



## STATE OF THE SERVICE REPORT

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1999–00

PUBLIC SERVICE & MERIT PROTECTION COMMISSION

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## 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 on the state of the Australian Public Service for the year 1999–00.

This State of the Service Report is the first of three companion volumes in the State of the Service Series for 1999–00, the others being the Workplace Diversity Report 1999–00 and the part the Australian Public Service Statistical Bulletin 1999–00.

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

Yours sincerely

A handwritten signature in red ink that reads 'Helen Williams'.

Helen Williams

13 October 2000





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## INTRODUCTION

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The year 1999–00 is the first in which the State of the Service Report has been prepared in accordance with the *Public Service Act 1999* (the PS Act 1999). The two previous Reports were prepared under previous Public Service Regulation 12, which took effect from March 1998 and which was overtaken when the PS Act 1999 took effect on 5 December 1999.

Section 44 of the PS Act 1999 provides, *inter alia*, that the report of the Public Service Commissioner, each year, to the Agency Minister for presentation to the Parliament should include a report on the state of the APS during the year.

The two previous State of the Service Reports were structured around the particular Australian Public Service Values and discussed their practical application in the workplace. This year's approach has been to concentrate on particular issues of importance to the APS in 1999–00 and is developed around five major themes:

- working under the *Public Service Act 1999*, covering the new Act, its implementation and some of the important implications of the new legislative framework;
- the nature of the Service, the changing shape and characteristics of the APS and the way in which people are employed and managed;
- accountability, and some particular challenges for APS agencies and employees in an era of organisational and structural change;
- customer service, the way in which APS agencies and employees are responding to changing expectations of clients and innovative options for service delivery; and
- capability development, the steps that the APS is taking to maintain and enhance its skills and capabilities and to develop its future leaders.

Reference to the relevant APS Values is integrated into the discussion of these themes.

Information was obtained from a variety of sources, including published and unpublished data from central agencies, such as the Department of Employment, Workplace Relations and Small Business, the Department of Finance and Administration and the Treasury, which have APS wide roles and interests, and

from specialist groups including the Office for Government Online and the Office of Asset Sales and Information Technology Outsourcing. Input was also provided by external review organisations including the Auditor General, the Ombudsman and the Privacy Commissioner.

Once again a basic source of information for the Report has been input from individual APS agencies. This was obtained through a letter to the heads of all APS agencies seeking their responses on a range of issues related to the five major themes identified above (copy at Appendix 1). Last year's State of the Service Report noted that there was a considerable variation in the timeliness and quality of responses. This year, agencies generally were significantly quicker in responding to the request.

The quality of responses, however, remained varied showing no necessary relationship between an agency's size or of its proximity to Government and the quality of its response. Where a lesser quality was evident, it often seemed related to a lower level of participation by, and interest from, senior agency management. Agency input will be an important source of data for future reports, and a number of agencies may need to give more thought to establishing better and more authoritative coordination and monitoring arrangements for responding to future requests.

That said, however, I would like again to put on record my appreciation for the efforts made by many Agency Heads and their staff, as well as by central agencies and review bodies, to provide quality information and to respond promptly and effectively to requests for additional information and analysis, often in very short time frames.

This Report is one of three companion volumes in the State of the Service series for 1999–00, the other two being the *Workplace Diversity Report 1999–00*, and the *Australian Public Service Statistical Bulletin 1999–00*. All three reports will be available on the PSMPC's Internet site at [www.psmpc.gov.au](http://www.psmpc.gov.au).



Helen Williams

October 2000

## **PART 1 CHALLENGES IN 1999–00**

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## CHALLENGES IN 1999–00

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The year 1999–00 was noteworthy for the passage of the PS Act 1999 and the implementation of the employment framework that it embodied. The PS Act 1999 represented the culmination of about 25 years of ongoing reform in Commonwealth public sector management. It also formed the final plank in the Government’s public sector reform framework that covered financial management, workplace relations and public sector employment.

This reform framework can be seen as being based on three principles:

- the Public Service should be run along the same lines as the rest of the workforce except where there are public policy reasons not to do so;
- in order to provide the flexibility for agencies to meet the demands of individual workplaces, there should be a general movement away from prescription and regulation to an APS that is driven by its values; and
- there should be considerable further devolution of employer powers to Agency Heads who would be held accountable more directly for the use of those powers.

The underlying thrust of the reforms has been to shift primary responsibility for both performance and accountability to individual agencies, and the PS Act 1999 has provided the legal underpinning for this fundamental change. It should now be clear that Agency Heads have the responsibility for deploying resources, managing innovation and building capabilities in order to maximise agency performance. They also have the responsibility for putting in place the systems and processes necessary for accountability and for maintaining and promoting the unique public interest features of the APS including merit employment, the APS Values and the APS Code of Conduct.

The concluding comments of last year’s State of the Service Report included the assessment that agencies had given priority to making use of the opportunities presented by the new management flexibilities and that more attention may need to be paid to the accountability side of the balance during 1999–00.

Certainly the removal of much of the central safety-net of prescribed rules and regulations, which frequently caused irritation with its rigidity and its one-size-fits-all approach, has forced agencies to think carefully about the most effective and efficient process for their particular environment or workplace, and has sharpened the focus on the various systems that are necessary for integrated agency management.

The PS Act 1999, for example, requires agencies to develop and adapt their own systems in areas such as management of misconduct, management of redeployment and retrenchment, and the establishment of review procedures which were previously prescribed centrally. It requires them to do so in ways which not only meet their own particular performance and cultural requirements but also preserve the public interest elements of the overall framework. As a result, there is considerably greater consciousness of the detail of the provisions and a significantly higher recognition of the need to understand the impact of their use in the workplace.

The implementation of the PS Act 1999 in a short time frame has meant that agencies have focused largely on the immediate operational challenges involved in setting up systems and practices to replace the centralised provisions of the old legislation. Generally speaking, agencies have succeeded in putting into place adequate arrangements to maintain the core ongoing responsibilities devolved to them by legislative and other changes. Some have used the opportunity to introduce new provisions into their human resource (HR) framework. Others have adopted many of the previous provisions, pending a more thorough review at a later date.

But while agencies have responded well to the immediate operational challenges, in many cases through introducing bridging systems and processes to manage their operations, it will be important to monitor how well the systems stand up to the test of operational reality and to make adjustments where necessary. It will also be important to manage the broader cultural change from a central rules-based system to a principles-based legislative framework.

For the present, most agencies understand that they have responsibilities in relation to the APS Values and the Code of Conduct, and have made staff aware of the new provisions. There is less evidence, however, that the APS has given much thought to the more difficult task of encouraging staff to understand the spirit of the Values, how they should apply to the uncertainties of a changing and performance oriented environment or what might be required to demonstrate that the Values are being upheld. There is a need, for example, to have updated and comprehensive policies on the acceptance or otherwise of invitations or gifts by APS employees as such offers are prevalent and acceptance may give rise to a breach of the Code of Conduct. There is also a need to ensure clear accountability requirements in an environment where functions and services are provided by people outside the APS.

Overall, there has been incremental, if uneven, progress by agencies in meeting these challenges. Part of this uneven result is due to the heavy operational pressures that the ongoing reforms continue to place on agencies across a range of areas, particularly in relation to the implementation of the PS Act 1999 and financial management reform. Agencies are continuing to feel the pressure flowing from the

need to implement new internal systems and procedures, and to develop new capabilities in order to be able to manage these challenges. The negotiation and ongoing management of IT outsourcing remains a difficult area for many agencies. In addition, although the impact of the implementation of the new tax system has varied from agency to agency, it represents an additional stress on some systems that are already tightly stretched.

Nonetheless, it is clear that some progress in effectively bedding down the reforms is being achieved. The production of the 2000–01 Commonwealth Budget, for example, appears to have proceeded much more smoothly than in 1999–00, although it is generally agreed that the successful management of the accruals-based outcomes and outputs framework will be a long-term process.

Progress is also being made on the implementation of the Government’s workplace relations policies, with many agencies now into their second round agreements, and on the introduction of performance-linked remuneration in line with the Government’s policy parameters. Agencies are increasingly focusing on an integrated performance management system. Ongoing good practice suggests that the most effective approaches to planning and managing performance in the APS are those that clearly identify specific performance expectations and bring together people, processes and outcomes.

The substantial shift in public administration over the past years towards delivery of government services through the private or non-government sector has resulted in an increased concentration on the cost and targeting of service delivery and on the relevance of delivery methods to the needs of customers. Significant achievements are being made in the area of client service and, in particular, in the area of electronic service delivery. Agency work to meet the Government’s commitment that all services be delivered online by 2001 is progressing well.

In looking at the size and shape of the Service, the Report draws attention to an apparent change in the demographic trends which have been previously evident. If this change continues, it may call into question some of the assumptions which have been made about the APS workforce of the future. APS numbers appear to have stabilised overall after falling consistently over the last few years. In addition, data on the Senior Executive Service (SES) and other groups suggest that it can no longer be assumed that the ‘baby boomers’ will retire from the APS as early as had been expected. While it is too early to discern the impact of this data, these trends may indicate the beginning of a period of relative demographic and workforce stability in the APS; on the other hand they may merely indicate a brief pause prior to the resumption of further change.

While these trends may have relevance for the degree of change in the workforce over the next few years, it is important to maintain a focus on the need for workforce planning and capability development to obtain the skills required for high performance. Although agencies recognise the importance of coherent workforce planning in maintaining and enhancing organisational capability, many are still learning how to address these issues effectively.

Agencies are continuing to give emphasis to leadership development as a key to the maintenance of APS Values and to the delivery of high performance outcomes. This has involved participation in both agency-specific and cross-Service development activities and in the use of the *Senior Executive Leadership Capability Framework* as the basis for SES selection, for the redesign of the PSMPC cross-Service leadership development programs, for the Career Development Assessment Centre for the feeder group for the SES, and for 360-degree feedback.

In the current devolved environment, strong and intelligent leadership remains crucial to the future performance of the APS and to the success of the new employment framework as set out in the PS Act 1999.

## **PART 2 WORKING UNDER THE PUBLIC SERVICE ACT 1999**

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IMPLEMENTATION OF THE *PUBLIC SERVICE ACT 1999*

THE APS VALUES

MERIT

FLEXIBILITY IN EMPLOYMENT CATEGORIES



## **IMPLEMENTATION OF THE PUBLIC SERVICE ACT 1999**

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**G**iven the nature and the aims of the changes under the new legislative framework, the implementation of the PS Act 1999 presented some fundamental issues both for central agencies—in this case the Public Service and Merit Protection Commission (PSMPC) and the Department of Employment, Workplace Relations and Small Business (DEWRSB)—and line agencies.

The immediate priority for agencies was to put in place arrangements and processes for handling critical matters by the commencement date of 5 December 1999. Agencies needed to review key elements of the employment framework to ensure that actions taken conformed with the provisions of the PS Act 1999. Arrangements for the engagement of non-ongoing employees, for example, needed to be in accordance with the different merit requirements and time limits of the PS Act 1999. Agencies needed to check their delegations to ensure that any decisions taken would be valid. There was a need for a range of new internal arrangements to be put in place immediately, as much of the detailed framework contained in the *Public Service Act 1922* (PS Act 1922), (such as probation arrangements) had been removed. If processes providing for, and determining, probation arrangements were not introduced at agency level, for example, future engagements would automatically be without probation. Agencies had to review these former provisions to decide which of the previous arrangements they wished to retain in their agency-specific procedures.

In these circumstances, there was some concern that, with little time to permit the detailed consideration of other options, agencies might be tempted merely to re-introduce the previous level of detail and process into their new arrangements. This issue impacted particularly in some of the more difficult areas, such as engagement of non-ongoing employees and arrangements to deal with breaches of the Code of Conduct.

### **A PUBLIC SERVICE ACT INFORMATION STRATEGY**

The tight time-scale for implementation of the PS Act 1999 meant that there was a need to communicate details of the impending changes and their implications to agencies in time for them to take any necessary action. Agencies were advised prior to commencement by a series of 12 Information Notes of the detail of the Public Service Regulations 1999 (the Regulations), the Regulations made under

the *Public Employment (Consequential and Transitional) Amendment Act 1999*, the Public Service Commissioner's Directions 1999 (the Directions) and the Prime Minister's Public Service Directions 1999. Many of the Regulations and Directions were provided in draft form so that agencies would have as much time as possible to implement their own changes.

To assist agencies to plan their strategies and develop necessary internal processes, the PSMPC also issued a series of 36 Advices on the PS Act 1999 to provide guidance on the operation and implementation of the new Act. These Advices were issued on a progressive basis between the passage of the legislation and the commencement date and covered a range of issues including delegations, the APS Values, the Code of Conduct, staffing actions for ongoing and non-ongoing employees, termination of employment, review of actions, Machinery of Government changes, mobility arrangements, diversity and transitional arrangements. DEWRSB also issued four Workplace Relations Advices to APS agencies as well as an advice to non-APS agencies.

The approach taken in the Advices reflected the overall approach of facilitating agency flexibility in implementing the PS Act 1999 while at the same time encouraging agencies to implement basic systems immediately. Thus, while the Advices were not intended to provide an exhaustive manual of how to operate under the PS Act 1999, in some of the more difficult areas, such as engagement of non-ongoing employees and breaches of the Code of Conduct, the Advices provided detailed guidance and templates for consideration by agencies.

Central agency information and advice on the PS Act 1999 was matched to the different levels and functions that were responsible in various ways for its implementation. The strategy included a special briefing for Portfolio Secretaries and for senior corporate managers (through the COMNET network), so that those who had a major responsibility for ensuring that the new framework was both operational and effective within an organisation were provided with an overall view of the major issues that they needed to address in their workplaces. Information was also disseminated through the various specialist people management networks. These presentations are continuing as required.

## **IMPLEMENTATION ISSUES**

Six months after the promulgation of the PS Act 1999, the PSMPC asked agencies to identify the main issues that they had faced so far in implementing the new employment framework.

Most agencies reported that they had taken a graduated approach to the PS Act 1999, focusing on particular areas that needed immediate attention while reviewing broader systems and processes on an ongoing basis. Major immediate implementation issues identified by agencies included:

- dealing with the cultural effects of the removal of the concept of office in the PS Act 1999 (other than for Agency Heads). The National Native Title Tribunal commented that this change required a significant shift in thinking by its employees, particularly in relation to the assignment of tasks as opposed to nominally or actually occupying a position with a range of duties;
- reviewing and revising recruitment and promotion arrangements to take account of legislative changes; and
- ensuring that the changes to the legislative framework were properly factored into ongoing negotiations for second round certified agreements.

