i>Public Service Act 1999</i>
Regulations	Public Service Regulations
RRT	Refugee Review Tribunal
SRC Commission	Safety, Rehabilitation and Compensation Commission
SELC	Senior Executive Leadership Capability Framework
SES	Senior Executive Service
SFPARC	Senate Finance and Public Administration References Committee
Treasury	Department of the Treasury
TSRA	Torres Strait Regional Authority
Values	APS Values embodied in s.10 of the <i>Public Service Act 1999</i>
WDP	Workplace diversity program
WR	Workplace relations