Some agencies reported that they were taking the opportunity to review and re-engineer their HR systems under the PS Act 1999, while others simply translated former centralised processes and guidelines into their agency arrangements with minimal change pending more major consideration. These different approaches appear to be largely the product of differences in experience, in agency business and, probably most importantly, in the immediate availability of resources.

The list of actions undertaken by the Department of the Prime Minister and Cabinet (PM&C) provides one example of the issues that were assessed as important for immediate attention to implement the PS Act 1999. They included:

- checking the certified agreement 1998–2000 to ensure key changes in the PS Act 1999 were covered or were scheduled for review;
- establishing the Department's Procedures for Determining Breaches of the Code of Conduct under subsection 15(3) of the PS Act 1999;
- preparing guidelines on transitional arrangements for staff previously covered by Part IV Mobility and distributing them to affected staff, who were also advised of the coming changes to the Re-integration Assessment Committee procedures;
- issuing a direction to all staff under section 20 of the PS Act 1999 requiring them to seek official approval prior to engaging in outside employment;
- reviewing departmental personnel delegations to take account of the PS Act 1999, Regulations and Directions;

- issuing a determination to establish overseas conditions of service for PM&C staff, enabling the department to pick up conditions of service as they apply to staff of the Department of Foreign Affairs and Trade;
- preparing a departmental policy to cover the new framework for review of actions and to pick up the existing procedures in the certified agreement as the department's internal review of action procedures, in accordance with section 33(4)(a) of the PS Act 1999;
- issuing revised guidelines on non-SES staff selection, incorporating changes to recruitment and staff selection procedures in accordance with the requirements of the PS Act 1999;
- revising a number of the departmental policy statements and personnel guidelines within the Human Resource Management Framework to reflect the PS Act 1999, Regulations and Directions, for example, guides on fitness for duty and on separation;
- developing procedures for dealing with absence without permission to replace the forfeiture of office provisions contained in the PS Act 1922;
- commencing work to eliminate 'Position Numbers' in preference to 'Job Numbers' in line with the removal of the concept of 'office'; and
- introducing the concept of staff holding approved classification levels instead of positions.

The next sections of this chapter concern two of these issues.

### **MISCONDUCT UNDER THE ACT**

The PS Act 1999 made some significant changes to the way misconduct is managed. First, it introduced a new definition of misconduct ('a breach of the Code of Conduct'). Second, it devolved to agencies the power to establish their own procedures for determining whether an APS employee in the agency has breached the Code of Conduct.

**The APS has the highest ethical standards.**

*APS Values – Public Service Act 1999.*

The main implication for agencies was that, with the repeal of the PS Act 1922, they had to have in place a set of procedures for handling suspected breaches of the Code that would operate from the date the PS Act 1999 commenced. To assist agencies to meet the deadline, the PSMPC, with the advice of the Australian

Government Solicitor, developed a suggested set of procedures that agencies could use which would meet the minimum requirements of the relevant Directions.

By 30 June 2000 (that is, within seven months of the Act commencing) nearly 80 per cent of agencies had established their procedures. Of the agencies that had established their procedures, just under half advised that they used the basic model suggested by PSMPC in whole or in part. Just over half of those which used the PSMPC basic model have said that they have modified or will modify those procedures to make them agency-specific.

While much of agencies' focus has been on developing procedures for handling suspected misconduct, little attention appears to have been given to reviewing existing agency-specific codes of conduct to ensure that they are consistent with the APS Code. Agencies need to be aware that any extra conduct requirements which they adopt must be able to be comprehended by the APS Code if it is to be used as the basis for a misconduct process. This can be done, for example, by issuing a direction (in accordance with section 13(5)) or by linking the additional requirement to a specific provision of the Code.

#### **UPDATING SYSTEMS FOR REVIEW OF EMPLOYMENT DECISIONS**

A system under which employees can seek a review of employment decisions has long been a core element of the APS workplace. The new legislative framework has introduced a streamlined system which will provide a single process for review of actions. This review can be conducted by the relevant Agency Head or, in certain circumstances, by the Merit Protection Commissioner. Although the Regulations retain a two tier review process with applicants able to approach the Merit Protection Commissioner to seek independent external review of an action, it is the Government's intention that, wherever possible, applications for review will be resolved within the agency by the Agency Head.

Clause 2.16 of the Directions requires Agency Heads (assisted by relevant APS employees) to put in place measures to ensure that there is a system of review of employment decisions that is available to APS employees in their agency. The system must comply with the PS Act 1999 and the Regulations in relation to rights of access to employment decisions and to processes for review of employment decisions, including the requirements of procedural fairness.

*The APS provides a fair system of review of decisions taken in respect of APS employees.*

*APS Values – Public Service Act 1999.*

Accordingly, the Public Service Commissioner asked agencies for information about steps they had taken to establish and publicise arrangements for a system for the review of employment decisions.

Responses indicated that there is considerable variation in the way in which agencies have addressed this requirement. The Office of the Employment Advocate (OEA), for example, noted that it had cancelled its former 'Grievances' Policy, and replaced it with a 'Review of Actions' Policy, which has been circulated to all staff by email and which is available on the OEA intranet.

Several agencies have taken advantage of the new provisions to put in place alternative dispute resolution methods, as suggested in PSMPC Advice No.#13: *Review of Actions (December 1999)*. The Department of Education, Training and Youth Affairs' new Review of Actions policy focuses on resolving problems at the lowest practical level in a simple and effective manner. Under the review system of the Commonwealth Rehabilitation Service, CRS Australia, each team agrees to its own process for conflict resolution, giving the teams the maximum autonomy and control in relation to the areas that directly affect the success of their work. DEWRSB is preparing a practical guide on resolving workplace issues which will include not only the arrangements provided under the Agency Agreement 2000–2002 but also the processes available to employees under the PS Act 1999 and Regulations. There will also be cross-references to other appeal mechanisms such as the Human Rights and Equal Opportunity Commission and the *Administrative Decisions (Judicial Review) Act 1977*.

The Attorney-General's Department includes procedures for informal review of decisions in its certified agreement. The procedures emphasise resolving employees' concerns at the workplace level, before there is a need for formal action under the Act. A feature of the procedures is provision for the appointment of a dispute resolution facilitator, to give assistance to managers and employees where necessary in resolving disputes and reviewing decisions.

As with other aspects of implementing the PS Act 1999, agencies have used a variety of methods to publicise their systems for reviewing employment decisions. Of the agencies that responded on this matter, most place the relevant document on their intranet or circulate it to staff. Over 10 per cent of agencies use information sessions for staff and the same proportion used bulletins, newsletters, e-mail, memoranda or pamphlets to advise staff. Several agencies mentioned that, during negotiations for their certified agreement, they had drawn attention to their system for reviewing decisions. Staff of the Department of Health and Aged Care can also discuss issues via the Personnel Help Desk, and via a certified agreement hotline and e-mail address. Three agencies reported including relevant information in their induction of new staff.

About 20 per cent of agencies specifically advised that they were revising their processes. Others indicated that they were doing so in the context of negotiating new certified agreements.

In the meantime, many agencies are relying on procedures and guidance that they had in place prior to commencement of the PS Act 1999. A few agencies said that they had not yet taken any action on ensuring that they meet the new requirements about having in place appropriate systems of review. About 20 per cent of agencies did not provide any response on this matter.

Because agencies were required to have review systems in place under the PS Act 1922, it must be assumed that agencies continue to have some form of review process in place. It is also possible that many agencies have made minor formal changes to meet the requirements of the new legislation but have not reported it, or are revising their systems of review to take advantage of the new flexibility. But the responses still suggest that a number of agencies have not yet thought through how best to use the new flexibilities to the advantage of the agency and its employees.

#### **UNDERSTANDING WITHIN AGENCIES**

A thorough appreciation of the content of the PS Act 1999, and its implications at all levels within individual agencies, is an important factor in the success of the new framework. The PSMPC, therefore, asked agencies about:

- the steps they had taken to help staff understand and manage the new legislative framework and how effective these strategies had been;
- the degree to which they had found the PSMPC and DEWRSB Advices and support useful; and
- any areas where questions had arisen that had not been covered in preparatory material.

Although APS agencies reported a variety of strategies that had been used to inform staff about, and involve staff in, the implementation of the PS Act 1999, there was a fairly uniform pattern of actions. This pattern comprised:

- the distribution of general information to staff, including through electronic means such as e-mail and their intranet;
- more detailed briefings on particular operational issues for human resource managers and their staff;
- the use of agency workplace consultative committees, management forums and other key networks as a basis for the wider dissemination of information;

- the use of question and answer formats in hard copy and electronic staff bulletins;
- widespread distribution of the revised PSMPC Values and Code of Conduct bookmark; and
- references to the PS Act 1999—and in particular to the APS Values and Code of Conduct—in agency corporate plans and certified agreements.

There was a general consensus among agencies that educating staff to manage under the new framework, and the provision of the tools to help them do so, would be an ongoing process. Two agencies made the point that there were important cultural issues for them in the implementation of PS Act 1999, focusing on the need to support and encourage middle managers on whom the burden for managing the new flexibilities would fall most heavily.

In responding to the question on the usefulness of the advice they had received, agencies consistently reported that the Advices prepared by the PSMPC and DEWRSB, supported by face-to-face information sessions and PSMPC and DEWRSB websites, were fundamental to the effective implementation of the PS Act 1999. Several agencies advised that they had used the Advices as the basis for their staff information campaigns.

While acknowledging the importance and quality of the Advices, however, a few agencies noted that they had required the integration of a large amount of information in a very short time frame. It was also pointed out by a few agencies that the Advices, presented as ‘preliminary’, had not been followed up with more consolidated information. This is being done by the PSMPC during 2000–01 in the light of experience gained during the first months of the Act’s operation.

In addition, 15 agencies indicated that there were gaps in detail in the Advices as they applied to issues of particular concern. While specific issues varied from agency to agency, important issues raised included the application of citizenship requirements to non-ongoing employees and the engagement and employment of staff for duties that are irregular or intermittent. (This second issue is discussed further in the chapter on ‘Flexibility in Employment Categories’.)

On the other hand, a few agencies claimed, without being specific, that the level of prescription in the Advices was too high.

Comments such as these are likely to be inevitable in any exercise involving the promulgation and implementation of significant legislative change in a short time frame. Most of the perceived gaps in detail have now either been resolved, including through follow up discussions with central agencies, or are being addressed as ongoing issues.

It would appear, however, that some agencies were more prepared than others. The Australian Agency for International Development (AusAID) responded that:

...the major changes brought about by the introduction of the new Act , such as the removal of prescriptive procedures in areas dealing with performance management, for example, misconduct and non-performance of duties (forfeiture of office) were anticipated and provided for in AusAID's certified agreement.

Agencies reported few difficulties in managing actions that were already underway (such as actions on recruitment, promotion or reviews of decisions) when the PS Act 1999 became operational. Here, again, agencies found central agency Advices and other assistance very useful.

Consultation and advice on the provisions of the new framework will continue to be a significant factor in bedding down the new legislation. In this context it is important that agencies share with the central agencies their experiences and concerns, including legal advice and possible significant changes in employment arrangements.

#### **A NOTABLE ACHIEVEMENT**

Generally, APS agencies appear, on the basis of their responses for this Report, to have been successful in implementing the systems and processes necessary to enable them to make the transition to the new legislative framework. This was a considerable achievement in view of the relatively short time frame available, the degree of the change, and the differences in agency aims and business goals. Similarly, agencies generally appear to have taken appropriate steps to inform staff of the core changes involved and their implications.

It is important to acknowledge the efforts of APS agencies and their staff, particularly the professionalism and dedication of human resource managers and their teams, in managing the implementation process.

There was a general consensus that, while the implementation in a tight time frame imposed a considerable organisational challenge as well as an administrative burden, the increased responsibilities for the development of agency-specific systems and processes were an essential element of the reform framework which gives agencies greater flexibility to manage for results. It is important, however, to note that there is a strong consensus across the APS that the ongoing management of the PS Act 1999 will require systems and processes to address cultural as well as operational change.



## THE APS VALUES

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The APS Values are a fundamental part of the balance inherent in the Government's public sector reform framework. The increasing flexibilities that agencies now have to set pay and conditions, to deploy staff, to manage performance, to meet client expectations and to produce results must be exercised within the principles embodied in the APS Values. This crucial place of the Values in the new public management framework has been stressed by the Minister Assisting the Prime Minister for the Public Service, the Hon. Dr David Kemp MP:

[The Values] are an essential underpinning to high performance in organisations and are central to the public interest aspect of public sector employment. They are a manifestation of the democratic society that we serve and they reflect the expectations of society.<sup>1</sup>

The place of the APS Values is recognised by the new legislative framework implemented under the PS Act 1999. This Act:

- sets out the fifteen APS Values (section 10(1));
- requires the Public Service Commissioner to issue directions in writing for each of the APS Values, for the purpose of ensuring that the APS incorporates and upholds the APS Values and determining, where necessary, the scope or application of the APS Values (section 11);
- requires Agency Heads to uphold and promote the APS Values (section 12); and
- through the APS Code of Conduct (section 13) requires APS employees to behave at all times in a way that upholds the APS Values.

It is therefore essential that all members of the APS are aware of their legal obligations to abide by the Values and understand how the Values influence the way that they work.

Critical to this is the understanding that the APS Values are an integrated whole, and that individual Values should not be emphasised at the expense of others. Thus, for example, managing for results needs to be achieved in parallel with maintaining proper standards of accountability. Responsiveness to government must be achieved while remaining impartial and apolitical. Recognising the need for balance between the elements of the Values is the key to adhering to the Values as a whole.

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<sup>1</sup> The Hon. Dr David Kemp MP, *A New Act for a New Century*, Address to mark the commencement of the *Public Service Act 1999*, Canberra, 2 December 1999, p.1.

The original APS Values were implemented by Public Service Regulation in March 1998, and 1998–99 was the first full year in which those Values were operational in the APS. The 1998–99 State of the Service Report described how agencies were promoting the Values. The Report noted that:

Approaches by APS agencies to promoting the Values...have ranged from basic compliance to active campaigning. Agencies generally have taken steps to bring the values to the attention of all staff.<sup>2</sup>

This chapter looks further at the moves agencies have made to incorporate the Values into their corporate governance. The relationship between particular Values and the work of the APS is discussed in other chapters of this Report.

### **THE NEW AND AMENDED VALUES**

The PS Act 1999 introduced four new APS Values:

- (l) the APS promotes equity in employment;
- (m) the APS provides a reasonable opportunity to all eligible members of the community to apply for APS employment;
- (n) the APS is a career-based Service to enhance the effectiveness and cohesion of Australia's democratic system of government; and
- (o) the APS provides a fair system of review of decisions taken in respect of APS employees.

It also modified four others (modifications are shown in italics):

- (c) the APS provides a workplace that is free from discrimination *and recognises and utilises the diversity of the Australian community it serves*;
- (e) the APS is *openly* accountable for its actions, within the framework of Ministerial responsibility to the Government, the Parliament and the Australian public;
- (g) the APS delivers services fairly, effectively, impartially and courteously to the Australian public *and is sensitive to the diversity of the Australian public*; and
- (i) *the APS establishes workplace relations that value communication, consultation, cooperation and input from employees on matters that affect their workplace.*

### **STEPS TAKEN BY AGENCIES TO PROMOTE THE VALUES**

Given the changes to the Values, agencies were asked for information on steps they have taken to incorporate the new and amended APS Values into their corporate governance framework.

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<sup>2</sup> PSMPC, *State of the Service Report 1998–99*, November, 1999, p.20.

Agency responses varied considerably in quality and content. Only three agencies, the Attorney-General's Department, the Bureau of Meteorology and IP Australia, included detail on the steps they had undertaken to implement each of the new and amended Values. Environment Australia reported action against most of these Values and various other agencies reported individual actions against some specific Values. With regard to this latter group, the actions most frequently mentioned were putting recruitment processes in place to enable community competition for APS employment, and ensuring that workplace diversity plans promoted equity in employment.

Overall, less than one third of agencies reported on action that they had taken specifically on the new and amended Values and half of these indicated that their actions were of a broad nature, often incorporated into general advice to staff about the PS Act 1999.

Agencies continued to use a variety of approaches to promoting the APS Values:

- about a third of agencies reported having advised their staff about the Values by means such as staff bulletins and more than 10 per cent said that they had conducted special information sessions;
- about 20 per cent of agencies reported including or mentioning the Values in corporate plans, certified agreements and/or Australian workplace agreements (AWAs);
- 20 per cent of agencies indicated that they have incorporated the Values into other corporate documents such as Chief Executive's Instructions or human resource management policies or manuals. A similar number said they had plans to do this; and
- in many cases the Values have been put on the agency intranet, either on their own or as part of a variety of corporate documentation.

A few agencies indicated that their corporate governance documentation was already consistent with the Values this gives rise to questions about the extent to which they have focused on the detail of the changes, especially the new Values. In other cases agencies appear not to have taken action on the new and amended Values or appear to be promoting only some Values or promoting Values to only some staff. This is a disappointing response in view of the requirement in the PS Act 1999 for Agency Heads to promote the Values. But it may reflect the quality and detail of the response rather than the full picture on promotion of the Values. Actions that agencies have taken in this area will be canvassed again for the *State of the Service Report 2000-01*.

The Departments of the Prime Minister and Cabinet (PM&C), the Department of Education, Training and Youth Affairs (DETYA), the Australian Communication Authority (ACA) and the Australian Bureau of Statistics (ABS) were four of the few agencies that reported having fully apprised their staff of the new requirements that the PS Act 1999 places on staff.

PM&C updated its personnel guide *Understanding APS Values*, and its personnel policy statement *APS Values and Code of Conduct* to take account of the revised Values, and highlighted their availability as part of its Human Resource Management Framework on the Information Technology (IT) network. The policy statement sets out the APS Values and documents the Department's commitment to upholding and promoting them. *Understanding the APS Values* provides staff with an understanding of how the Values can be applied at work and includes cross-references to other sources of guidance on their implementation. An article on the APS Values was published in the Department's staff bulletin in April 2000, noting that:

The Values are designed to provide the philosophical underpinning for the entire Australian Public Service and to articulate its operating ethos and culture. The Values are also designed to reflect public expectations of the relationship between public servants and the Government, the Parliament and the Australian community.

To help staff understand the changes flowing from the implementation of the PS Act 1999, DETYA distributed two circulars to staff which discussed the new flexible framework and the shift in emphasis from prescriptive rules and detail to a principles-based approach. These circulars also highlighted the importance of the APS Values and APS Code of Conduct and related these to DETYA's Organisational Values and Leadership Behaviours.

All information on the PS Act 1999 disseminated within the ACA has emphasised the fundamental nature of the APS Values. Its guidelines on the Values and the Code of Conduct (still being finalised) draw links between agency policies and the Values that are relevant to them. All ACA human resource management policies now reflect and mention the relevant APS Values.

The ABS has been taking a slightly different approach and has developed 'principles-based' policy guidelines which assist employees to appreciate linkages to the Values and Code. In addition, as the ABS *Manual of Personnel Management* is being revised, each section will start with a box highlighting relevant Values so that the principles and guidelines in the *Manual* can be placed in context.

Some responses signalled a possible blurring of the APS Values and the APS Code of Conduct. It is important that staff be made aware of both the Values and the Code and of how they complement each other.

Adopting agency-specific values or codes of conduct or behaviour in addition to the legislated APS Values continues to be common. Only in some cases, however, have agencies indicated that they have explained the relationship of their internal values or code to the APS Values and Code of Conduct, as was recommended in last year's Report, which noted that:

...agencies need to be alert to, and manage, any potential tensions between the APS Values and agency-specific values. Agency Heads are required by law to uphold and promote the APS Values and they need to ensure that a focus on agency-specific values does not detract from knowledge and maintenance of the Values for the APS overall.<sup>3</sup>

No one model for helping staff understand the APS Values will be suitable for all agencies. Each agency will need to work out how to fit the Values into its own work and culture. Written advice in itself is unlikely to be sufficient and it is noted that relatively few agencies reported that they had provided training or discussion opportunities for staff. Explaining what is expected of APS employees to new staff is vital to giving them a good start in the APS. It is equally important to undertake such work with existing staff as they come to grips with changes in the culture and legal requirements inherent in the new, devolved environment.

An on-the-job approach to increasing awareness of the Values has been pursued in some agencies. About 10 per cent of agencies reported that they include the Values in work level standards, staff performance agreements, performance assessments or staff contracts. This type of approach helps staff to focus on upholding the Values as part of their everyday work.

Both the team and individual performance planning processes used by the Australian Industrial Registry require the APS Values to be addressed. Specifically, the individual Team Manager Plan asks managers to:

- explain and reinforce the APS Values;
- list specific tools and initiatives to be applied in relation to the Values;
- demonstrate how they are applying measures which address the Values; and
- identify what measures they will implement to ensure individual team members are managed effectively, including the application of the Values.

Comcare requires each employee to be given feedback on how he or she upholds the APS Values, and this is linked to performance ratings and salary progression. Under its certified agreement, progression through pay points within each classification is dependent on a satisfactory assessment of the employee's

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<sup>3</sup> *ibid.*, p. 24.

performance, including his or her contribution to corporate and APS Values, and all employees receive feedback on their contribution. The performance requirements applied to Comcare's SES employees and other staff covered by AWAs also include upholding and promoting APS Values as a core criterion for effective performance.

The Australian Customs Service has incorporated the APS Values into its workforce planning. It has developed Workforce Characteristics that reinforce the Values in the required characteristic of 'high demonstrated standards of probity, ethics and accountability', including commitment to the values of Customs and the APS. The Workforce Characteristics underpin selection processes and are linked to work level standards and all HR policies.

### **ISSUES FOR EVALUATING HOW AGENCIES UPHOLD THE VALUES**

The *State of the Service Report 1998–99* discussed the benefits of developing a consistent, Service-wide framework for evaluating the extent to which agencies have upheld the APS Values. The PS Act 1999 has since introduced a requirement that the Public Service Commissioner issue Directions for the purpose of ensuring that the APS incorporates and upholds the APS Values and for determining, where necessary, the scope or application of the APS Values.

The Public Service Commissioner's Directions, promulgated on 5 December 1999, included directions about the APS Values reflecting, to some degree, the descriptors and indicators contained in the PSMPC's July 1999 publication *Values in the Australian Public Service*. The Directions now provide a mandatory framework of standards and principles against which the performance of agencies and their staff in upholding the Values can be assessed.

These standards and principles, and a method of evaluating the extent to which they are upheld, will become increasingly important because of the rising focus on accountability.

Any assessment of agency performance in upholding and promoting the APS Values will require feedback from employees on their understanding of the Values and their perceptions of whether these are upheld in their workplace. In June 2000, therefore, the Public Service Commissioner wrote to all APS agencies asking that some specific questions be inserted into agency staff surveys over the next year. The responses will provide the basis for a report on staff attitudes in relation to the APS Values and other key areas for the next State of the Service Report.

The surveys will canvass staff reactions on issues including:

- their understanding of the APS Values and perceptions of the way in which they apply in their work;

- their perceptions about whether the people in their workplace understand and uphold the APS Code of Conduct;
- whether their agency makes decisions about people based on merit;
- whether the diversity of skills, experiences, background and ways of working are recognised and appreciated in their agency; and
- whether performance rewards are seen to be fair across the agency.

It is clear that there is still some way to go before processes are in place to ensure that all APS employees fully understand the APS Values and how they impact on their work. This is likely to be particularly important in a Service which is no longer a closed labour market and where movements in and out are more frequent. It is also, of course, crucial in a Service where the rules and regulations have been significantly reduced and the Values are the basis for work and decision-making. Agencies will need to make a concerted effort to ensure that appropriate action is taken in this essential aspect of working in the APS over the coming year.



## MERIT

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Merit as the basis for employment decisions in the APS remains a fundamental public interest principle of public sector employment under the PS Act 1999.

The APS is a Public Service in which employment decisions are based on merit.

*APS Values – Public Service Act 1999.*

In line with the new devolved framework, the emphasis on compliance with uniform process has given way to a focus on clearly articulated overall principles and standards which agencies can apply in ways which meet their particular business and organisational goals.

The PS Act 1999 contains a clear prohibition on patronage and favouritism in APS employment (section 17) and, for the first time, explicitly provides that an Agency Head is not subject to direction by a Minister in employment decisions (section 19).

In addition, the PS Act 1999 prescribes the basis on which an actual selection decision for engagement or promotion is to be made (section 10(2)). It requires that:

- (a) an assessment is made of the relative suitability of the candidates for the duties, using a competitive selection process;
- (b) the assessment is based on the relationship between the candidates' work-related qualities and the work-related qualities genuinely required for the duties;
- (c) the assessment focuses on the relative capacity of the candidates to achieve outcomes related to the duties; and
- (d) the assessment is the primary consideration in making the decision.

The Public Service Commissioner's Directions issued under the merit Value (clause 2.3) set out some broad principles that should be applied in supporting merit-based decisions in the APS. The basic requirements are for transparency, fairness and equity. The Directions also draw a link between merit in employment and the need to avoid unlawful discrimination in employment and to recognise and value the diversity in the Australian community.

The APS provides equity in employment.

*APS Values – Public Service Act 1999.*

### **ASSESSMENT AS THE ‘PRIMARY CONSIDERATION’**

Section 10(2)(d) of the PS Act 1999—the provision that the assessment of relative suitability must be the primary consideration in making the selection decision—is a new element in the management of merit in the APS. Under the former framework, agencies were required to promote or appoint the most efficient candidate, irrespective of any other consideration. Section 10(2)(d) now recognises the reality that there could be occasional circumstances where financial, operational or other considerations make it impractical for agencies to engage or promote the most suitable candidate. The provision could be relevant in cases, for example, where the most suitable candidate demands a particular remuneration package or where the most suitable candidate is unable or unavailable to commence work within a reasonable time frame.

While this arrangement provides agencies with new flexibility, it needs to be managed carefully in order to preserve the fundamental elements of objectivity and fairness in merit-based selection and to avoid patronage, favouritism and discrimination. In light of this, the PSMPC sought advice from agencies on steps taken to put this section into operation.

Most agencies have taken a cautious approach to the new provisions, indicating either that they have no plans at this stage to use them or that the issue is under consideration as part of an overall review of selection arrangements under the new legislation. The Department of the Prime Minister and Cabinet (PM&C), for example, has said that it has no plans to use section 10(2)(d). Some agencies indicated that they had considered the matter and they would approach the issue on a case by case basis, one agency indicating that its managers were ‘keen to explore’ the options available. One agency reported that it had used the provision in a case where the most suitable candidate was on long term leave while the next ranked candidate could begin work immediately.

While the provision is a practical recognition of the more flexible operating framework, its use requires proper process and the exercise of judgement. In particular, agencies should:

- give proper weight to the long term organisational benefits of selecting the best person for the job, balancing this against any short term financial or operational considerations;

- be aware that the use of the flexibility inherent in section 10(2)(d) must be consistent with Commonwealth anti-discrimination legislation. It would be unlawful, for example, to use the provision to avoid selecting the most suitable candidate on the basis of the costs of a potential pregnancy; and
- understand that transparency is important to the effective operation of section 10(2)(d) in the workplace. Agencies should be operating within clearly understood guidelines and provide clear reasons when the section has been a factor in decisions.

To maintain consistency with the merit principle, a fundamental element in any agency framework should be that the potential use of this provision should be made clear in the documentation when vacancies are advertised and its use must be noted when selection decisions are made. The agency framework should also be clear about the consistent application of secondary considerations where orders of merit might be used in the future.

The PSMPC will continue to monitor the way in which agencies manage section 10(2)(b) and will report as appropriate in future State of the Service Reports.

### **COMMUNITY ACCESS TO APS VACANCIES**

The PS Act 1999 also emphasises and reinforces another strong element in the Government's public sector reform program. Within the overall framework of selection on the basis of merit, all Australians should have the opportunity to compete for APS employment.

This principle was addressed in the Government's March 1998 administrative reforms which required that, subject to cost and operational effectiveness, all ongoing employment opportunities notified in the Commonwealth Public Service Gazette be open to all Australians.

*The APS provides a reasonable opportunity to all eligible members of the community to apply for APS employment.*

*APS Values – Public Service Act 1999.*

The Directions for this Value makes it clear that agencies have some flexibility in managing the way in which they bring vacancies to the attention of the community, taking account of agency goals, resources and skill requirements. There are, however, specific minimum legal requirements on agencies to ensure the openness of APS employment, including the requirement, that:

- all opportunities for engagements longer than 12 months must be notified in the Gazette as open to eligible members of the community, subject to cost and operational efficiency; and
- non-ongoing employment arrangements of less than 12 months cannot be extended unless the opportunity to apply for the original engagement or its extension was notified in the Gazette as open to the public.

The Directions allow for exceptions to these requirements where the aim is to attract applicants who are Indigenous Australians or who have an intellectual disability.

As part of monitoring the progress of merit-based selection, the PSMPC has undertaken a comparison of Gazette notifications before and after the March 1998 administrative reforms to determine whether the changes had any practical effect on recruitment outcomes.

The percentage of employment opportunities notified in the Gazette as open to the community has increased significantly since the introduction of an open access policy in March 1998. In the Gazette of 19 February 1998, only 27 per cent of ongoing vacancies were open to the community, compared with 96 per cent in the Gazette of 18 February 1999 and 99.5 per cent in the Gazette of 24 February 2000.

These statistics demonstrate agency compliance with the community access Value but do not provide any indication of whether more external applicants are actually achieving selection on merit.

The PSMPC therefore attempted a small study into the selection outcomes of ongoing employment opportunities notified in the Gazettes of 19 February 1998, 18 February 1999 and 24 February 2000. The outcomes of the 1998 and 1999 Gazette notifications had to be obtained through monitoring promotions in the Gazette and through undertaking some follow up work with agencies, and the data is not complete. The 2000 statistics were obtained by surveying the 39 agencies with notifications for ongoing employment opportunities in the 24 February 2000 Gazette.

Unfortunately, the February 1998 data proved to be very poor and there is no outcome information available on the majority (73 per cent) of selections. Of the remaining 27 per cent, 25 per cent were filled by external applicants. The information on outcomes from the February 1999 data is more extensive with 60 per cent of outcomes being known and 23 per cent of the known outcomes being filled by outside applicants.

Information is available on the progress of all opportunities notified in the 2000 Gazette, although approximately 12.5 per cent of selection exercises were not completed by the end of July. Of the rest, 30 per cent of opportunities were filled by external applicants.

Recognising that the base of the study is small, the information available suggests that, while the proportion of ongoing opportunities in the Gazette open to the community has significantly increased, the proportion of successful non-APS applicants has remained in the range of 20 to 30 per cent over the three years.

The increase in the proportion of jobs open to the community is significant in terms of actual numbers, however, rising from 45 per Gazette in 1998, to 267 in 1999 and 433 in 2000. With such increases, even a steady 25 to 30 per cent success rate of non-APS applicants means an absolute increase in the number of engagements in areas of APS employment which were previously largely closed.

The PSMPC will continue to monitor both the number of ongoing employment opportunities open to the community and whether that change affects selection outcomes.

#### **REVIEW OF MERIT**

Although the term 'appeals' is no longer used in the PS Act 1999, promotions up to and including APS classification level 6 continue to be subject to review on the merits of the promotion by an independent Promotion Review Committee (PRC) comprising a convenor nominated by the Merit Protection Commissioner, an agency nominee and an APS employee nominated by the Merit Protection Commissioner.

**The APS provides a fair system of review of decisions taken in respect of APS employees.**

*APS Values – Public Service Act 1999.*

Under the new legislative framework, the committee reviewing promotion decisions no longer includes a nominee of the relevant staff association. In addition, actions associated with selections up to APS classification level 6, but not connected with the merits of a promotion, are no longer subject to review.

The other change that is significant for the review of merit in selections is the replacement, under the new legislative framework, of Joint Selection Committees (JSCs) with Independent Selection Advisory Committees (ISACs). JSCs comprised

nominees of the former Merit Protection and Review Agency, the agency involved and a staff association and undertook selection assessments on behalf of agencies. For most JSCs, if the Agency Head accepted a unanimous recommendation by a JSC, then unsuccessful applicants had no review or appeal rights.

ISACs are three person committees established at the request of Agency Heads. They are convened by a nominee of the Merit Protection Commissioner and include an agency nominee. The main differences are, therefore, that:

- an APS employee nominated by the Merit Protection Commissioner has replaced the staff association nominee as a member of the committee; and
- the recommendation of the ISAC need not be unanimous. So long as it is accepted by the Agency Head, unsuccessful applicants have no review rights.

Current experience provides no evidence that these changes have had an effect on the integrity of the appeals/review system. While it is true that the 2.7 per cent of promotion decisions considered by PRCs under the PS Act 1999's legislative arrangements in roughly the second half of 1999–00 were not upheld, compared with 4.3 percent considered by the old Promotion Appeals Committees (PACs) in the first half of the same year, the time period and other changes make it difficult to draw conclusions. The 4.3 per cent is itself a significant decline from 1998–99, when 8.8 per cent of promotion decisions considered by PACs were not upheld. The figures in 1999–00 are heavily influenced by the outcomes of reviews and appeals related to the Australian Taxation Office's major recruitment exercise associated with the introduction of the new taxation system.

The take up rates of ISACs and overall outcomes of promotion reviews will be monitored for future State of the Service Reports, but it is emphasised that any differences between the old and new systems which may emerge are likely to be the product of complex variables and direct comparisons may be misleading.

## **BROADBANDING**

Upward movement between APS classification levels is normally through open competition on the basis of merit, in accordance with the legislative framework provided by the PS Act 1999.

Agencies are also able, however, through their certified agreements, to adopt a broadbanded structure that enables staff to progress between classification levels (other than SES classification levels) without a competitive merit selection exercise following a Gazette notification. The APS Classification Rules issued by the Prime Minister under section 23 of the PS Act 1999 include a list of approved APS

classifications, but agencies have the flexibility to create a locally designated broadband of these approved classifications (for example, broadbanding approved classifications APS 1 to APS 4) without further approval from central agencies. The only exception is where agencies wish to introduce a new classification structure which is separate from the APS classifications.

Movement within broadbanded classifications is normally on the basis of performance assessment but usually also includes some form of internal competitive assessment and an assessment of the availability of work at the higher classification.

The introduction of a broadband option was in response to agencies' concerns about the need for greater flexibility in vacancy filling and in particular:

- the perceived cost and time delays in filling vacancies through a full merit selection;
- the need to retain the benefits of specialised training and experience;
- the perceived need for a more systematic way of immediately recognising and utilising talent and high performance available within agencies; and
- the challenges of managing the flexibility of temporary work assignments through employment at different salary levels within the broadband.

On the other hand, various stakeholders have raised issues and potential problems with the broadband option. These include:

- the possible tensions between broadbanded structures closed to outside applicants and the requirements of merit as a basis for APS selection and access to APS jobs by the broader community;
- in the absence of open competition, the need to ensure that the alternate forms of assessment for advancement between classifications are transparent, avoid patronage and favouritism, and recognise diversity; and
- the possible effects of broadbanding on inter-agency mobility and therefore on the concept of a career Service.

The *State of the Service Report 1998–99* included a short analysis of the progress of broadbanding in the APS. It noted that around 45 per cent of agencies had introduced some form of broadbanding, although about a quarter of these involved banding or rebanding specialist positions. Agencies frequently broadbanded their APS structures into three, four or five bands within the basic eight-level structure. It also noted that about 25 per cent of agencies would be considering broadbanding or further broadbanding in the second round of certified agreements.

This year, information was sought from agencies on the implementation of broadbanded structures, including whether they had taken any steps to evaluate them in terms of time and resources saved through avoidance of the necessity for a full merit selection, improving performance within the particular agency, and employee perceptions of fairness and objectivity.

Overall agency participation in broadbanding remains similar to 1998–99. The extent to which the various broadbanded arrangements across the Service reflect a thorough and rational analysis of agency needs remains obscure. There is, however, evidence that at least some agencies have taken a considered approach to broadbanding on the basis of an analysis of their particular organisational and labour market interests. The Australian Competition and Consumer Commission’s broadbanded structure reflects its particular organisational requirements. It has broadbanded its level 4–5 positions to assist with staff retention and has broadbanded its level 1–3 positions to give it the flexibility to allocate additional administrative tasks and responsibilities as needed and for development purposes without having to go through a full selection process. The Department of Employment, Workplace Relations and Small Business has implemented a broadbanded advancement structure for both graduate and government lawyer classifications which allows it more flexibility to compete with other organisations in the recruitment and retention of these key staff.

The Australian Bureau of Statistics, on the other hand, reported that it has considered broadbanding but has found it difficult to develop a uniform structure which reflected the different types of tasks across the organisation. For the present, at least, the core eight level classification structure gives it the flexibility to manage these differences.

A major challenge in the management of a broadbanded structure is the requirement to balance the flexibility that the system can provide through movement within a broadband and the maintenance of a fair and open process within the agency.

PM&C addresses this challenge through a work availability test in its certified agreement. Where work at a higher level is available on a permanent basis and where an employee is at the top of his or her classification level and has achieved a four or five performance rating, managers may advance that employee to the next classification level only if he or she is the only employee in the Department eligible for advancement. Otherwise the vacancy must be advertised internally. Only staff who are at the top of the classification level below that of the advertised position and who have achieved a rating of four or five in the last performance appraisal are eligible to apply. Managers also have the option of advertising the job externally to be filled through a full merit selection.

Few agencies appear to have undertaken any thorough evaluation of the effectiveness and fairness of their broadbanded arrangements at this stage, although this is probably not surprising given that the schemes are relatively new. On an interim assessment, however, some agencies reported that their particular organisational aims are so far being met. The Department of Finance and Administration reported, for example, that its broadbanded system had proved effective in recruiting and retaining high performing employees, saying that 'broadbanding has enabled employees to have access to remuneration arrangements that recognise increased skills and responsibilities.'

The Department of Foreign Affairs and Trade introduced a broadbanded arrangement in its first certified agreement which involved three broadbands: APS 1–4, APS 5– Executive Level 1 and Executive Level 2 (ELm2). This was developed to respond to its particular organisational structure and staffing requirements, including a promotion-to-level system with annual 'bulk' selection and promotion rounds, and high internal mobility with the need to deploy staff flexibly across a range of tasks, including overseas.

The broadbanded structure was reviewed in 1999, and a new structure featuring four broadbands—APS 1–3, APS 4–5, APS 6–EL 1 and EL 2—was adopted in the Department's second certified agreement. The new structure was seen by staff as a better means of grouping APS levels which undertook similar work without losing the advantages of broadbanding. It was particularly important for some work units to have a clearer delineation below the APS 3 and APS 4 levels given that the latter, in certain circumstances, hold supervisory roles. In addition to these changes, the collapse of some paypoints within the new structure was implemented in response to staff concerns over the length of time needed to progress through the bands.

On the basis of its experience, the Department believes that broadbanding has facilitated overseas deployments by making it easier to post suitable available staff by broadband rather than by a specific classification, led to a considerable reduction in bulk promotion exercises which are costly and resource intensive, and provided a framework for performance-based advancement.

The Australian Centre for International Agricultural Research reported that an audit of the savings that were hoped to be achieved through its broadbanded arrangements under its first certified agreement indicated that a fall in recruitment costs did not occur. This was, however, the specific result of the lack of provision for upward temporary movement within the broadbands, which increased the requirement for temporary/non-ongoing employment. This has been resolved in the Agency's second certified agreement.

As indicated earlier, some commentators have argued that movement up a broadband within agencies will bring a decline in inter-agency mobility, and therefore endanger the broad concept of a 'career Service'.

*The APS is a career-based Service to enhance the effectiveness and cohesion of Australia's democratic system of government.*

*APS Values – Public Service Act 1999.*

The rates of mobility between agencies as a result of promotions and other movements have fluctuated widely over the last ten years and it is difficult to draw conclusions about patterns of, or changes in, mobility. This issue will continue to be monitored for future State of the Service Reports.

In addition, any moves to implement extended broadbanded structures which provide little or no opportunity for a full merit test or for lateral recruitment could potentially have an adverse affect on the Values covering merit, equity, diversity and the provision of a reasonable opportunity for eligible members of the community to apply for APS vacancies.

In order to protect these Values, the Public Service Commissioner has written to Agency Heads, noting the importance of achieving results but of doing so in the context of merit-based decisions and open access, and has suggested that agencies incorporate, in their broadbanded structures, at least two breaks that require a full merit selection.

Next year's State of the Service Report will include a further study of broadbanded structures in the APS, including the differential allocation of tasks and responsibilities within a broadband.

### **MERIT IN SES SELECTIONS**

The concept of the SES as a cross-Service leadership group is preserved in the PS Act 1999 and the Public Service Commissioner has a more direct role in the oversight of merit with respect of this group than for the rest of the Service.

Under section 36 of the PS Act 1999, the Commissioner must issue directions in writing about employment matters relating to SES employees, including engagement, promotion, redeployment, mobility and termination. With respect to merit, the Directions set out minimum requirements that must be complied with in the area of advertising and the selection process.

While section 36 of the PS Act 1999 maintains the Commissioner's involvement, however, it has also seen a shift in the allocation of responsibilities, consistent with the overall thrust of devolving employment powers. Under the PS Act 1922, the Public Service Commissioner actually made the SES appointment or promotion. The new arrangements give the Agency Head responsibility for making SES engagements or promotions on the basis of guidelines and selection criteria set by the Commissioner. The Commissioner is responsible for overseeing and endorsing the integrity and probity of the selection process.

To enable the Commissioner to participate effectively in selection processes, each selection advisory committee established by the relevant agency must include a representative of the Commissioner from outside the portfolio in which the recruitment action is occurring. The representative, the choice of whom must be endorsed by the Commissioner, is required to report to the Commissioner at the end of the selection process, certifying that appropriate procedures and processes have been adhered to.

Indications are that agencies have incorporated these new arrangements into their systems with little trouble. The volume of recruitment activity has continued at a similar level to previous years and few problems have been encountered in dealings between agencies and the PSMPC.

#### **EMPLOYMENT OF PERSONS WHO HAVE RECEIVED A REDUNDANCY BENEFIT**

The legislative framework supporting the PS Act 1999 continues the restriction on the re-employment in the APS of people who have received a redundancy benefit from the Commonwealth within the last 12 months. These arrangements reflect the Government's long standing policy of encouraging the proper and ethical use of redundancy payments in Commonwealth employment.

Chapter 4 of the Public Service Commissioner's Directions 1999 regarding merit in employment requires an Agency Head to put in place measures to ensure that a person who receives a redundancy benefit from an APS agency or a non-APS Commonwealth employer is not engaged as an ongoing employee within 12 months of the person ceasing employment.

In some circumstances, a person who has received a redundancy benefit from an APS agency or a non-APS Commonwealth employer may be engaged as a non-ongoing APS employee within 12 months, if the Agency Head considers it essential for the agency's operations. In most circumstances, the Agency Head must consult the Public Service Commissioner before engaging the person. Between 5 December

1999 and 30 June 2000, the Commissioner was consulted over the engagement of 14 such persons as non-ongoing employees in situations where the market had been tested and no suitable alternative persons could be found. Also, the skills required were generally of a specialist nature and the periods of engagement were of a short duration.

While these new requirements are very similar to those operating under the previous Act, changes have been made which bring the arrangements in relation to persons who have received a redundancy benefit from a non-APS Commonwealth employer more into line with the arrangements that apply to a person who has received a redundancy benefit from an APS agency. The changes make the arrangements more consistent across both groups and less confusing for agencies.

The measures set out in Chapter 4 of the Directions in relation to the employment in the APS of persons who have received a redundancy benefit from Commonwealth employment within the previous 12 months do not apply to the engagement of such persons as consultants or contractors. APS agencies are able to engage consultants and contractors as required, having regard to the Commonwealth Procurement Guidelines issued by the Minister for Finance and Administration. Agency Heads, however, are expected to comply with the spirit of the Government's policy concerning the employment of persons who have received a redundancy benefit when engaging individuals as consultants and contractors.

### **AN ONGOING ISSUE**

Merit has long been a central principle of employment to the APS. Acceptance of the need for a merit basis for employment, however, sometimes runs ahead of a true understanding of the principles surrounding its practical application.

With the removal of centralised regulation and process, and the move away from one-size-fits-all APS selection methods, it is imperative that agencies have a firm understanding of the principles entailed in selection on merit. Such an understanding, as well as a concentration on processes to ensure these principles are applied to individual selections, will be an essential component of agencies' adherence to the PS Act 1999.

The issue for both individual agencies and for the APS as a whole is to ensure that the application of these principles is properly understood, communicated and reflected in whatever selection method an agency chooses to apply.

## FLEXIBILITY IN EMPLOYMENT CATEGORIES

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The issue of increased flexibility in employment is a substantial one in the context of the public sector reform framework, with its balance between decreased regulation and the devolution of employer powers to Agency Heads, and increased accountability for the use of those powers.

The APS focuses on achieving results and managing performance.

The APS is openly accountable for its actions, within the framework of Ministerial responsibility to the Government, the Parliament and the Australian public.

*APS Values – Public Service Act 1999.*

The debate is complicated by the potential use of ‘outsiders’ in line Public Service positions in addition to the employment of tenured and non-tenured staff under the provisions of the PS Act 1999. It touches on the nature of what might or might not define the APS as a career Service and the need for a balanced and integrated use of devolved staffing in the context of the APS Values.

### THE OLD ACT

The PS Act 1922 reflected the traditional expectation that APS employment would normally be on a ‘permanent’ rather than a temporary basis. It made a fundamental distinction between ‘officers’ who were appointed on a continuing basis and ‘employees’, most of whom were engaged in various types of temporary work. While officers and employees were managed under the same overall Act, employees were covered by a distinctly different legislative and policy regime that, among other things, involved no formal requirement for merit-based engagement and no citizenship requirements.

The PS Act 1922 was both complex and rigid. There were a number of different categories of temporary employment, some of which had to be managed in accordance with fairly detailed legislative prescription. Specific prescriptions in the old legislation included:

- for ‘fixed term’ employment, the initial requirement to ascertain that there were no suitable ‘permanent’ employees available to do the work (the ‘officer preference’ provisions) and a requirement for consultation with unions before a fixed term employee was engaged;
- a 12 month time limit for ‘short term’ employment; and
- a requirement, in the case of ‘short term’ employment, for the mandatory establishment of an employment register to be kept in accordance with binding gazetted Public Service Commissioner notices.

### **THE NEW ACT**

In order to help meet agency requirements for greater employment flexibility, the PS Act 1999 has stripped back much of the prescription surrounding the engagement of staff. In particular:

- it removes the distinctions between ‘officer’ and ‘employee’. All APS staff are now either ‘ongoing’ or ‘non-ongoing’ employees and are covered by a single overall legislative framework;
- it provides that employees may be engaged on a non-ongoing basis, either as non-ongoing employees for a specified term or the duration of a specified task, or as non-ongoing employees for duties that are intermittent or irregular; and
- it abolishes the officer preference rules and the mandatory requirement for union consultation that applied in relation to some forms of temporary employment.

It should be remembered, however, that the PS Act 1999 provides that the usual basis for engagement in the APS is as an ongoing employee (section 22(3)). The Public Service Regulations set out in some detail the conditions under which staff may be engaged and extended as non-ongoing employees. These include a three-year limit on employment for a specified term, although no time limit is placed on employment for the duration of a specified task. The Public Service Regulations also continue to prescribe quite detailed tests in relation to the different circumstances in which non-ongoing employees can be engaged or extended, which some managers might still see as overly complex and restrictive.

The PS Act 1999 has also strengthened the principle of merit-based employment by extending the principle of merit selection to non-ongoing engagements with a mandatory requirement that all engagements of over 12 months be subject to an open competitive selection exercise.

To assist agencies in the practical aspects of correctly engaging staff under the PS Act 1999, the PSMPC, in consultation with the Australian Government Solicitor

(AGS), developed templates of engagement documentation. Agencies were given draft letters of engagement and notices of engagement suitable for ongoing employees and most non-ongoing employees that establish the terms and conditions offered and accepted, and that could be adapted to suit individual circumstances.

The PSMPC has identified some issues of concern to agencies related to the new employment categories and has sought advice from the AGS on these issues. Once this has been received, the Commission will develop advice for agencies setting out a clearer definition of 'irregular and intermittent' employment and giving guidance on the use of this category.

### **ONGOING EMPLOYMENT**

The PS Act 1999 uses the term 'ongoing employees' to describe one of the new employment categories in the new APS employment framework. This terminology covers the old employment categories of 'officer' and 'continuing employee' that were referred to in the PS Act 1922. On the commencement of the PS Act 1999 on 5 December 1999, all non-SES officers, all SES officers not on a fixed term and all continuing employees became, in effect, ongoing employees in their agencies with the same classification as before. This meant that there was little substantive change to the nature of the tenure arrangements for these members of the APS.

Similarly, the substantive grounds for termination of their employment were largely unchanged. The PS Act 1922 provided that employees in the relevant categories could only be terminated on grounds specified in the legislation. Likewise the PS Act 1999 provides that the employment of ongoing employees can only be terminated on grounds specified in that Act, including being excess to the requirements of the Agency, lacking an essential qualification, poor performance, inability to perform duties because of physical or mental incapacity, failure to complete satisfactorily an entry-level training course, breach of the Code of Conduct, or failure to meet a condition of entry such as satisfactory completion of a probation period or meeting citizenship requirements. The PS Act 1999 also enables other grounds to be prescribed by the Public Service Regulations. No additional grounds have been prescribed.

The main change under the new legislative framework is that agencies have more flexibility to develop and manage procedures for termination under these grounds, consistent with the rules and entitlements of the *Workplace Relations Act 1996 (the WR Act)*. The extent to which agencies have actually made use of the new flexibilities will be an issue for future Reports.

## **NON-ONGOING EMPLOYMENT**

The PS Act 1999 uses the term ‘non-ongoing employees’ to describe a second new employment category in the new APS employment framework. This category replaces the various categories of temporary employment under the PS Act 1922.

In view of the short period in which the PS Act 1999 has been operational, it was not considered practical at this stage to assess whether the new arrangements for non-ongoing employment had given agencies greater flexibility to manage and deploy staff to achieve agency objectives.

In their reporting on the PS Act 1999, however, agencies did provide comment on the issue of the differences between specified term and specified task employment. One agency reported that difficulties had arisen with the loss of the old fixed term employment category of non-ongoing staff, since several of its non-ongoing tasks do not fall squarely into either the specified term or specified task categories. A specialist agency has reported that the reduction from five years to three years maximum for a specified term of non-ongoing employment will mean that it will have to consider whether such needs for non-ongoing employees which run for longer than three year terms can be linked to specified tasks rather than to specified terms.

Agencies were asked for advice on the ways in which they were managing the engagement of non-ongoing employees under the new employment framework, given that this is the first time that the merit requirement was applied to this group. Issues of particular interest included the procedures which agencies have put in place to ensure that non-ongoing recruitment arrangements are open and avoid patronage and favouritism.

**The APS provides a reasonable opportunity to all eligible members of the community to apply for APS employment.**

*APS Values – Public Service Act 1999.*

Information from agencies indicates that they are still to settle the final form of their procedures and that it is too early to undertake a comprehensive assessment of the efficiency and effectiveness of agency arrangements. Many agencies have developed their own employment registers from which suitably qualified people are selected for short term non-ongoing employment opportunities as they arise. Apart from providing agencies with a ready list of people available for non-ongoing employment, properly maintained employment registers help ensure openness in employment, particularly for short term non-ongoing employment where a full merit competition is not required.

Several agencies have highlighted the need for a strategic approach within the agency to the management of non-ongoing employment. The Department of Family and Community Services continues to coordinate the management of non-ongoing employees centrally, to enable the types of skills needed on a short term basis to be monitored and to review periods of employment. This monitoring also aims to prevent the recruitment of staff who have taken a redundancy in the last 12 months, which is prohibited under Chapter 4 of the Public Service Commissioner's Directions 1999 (see chapter on Merit). A number of other agencies advised that they have systems in place for centrally monitoring the use of non-ongoing employment.

The *Selection and Recruitment Handbook* developed by the Department of Transport and Regional Services (DoTRS) provides a clear operational framework for filling a non-ongoing vacancy under the PS Act 1999. It reminds staff that the PS Act 1999 states that the usual basis for engagement in the APS is as an ongoing employee and requires staff to consider the full range of options for filling vacancies, taking account of cost effectiveness and the availability of current employees, rather than immediately seeking to employ a non-ongoing employee.

For extended periods of non-ongoing work, managers must consider giving DoTRS employees the opportunity to undertake the duties. Where managers have been unsuccessful in filling a short term non-ongoing vacancy (that is, a period of less than 12 months in total) with an existing employee, they may consult the Department's non-ongoing employment registers, approach a temporary employment agency for referral of a number of suitable candidates, access resumes through online recruitment services, or offer non-ongoing employment to an existing APS employee from another agency.

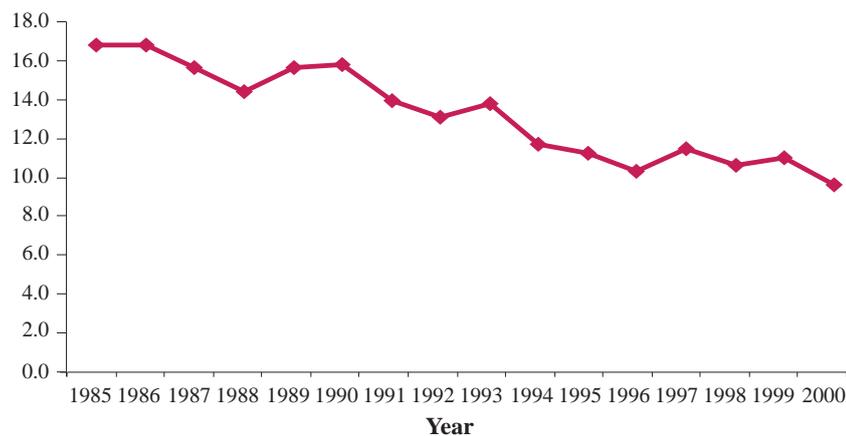
One issue which agencies have raised consistently, both through their returns and through other contacts with central agencies, is the need for further direction and guidance on the circumstances in which persons may be engaged in the irregular or intermittent category of employment, a type of employment which was not formally recognised in the APS prior to the introduction of the PS Act 1999. The provision was included in response to agency interest in having available a pool of trained or experienced employees on whom they could draw as required for irregular tasks without necessarily needing to re-engage them every time.

While this type of employment is now available, there is a reluctance by agencies to use it because of unresolved issues about any limitations on such engagements or the use of panels or registers to facilitate such engagements, and about the rights and responsibilities of management and employees. The administrative aspects of the use of this category are being explored further.

### THE USAGE OF NON-ONGOING EMPLOYMENT IN THE APS

It is often said that the number of non-ongoing employees in the APS is increasing. This view was not supported by data collected on staff employed as temporaries under the PS Act 1922 or as non-ongoing employees under the PS Act 1999.

**Figure 1 Non-ongoing staff as a proportion of total staff 1985 to 2000**



While the proportion of temporary staff has fluctuated during this period, there has been an overall decline from 16.7 per cent at 30 June 1985 to 10.9 per cent at 30 June 1999. Non-ongoing employees comprised 9.6 per cent of the APS at 30 June 2000.

A partial explanation for this may include:

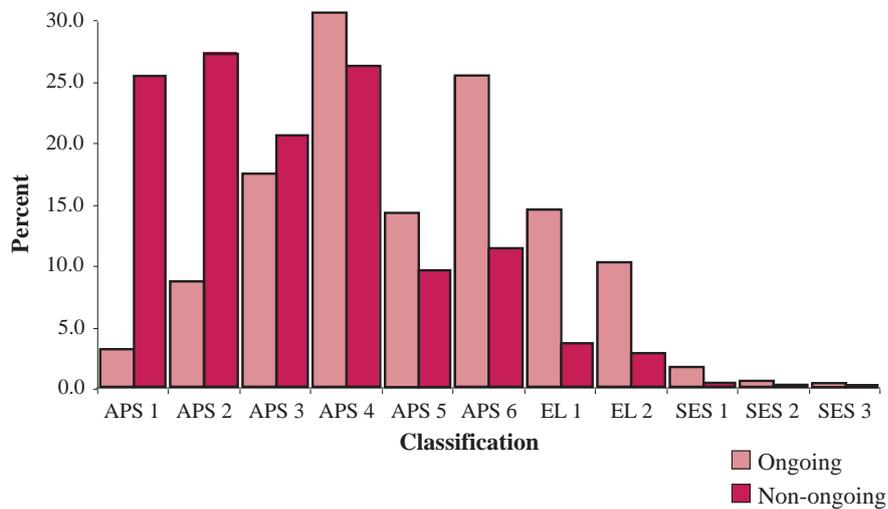
- the decline over the last decade in the number of staff employed in industrial and trade occupations. Some at least of these were employed under the temporary employment provisions of the PS Act 1922; and
- an increased use of alternate forms of obtaining resources for non-ongoing work, including as contractors and consultants which would not show up on employment databases.

Data on temporary employees under the PS Act 1922 was not kept on the previous central database, the Continuous Record of Personnel (CRP), but was collected instead in periodic 'snapshots' from payroll data. Because of transitional arrangements associated with the establishment of a new central database, the June 1999 data on temporary employees had to be collected manually from agencies.

The new APS Employment Database (APSED) includes data on both ongoing and non-ongoing employees. APSED data may not be directly comparable with the previous data on temporary staff, and this needs to be borne in mind when analysing the trends in figure 1. On the other hand, APSED will allow us to track non-ongoing employment more consistently in the future.

More information on database changes is contained in the chapter 'The Changing Face of the APS'. The following data from APSED for non-ongoing employment at 30 June 2000 will provide a benchmark for the future monitoring of non-ongoing employees.

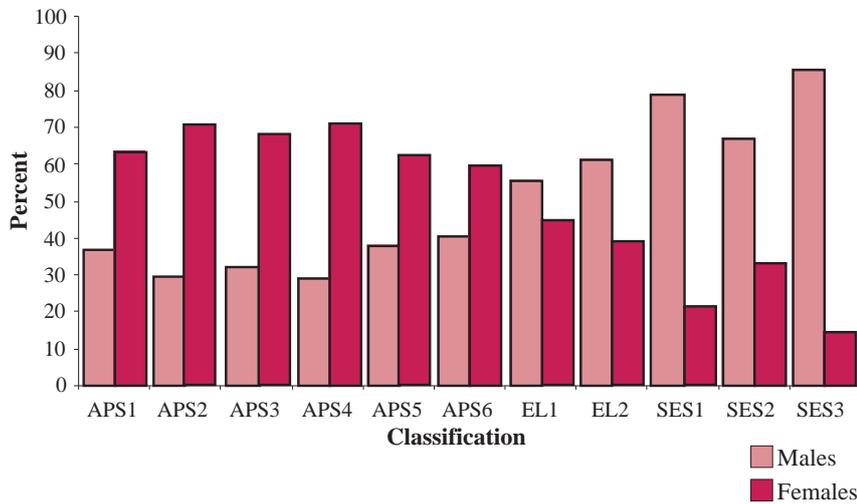
**Figure 2 Ongoing and non-ongoing staff by classification, June 2000**



Non-ongoing employees are over-represented at the lower levels of the APS, with 41.3 per cent of non-ongoing employees at the APS 1 and APS 2 levels, compared with 9.2 per cent of ongoing employees. On the other hand, their representation drops off significantly at more senior levels. Only five per cent of non-ongoing employees were at Executive Level (EL) 1 or EL 2, compared with 19.4 per cent of ongoing employees. Only 2.9 per cent of the SES are non-ongoing employees.

Of the 10 619 non-ongoing employees in the APS at 30 June 2000, 6954, or 65.5 per cent were women, compared with 51.1 per cent of all APS employees and 49.6 per cent of ongoing employees.

**Figure 3 Non-ongoing staff by classification and gender, June 2000**



Female non-ongoing employees are over-represented at the lower classification levels. Indeed the over-representation of women generally in non-ongoing employment is reflected at most levels of the classification structure. Forty-four per cent of non-ongoing EL 1 employees are female, for example, compared with about 35 per cent of ongoing EL 1 employees. The number of non-ongoing SES is so small that it is difficult to draw any meaningful conclusions about gender representation at those levels.

**Figure 4 Ongoing and non-ongoing staff by location, June 2000**



Thirty-two per cent of non-ongoing employees are located in the ACT, compared with 37.3 per cent of ongoing employees. Non-ongoing employees are over-represented in all the States and Territories except for New South Wales and South Australia. There is no obvious reason why this should be so, and it is important to remember that the States and Territories include both State and Territory capital cities and rural areas.

All these data represent a single snapshot and it will be necessary to continue to monitor trends. The figures provide no evidence, however, that there is any large scale hand-over of key functions and responsibilities to non-ongoing employees, and it is possible to surmise that the over-representation of non-ongoing employees at the lower levels is what we might expect in a Service which is using them for short term process-oriented jobs rather than for core work. In short, concerns about the ‘casualisation’ of the APS, at least as far as it refers to people employed under the PS Act, may be overstated.

On the other hand, the over-representation of women in this group, while it may reflect individual choices, may also have implications for gender equality in terms of access to careers, and will be monitored. Regional trends will need to be watched, although at this stage it is difficult to interpret them.

One other important proviso is that these figures do not cover people who may be working in agencies but who are not in an employment relationship with the Commonwealth and who therefore do not show up on the APSED. The use of these people instead of non-ongoing employees under the PS Act is discussed in the next section.

#### **‘HIREES’ IN APS AGENCIES**

There has been a growing perception that agencies have been using contracts with labour hire firms to obtain general or specialised staff where it is not considered that it would be efficient or possible to seek to engage these staff. These so-called ‘agency hirees’ are not to be confused with non-ongoing employees who are recruited through employment agencies and engaged and employed under the PS Act 1999, or persons employed by, or acting as, outsourced providers, consultants or contractors who are undertaking particular tasks on behalf of an agency. What particularly distinguishes agency hirees is that they are reportedly performing the type of line tasks and functions within agencies that are normally, or have been previously, performed by APS employees.

There are issues relating to the use, status, rights and responsibilities of agency hirees that need attention. Agency hirees—who may in some cases be in positions that have supervisory responsibilities—are not employed under the PS Act 1999

and therefore are not legislatively bound by provisions such as the APS Values, the Code of Conduct, merit, equity, citizenship, and prohibitions on patronage and favouritism, although these provisions can be specifically written into contractual arrangements that the Commonwealth has with the labour hire firm. Some agencies have already put in place measures to ensure that contractual arrangements appropriately extend adherence to the APS Values and the Code of Conduct to agency hirees.

In addition, there is no legislative requirement preventing agencies from employing agency hirees within 12 months of their having taken a redundancy benefit from the APS. Agencies are, however, expected to comply with the spirit of the Government's policy concerning the employment of persons who have received a redundancy benefit when engaging individuals as consultants and contractors, and agency management needs to be mindful of this when engaging hirees.

Much of the information on hirees is anecdotal, since there is little reliable data on their overall use, partly because of the ongoing confusion about the differences between agency hirees, consultants and non-ongoing employees recruited through employment firms.

It is reported that, in many cases, agency management originally used hirees because of perceived inflexibilities in the temporary employment provisions of the PS Act 1922. Such provisions included the 'officer preference clause', the requirement for union consultation and the limit of 12 months on short term temporary employment, all of which made it difficult to recruit quickly and retain staff who were needed for essential work which was often of a specialised nature.

The implementation of the PS Act 1999 removes some of the legislative rigidities around non-ongoing employment, and there would be benefit in a detailed examination of, and report on, the use of hirees when the PS Act 1999 has been operational for, say, two years.

### **EXERCISE OF DELEGATIONS BY 'OUTSIDERS'**

The PS Act 1999 continues to allow an Agency Head to delegate his or her powers and functions under that Act to 'outsiders', people who are neither APS employees nor the holders of statutory appointments, so long as he or she obtains the prior written consent of the Commissioner (section 78(8)).

The exercise of delegations by 'outsiders' is operationally important in some cases but it also raises some potentially sensitive issues about the responsibility and accountability of persons who are not directly subject to the APS Values, Code of Conduct, or other public interest provisions in the PS Act 1999, and who arguably do not have the same professional commitment to the Service.

The Senate Standing Committee on the Scrutiny of Bills in its Twentieth Report (8 December 1999) stated that the Committee, as a general rule, preferred to see some limit placed in legislation either on the powers to be delegated or on the class of potential delegates. The Committee was of the view that Agency Heads should require potential delegates to possess specified qualifications or attributes before they were appointed to undertake specific functions under legislation. It expressed particular concerns where the powers that may be delegated are broad in scope and variety and suggested that, in such cases, some limit should be placed on potential delegates, for example, by limiting the class of potential delegates to SES employees.

To address these concerns, Agency Heads have been asked to consider and address a range of issues when submitting requests for the Commissioner's consent to delegate powers and functions under the PS Act 1999. These issues include the nature of the relationship between the 'outsider' and the agency, the work to be undertaken, the period for which the consent is required, whether supervision of APS staff is included in this work, whether the 'outsider' has received a redundancy benefit within the last 12 months and whether the arrangement provides for, and is consistent with, the APS Values.

Of the nine cases of delegation of powers and functions approved by the Public Service Commissioner between the promulgation of the PS Act 1999 on 5 December 1999 and 30 June 2000, some reflect long standing arrangements where agency tasks are integrated with those of other non-APS (Commonwealth or non-Commonwealth) public sector organisations. These include members of the Australian Defence Force working in the Department of Defence and members of Australian police services working with the National Crime Authority. Six of the approvals included the exercise of delegations by consultants. In all cases, the approvals have taken account of the recommendations of the Senate Standing Committee on the Scrutiny of Bills.

#### **THE FUTURE BALANCE**

The issue for the Service in this area is the degree to which it can combine the use of the new flexibilities in workplace arrangements with ethical and accountable management.

On the one hand, it is recognised that Agency Heads need the flexibility to engage, deploy and, where necessary, dismiss staff to meet shifting organisational needs and client service challenges in a fluid and changing environment. This environment may increasingly involve a focus on discrete tasks or fixed term projects many of which need specialised skills and may also require the flexibility to react to changes as they occur.

On the other hand, employment under the PS Act 1999 with the resulting legislative requirement for adherence to shared Values, behaviours and professional standards is directly related to the public interest provisions of APS employment that the Australian Parliament wishes to see operating in the Service.

The APS is apolitical, performing its functions in an impartial and professional manner.

*APS Values – Public Service Act 1999.*

The skill with which agencies can integrate those public interest provisions and accountabilities with the need to achieve results, will be a measure of their success in working within the framework embodied in the PS Act 1999.

## **PART 3 THE NATURE OF THE SERVICE**

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THE CHANGING FACE OF THE APS

AGREEMENT MAKING IN THE APS

PERFORMANCE MANAGEMENT AND PERFORMANCE  
REMUNERATION



## THE CHANGING FACE OF THE APS

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Rapid organisational and environmental change has been a theme of each of the two previous State of the Service Reports. Although this change has been particularly rapid over recent years, it has been the feature of the Service for some time and this chapter looks at the impact of that change on the shape of the Service and characteristics of people it employs.<sup>4</sup>

A note of caution is necessary when interpreting the figures in this chapter and elsewhere in the Report, because of the changes in the sources and methods of data collection over recent years:

- all PSMPC statistical reporting on ongoing employees ('permanents') up to 1997–98 was based on data from the Continuous Record of Personnel (CRP), maintained as a by product of the Department of Finance and Administration's payroll data. The CRP did not include data on non-ongoing employees (temporaries). This was collected separately on the basis of 'snapshots' from payroll data;
- 1998–99 was a transitional year as agencies moved to systems which were compatible with the Australian Public Service Employment Database (APSED) maintained by the PSMPC. While some data was still taken from the CRP, other data needed to be collected manually from agencies; and
- the 1999–00 reporting uses APSED data which is drawn from agency human resource management/payroll data supported by annual audits of agency records. It covers all employees.

These changes need to be borne in mind in any over-time comparisons, particularly in recent years. The implementation of APSED will now provide a firm basis for comparative analysis in the future.

### THE IMPACT OF CHANGE

To some extent, 1985 can be seen as a threshold year for reform in the APS. It followed the promulgation of the *Public Service Reform Act 1984*, based on the proposals put forward in the then Government's December 1983 White Paper *Reforming the Australian Public Service*, which introduced a number of significant

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<sup>4</sup> The coverage of the APS is restricted to those staff employed under the *Public Service Act 1999*. Further information on the size and composition of the APS is contained in the *Australian Public Service Statistical Bulletin 1999–00*. The statistics in this chapter and elsewhere in the Report are, unless otherwise indicated, prepared from the same data sources as those in the Bulletin. The conceptual definitions and limitations of the data are set out in the Introduction and Explanatory Notes to that Bulletin. SES data in this chapter for 1999–00 includes those employees in groups 9, 10 and 11 of the approved classifications who are not SES, but who receive a similar level of remuneration.

changes to the APS. These included the creation of the SES, a clearer definition in legislation of the merit principle, the incorporation of employment anti-discrimination provisions, the establishment of a legislative basis for Equal Employment Opportunity (EEO) programs and the provisions for the introduction of permanent part-time work.

The reforms of the following 15 years, culminating in the passage of the PS Act 1999, that have impacted on the size and nature of the Service, include:

- the abolition of many routine clerical and processing tasks due to technological change;
- fundamental reform and simplification of job families and classification structures focusing on multi-skilling and improved development and career opportunities;
- the introduction of legislative and workplace arrangements covering redeployment and retrenchment;
- an increased emphasis on flexibility and responsiveness through the devolution of responsibility to individual agencies and line managers;
- debate on, and redefinition of, the core role of the APS and the transfer of many of its former functions to other sectors;
- the introduction of policies and frameworks for performance management and performance-based remuneration; and
- the integration of the APS workplace into the broader workplace relations framework, including through workplace agreement making as the main means of setting wages and conditions.

Flowing from a number of these changes, the APS has become less self-sufficient as an organisation. While the APS continues to have distinctive core public interest responsibilities, it is also much more integrated with other sectors of industry in terms of sharing ideas, practices and personnel. In addition, the structure of the APS has changed significantly since 1985, when there was a large number of separate employment streams. As a result of classification reform and the outsourcing of non-core tasks, the separate streams have become much more closely integrated, and there is now a single APS stream covering almost all APS employees.

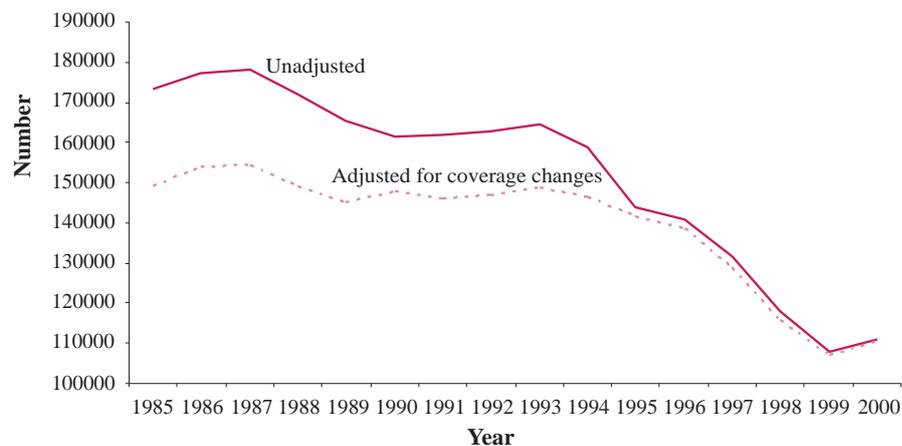
#### **THE SIZE AND COMPOSITION OF THE APS**

The decline in the overall number of staff in the APS over at least the last five years appears to have stopped. At 30 June 2000, the APS had 110 954 ongoing and non-ongoing staff, a slight rise from the number of 108 006 at 30 June 1999. (The number of ongoing employees increased from 96 180 at 30 June 1999 to 100 335 at 30 June 2000.)

While the representation of women in ongoing APS employment appeared to have plateaued in 1998–99, it is on the increase again. It rose from 49.3 per cent at 30 June 1999 to 49.6 per cent at 30 June 2000. Additional information on gender distribution is contained in the companion publication, the Workplace Diversity Report.

Figure 5 shows changes to the size of the APS over the last 15 years. The solid line represents the decline in actual numbers of all staff from 173 444 at 30 June 1985 to 110 954 at 30 June 2000. The dotted line reflects adjustments made for coverage changes and covers those staff employed in functions that were still in the APS at 30 June 2000.<sup>5</sup>

**Figure 5 APS Staff June 1985 to June 2000**

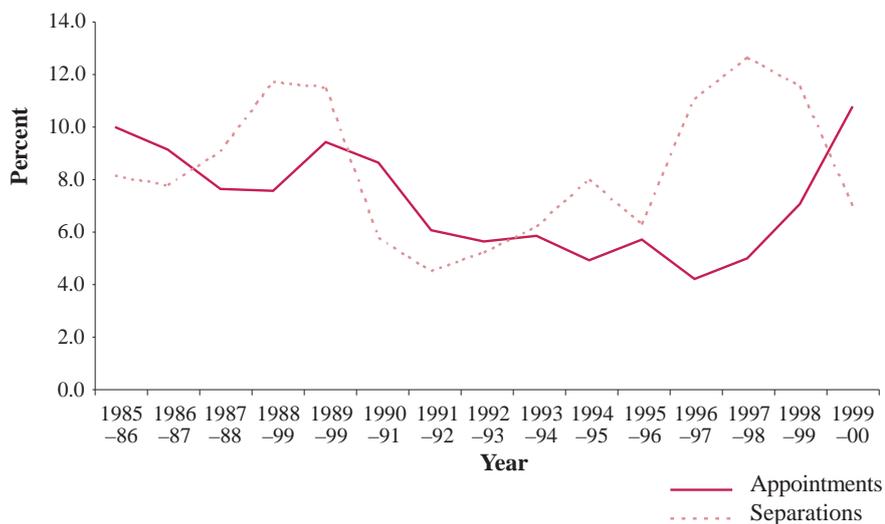


On 1 September 1999, 474 staff of the Australian Government Solicitor (AGS) moved out of PS Act coverage, when AGS became a separate non-APS statutory authority. More significantly, about one thousand staff employed in the Parliamentary Departments moved out of coverage when the PS Act 1999 came into force on 5 December 1999.

Last year's State of the Service Report noted a long term decline in the engagement of, and an increase in separations of, ongoing staff, although it noted that there was evidence that, since about 1997–98, this trend may be reversing. That continues to be the case. Figure 6 shows ongoing engagements and separations as a percentage of all staff for the last 15 years:

<sup>5</sup> Data for previous years is available in the *APS Statistical Bulletin 1999–00*.

**Figure 6 Ongoing Engagements and Separations as a Percentage of Total Staff 1985–86 to 1999–00**

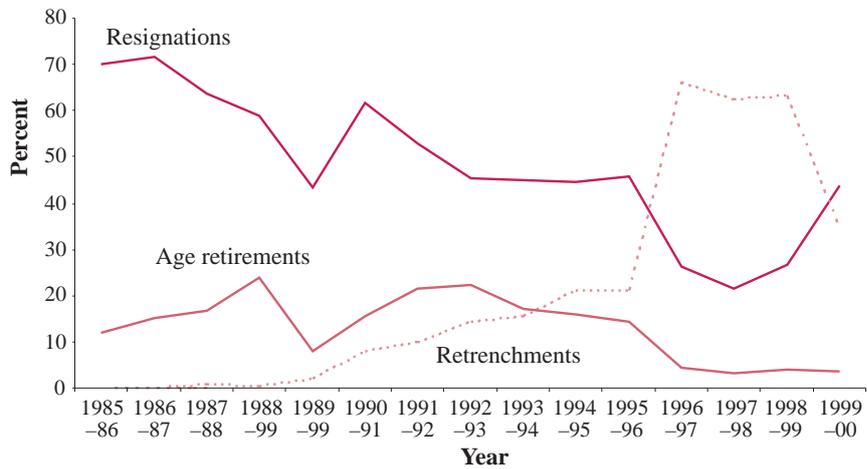


Employment trends for non-ongoing staff are discussed separately in the chapter on Flexibility in Employment Categories.

As figure 6 indicates, there were more ongoing engagements than separations in 1999–00, the first time that this has happened since 1992–93. The actual number of ongoing engagements in 1999–00 was 11 799 (56.5 per cent of whom were women) while there were only 7671 separations. The increase in engagements can be at least partly explained by increased recruitment in the Australian Taxation Office associated with the implementation and management of tax reform.

The *State of the Service Report 1998–99* indicated that, while there had been an increase in retrenchments as a percentage of overall separations over the last 10 years, and while they were still the major cause of separations, this trend showed some signs of reversing. Figure 7, which shows 15 year trends in the main types of separation, confirms this view.

**Figure 7 Selected types of separations, 1985–86 to 1999–00**



In 1998–99, the majority of separations (63.3 per cent) were retrenchments. This has now fallen to 34.6 per cent. Resignations as a proportion of separations have increased to 43.9 per cent and are now the major cause of separations. The proportion of age retirements remains steady.

Women continue to be slightly over-represented in separations, comprising 51.2 per cent of separations of all types, and are over-represented in resignations (54.3 per cent). Unlike last year, however, the majority (52.6 per cent) of retrenched employees were males.

Retrenchments in Centrelink accounted for about 40 per cent of all retrenchments in 1999–00. Retrenchments in the Departments of Defence, Finance and Administration, Agriculture, Fisheries and Forestry—Australia and Health and Aged Care accounted for another 26 per cent. The increase in resignations is more difficult to interpret, but may be at least partially a result of an improving labour market as general unemployment declines and as employees resign to take up work with outsourced providers, particularly in the areas of IT and human resource management.

It may be that the adjustments to the size and functions of the APS which have occurred in particular over the last few years have now stabilised. Whether this proves in fact to be the case depends, in part, on the degree of further outsourcing and on government decisions on the role of government at the federal level.

### Age

The average age of an APS ongoing employee is now noticeably older than it was in 1985. The median age of ongoing APS employees at June 1985 was 33 years (35 years for males and 28 years for females) by comparison with 41 years (43 years for males and 38 years for females) at June 2000.

**Figure 8 Age profile of ongoing staff, 1985 and 2000**

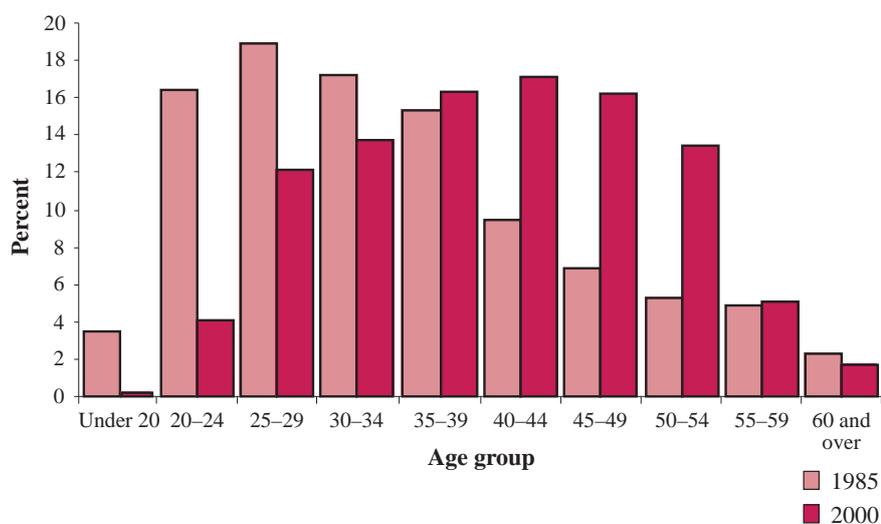


Figure 8 provides a comparative age profile for 1985 and 2000. It shows a very considerable decline in the number of employees under 25 years and a significant increase in the number of employees between 40 years and 54 years. There has been little change in the representation of employees over 55 years.

New entrants to the APS are also now considerably older. The median age of entrants to the APS in 1985-86 was 25 years (26 years for males and 23 years for females). In 1999-00 the median age was 32 years (35 years for males and 31 years for females).

### Classification

**Figure 9 Ongoing staff by classification, 1985 and 2000**

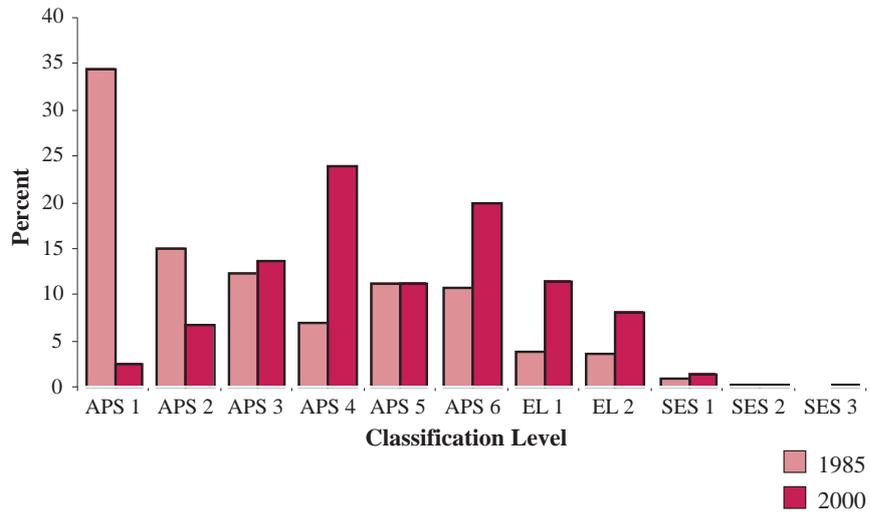
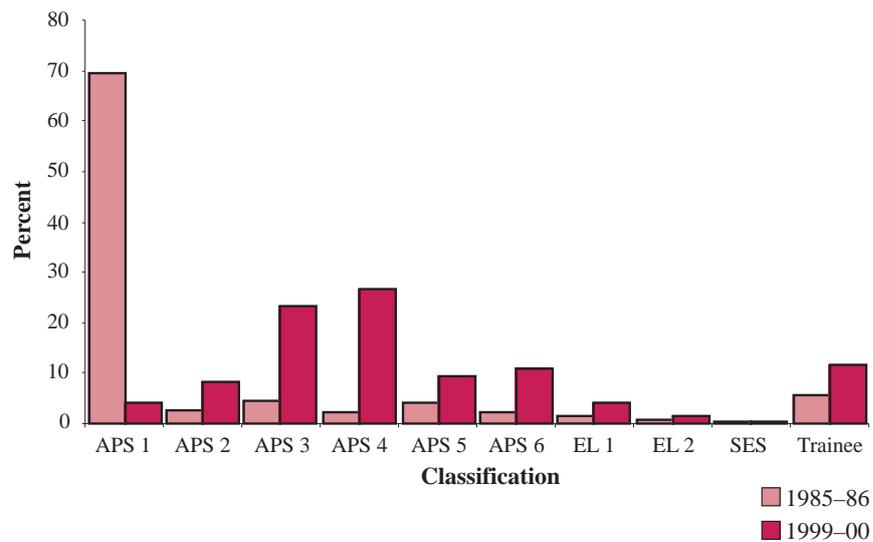


Figure 9 compares the classification levels of ongoing staff in 1985 and 2000. It shows that, in 1985, 68.6 per cent of APS ongoing employees were in jobs equivalent to the current APS levels 1 to 4, compared to 46.8 per cent in 2000. Some 34.5 per cent of all employees were in base level positions equivalent to the current APS level 1 in 1985 whereas, by 2000, this proportion had fallen to 2.4 per cent. Employees in the equivalent of today’s EL 1 and EL 2 jobs made up 7.4 per cent of the APS in 1985, rising to 19.4 per cent in 2000, and 1.2 per cent of APS staff were in the SES in 1985, rising to 1.8 per cent in 2000.

### Recruitment

**Figure 10 Ongoing engagements by classification, 1985–86 and 1999–00**



As figure 10 indicates, the APS in 1985–86 was recruiting overwhelmingly at the bottom of the classification structure. In that year, nearly 70 per cent of all new entrants were recruited to base grade classifications equivalent to the current APS level 1. Only 2.3 per cent of recruits in 1985–86 entered the APS in the levels above the equivalents of the current APS level 6 and only 0.2 percent of these were recruited to the equivalent of the SES.

In 1999–00, by contrast, people were entering at higher classifications and recruitment was spread much more across the classification structure. The most common point of entry was APS level 4, with 26.1 per cent of ongoing recruits entering at that level. Only 4.4 per cent of recruits entered at APS level 1. 10.8 per cent of recruits entered at APS level 6, 6.0 per cent were recruited at EL 1 or 2, and 0.4 per cent entered at the SES level.

Women comprised 53.2 per cent of appointments in 1985–86. This had risen to 56.5 per cent of engagements in 1999–00.

### Length of Service

Interestingly, in 1985, the median length of service of an ongoing APS employee was seven years. By 2000 this had increased to ten years.

Figure 11 Length of Service, June 1985 and June 2000

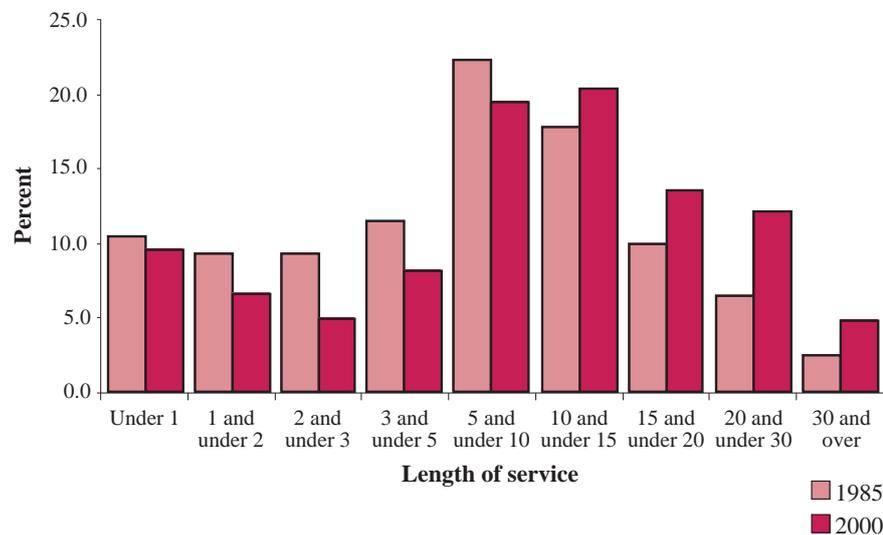


Figure 11 provides a comparative breakdown of length of service for specific periods. These figures show that the percentage of staff with less than 10 years of service has decreased from 63 per cent in 1985 to 49 per cent in 2000. To put it the other way, the percentage of staff with 10 years service or more has increased from 37 per cent to 51 per cent.

### **APS 2000**

In November 1989, the then Public Service Commissioner convened an Independent Working Party to look at demographic and labour force trends in the Australian community, the workforce, the public and private sectors, and the APS itself. The resulting discussion paper, *APS 2000: The Australian Public Service Workplace of the Future (APS 2000)*, attempted to identify the issues and trends which APS managers may need to take into account in present and future workforce planning. It also made some projections about the possible shape of the APS in the year 2000, and some of them relate to the demographics discussed in this section.

APS 2000 predicted continuing reductions of staffing levels, with a likelihood of a staffing profile within the spectrum of zero growth at one extreme to significant reductions at the other. In actuality, from a level of 134 460 in December 1989, there was some fluctuation in staffing levels between 1989 and 1993, followed by a steady decline until 1999–00, at which stage they appear to have stabilised at around 100 000 ongoing employees.

APS 2000 suggested, on the basis of a projection of the APS age-sex profile, that women would hold at least 46 per cent of permanent positions in the APS by 2000. This proportion has changed by slightly more than was predicted, women comprising 49 per cent of ongoing employees by 30 June 2000.

APS 2000 suggested that, by the year 2000, the APS would employ relatively few young people, and that the ‘baby boomer’ generation would represent a disproportionate number of total APS staff concentrated in the older age groups. This has been borne out by the current data but, as discussed later in this chapter, it may not be possible to draw the same conclusion about what this might mean.

### **THE NEW DEMOGRAPHICS**

For many agencies, APS level 3 now appears to be the defacto base level position and, while there is much greater use of lateral recruitment at all levels above APS level 1, APS level 4 is the most popular point of entry. At middle management level, most of the growth has been at the higher level at APS level 6. But the greatest growth overall has been at the EL 1 and 2, the management group immediately below the SES. The number of the SES itself has shown some increase.

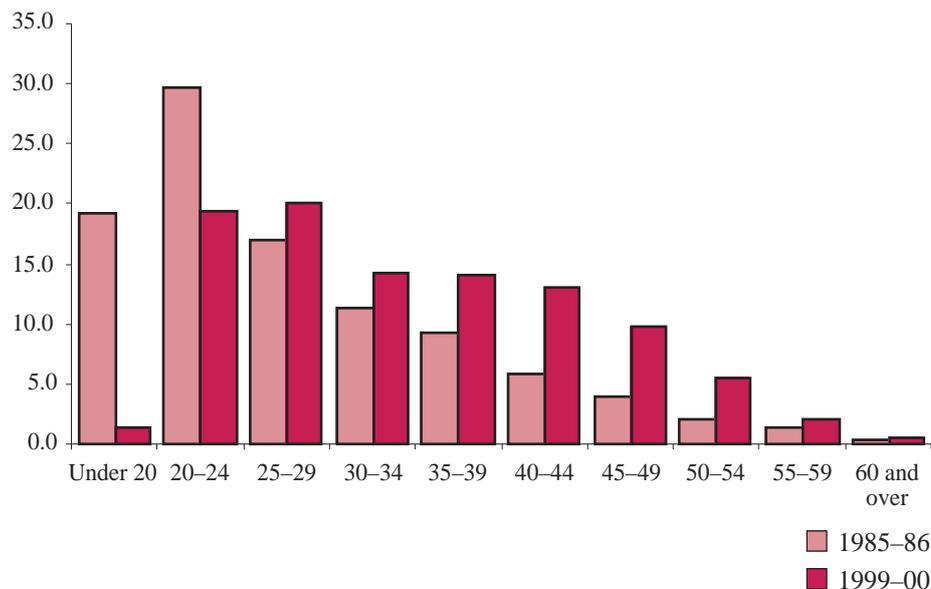
These demographic changes would appear to reflect the environmental, organisational and performance pressures on the APS that have been identified earlier. Overall, the APS has moved from being an organisation which included a fair degree of resource intensive processing work, to one where less of this is being done within the APS. The emphasis is increasingly on middle and senior management skills and responsibilities.

Some commentators have suggested that the changing shape of the APS may be partly attributable to ‘classification creep’, a situation where, for various reasons, staff are being employed at higher classifications than their work really demands. It is argued that this situation may be compounded by the ‘broadbanding’ of classifications, an issue discussed in more detail in the chapter on merit. As that chapter notes, however, while there has been considerable discussion of ‘classification creep’, there is little firm evidence that it is actually occurring. Agencies maintain centrally determined work level standards which provide a framework for allocating responsibilities and work at each classification level.

APS 2000 suggested that a significant loss of experienced staff could be expected between 2000 and 2010 as the ‘baby boomers’ reach the retirement age of 55 years. The 30 June 2000 data shows a general increase both in age and length of service in the APS compared with 1985.

The assumption that there is a uniform career pattern in the APS, and a correlation therefore between age and length of service, may no longer be valid. Figure 12 provides a comparison of the age profiles of new entrants to the APS for 1985–86 and 1999–00.

**Figure 12 Ongoing engagements by age group, 1985–86 and 1999–00**



Apart from the decline in entrants under 25 years, this figure illustrates a considerable increase in the recruitment of older people, with 31 per cent of ongoing recruits in 1999–00 being 40 years or over, compared with 13 per cent in 1985–86. This may be due to a higher length and level of education among recruits but it is also likely to be due to a greater degree of lateral recruitment, particularly at middle management level. But it can no longer be assumed that older employees are also long term employees who have planned retirement at 55 years. The abolition, under the PS Act, of the compulsory retirement age, is also likely to impact on this.

### **FUTURE TRENDS**

These statistics confirm, in many ways, the picture a number of commentators have drawn of an older APS performing more complex and responsible tasks, with steady, if not spectacular, improvements in gender equity. They also, however, suggest some trends that, if continued, may challenge some recent assumptions about the future characteristics of the APS.

First, it may no longer be possible to assume an ongoing decrease in the size of the Service. Numbers appear for the moment to have stabilised and, although the future in this area is dependent on government decisions on the role and function of the Service, predictions by commentators of a few years ago that the size of the APS would decline to 50 000 may have been premature.

Secondly, the data on the changing shape of the APS and its recruitment patterns, means that its ability to provide ongoing employment to people with low level skills or education is becoming increasingly limited.

Thirdly, some of the assumptions underlying our approaches to succession planning raise questions both in terms of the characteristics of the target group and the immediacy of the problem. Both the data discussed here and the figures on SES demography presented in the chapter on leadership raise questions that will need to be considered in more detail.

Some of these questions are, of course, based on very recently observed changes, and will require ongoing monitoring. Future statistical reporting will focus in particular on patterns of service, including age patterns of engagements, and age and length of service patterns of resignations. The latter, in particular, may be of interest to workforce planners.



## AGREEMENT MAKING IN THE APS

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Last year's State of the Service Report noted that certified agreements and AWAs under the WR Act have now become the main means of negotiating wage and conditions outcomes linked to improvements in organisational and individual performance. Agreements provide agencies and employees with the flexibility to develop arrangements aligned with the agency's particular organisational and business goals that will enhance overall performance and efficiency.

The APS focuses on achieving results and managing performance.

*APS Values – Public Service Act 1999.*

At the same time, the agreements are made between employers and employees. Maximising staff potential needs to take account of the culture of the workplace and of the interest and concerns of employees.

The APS establishes workplace relations that value communication, consultation, cooperation and input from employees on matters that affect their workplace.

*APS Values – Public Service Act 1999.*

During 1999–00, many agencies were entering into their second round agreements and interest is growing in analysing the changes that have been made and the benefits that have been gained from the process.

### COVERAGE OF AGREEMENTS IN THE APS

As at 30 June 2000, there were 100 certified agreements covering almost all APS agencies and the Parliamentary Departments.

Forty-four of these agreements were made directly with employees under section 170LK of the WR Act 1996. These cover approximately 25 per cent of APS employees. The remaining agreements were made under section 170LJ of the WR Act, where the agreement is made with one or more employee organisations.

Sixty-five of these agreements were 'stand alone agreements', fully comprehensive agreements that displace awards, Public Service Determinations and previous agreements. This type of agreement covered about 56 per cent of APS employees.

Thirty-two of the 100 active agreements are 'second round' agreements, replacing the original agreements that have expired during the reporting period. Of these, 14 were made directly with employees under section 170LK of the WR Act 1996. Twenty-six of the 32 second round agreements were 'stand-alone agreements'.

The Office of the Employment Advocate's (OEA) figures show that there were 6930 APS AWAs as at 30 June 2000, but this overall figure includes some replacement agreements so there is a degree of double counting. A Department of Employment, Workplace Relations and Small Business (DEWRSB) telephone survey determined that there were 4841 'live' AWAs in the APS as at 31 May 2000 made up of 1584 SES AWAs and 3257 non-SES AWAs. The OEA advises that there were also 182 new APS AWAs in June 2000, but it is not known how many of these were replacement AWAs. These figures suggest that there were close to 5000 'live' AWAs in the APS as at 30 June 2000.

#### **APS REMUNERATION FRAMEWORK**

The last APS-wide pay increase was in October 1996. Since the introduction of decentralised pay arrangements in 1997, agencies have had the flexibility to use the agreement making process to develop their own remuneration policies to attract and retain the skills and attributes they need to meet organisational and business goals. While there is no cap on the pay increases an agency may agree to, there is a broad policy framework, including the Government's *Policy Parameters for Agreement Making in the APS*,<sup>6</sup> within which agencies must operate. This framework provides that:

- increases must be funded from within agency appropriations;
- increases should not result in either increased prices or reduced quality of service; and
- improvements to pay and conditions should be linked to productivity gains since 1996.

#### **MOVEMENTS IN SES REMUNERATION**

DEWRSB commissioned Mercer Cullen Egan Dell to undertake the *1999 SES Remuneration Survey*<sup>7</sup> released in April 2000. The aim of the project was to provide comprehensive data on the remuneration entitlements and outcomes in place for the SES at 31 December 1999. All APS agencies were invited to participate in the

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<sup>6</sup> Available on the Internet at [www.dewrsb.gov.au](http://www.dewrsb.gov.au)

<sup>7</sup> Available on the Internet at [www.dewrsb.gov.au](http://www.dewrsb.gov.au)

survey and 49 agencies, covering 1448 SES employees, responded. These included 109 SES employees from the Australian Government Solicitor and the Parliamentary Departments which are no longer covered by the PS Act 1999. About 95 per cent of the SES as at 31 December 1999 was covered by the survey.

The survey indicated that the median base salary of a SES Band 1 employee in 1999 was \$88 900 and the median total reward was \$127 146. The median base salary of a SES Band 2 employee was \$108 998 and the median total reward was \$153 158. The comparative figures for SES Band 3 employees were \$132 212 and \$187 515 respectively.

The survey also indicated that increases in total remuneration packages for the SES were modest, with increases well below those received by other sectors. For the SES as a whole, the survey found that between December 1998 and December 1999:

- Base Salary (the amount typically received as salary before tax, paid fortnightly) increased by 2.0 per cent median ( 3.9 per cent average);
- Total Remuneration Package (which includes base salary, employer superannuation, employer provided vehicles, other entitlements and Fringe Benefits Tax) increased by 2.4 per cent median ( 3.7 per cent average); and
- Total Reward (total remuneration plus any incentive payments) increased by 2.5 per cent median (3.7 per cent average).

The survey reported that these increases are considerably less than comparable private sector increases and slightly less than that received by State public sector counterparts. The median increase in total remuneration for senior managers across all industries was 5.6 per cent. For the private sector only, the median increase was 5.8 per cent.

The survey findings also indicate that performance-based bonus payments or incentives are now more widely used and are becoming a more important component in the overall package. Between 1998 and 1999, the average incentive payment as a proportion of total reward package rose from 3.9 per cent to 4.8 per cent for an SES Band 1 employee, from 4.6 per cent to 5.1 per cent for an SES Band 2 employee, and from 4.5 per cent to 6.0 per cent for an SES Band 3 employee. By comparison, private sector incentive payments are an average of around 20 per cent of the total remuneration package. (The survey noted that it did not take into account the benefits that might accrue to private sector employees through share schemes.)

Finally, the survey indicated that the range between the minimum and maximum basic salary payable to an SES Band 1 employee increased from an amount of \$13 892 in October 1996 to an amount of \$44 660 in December 1999. The range

for SES Band 2 employees has widened from \$19 361 to \$46 507, and the range for SES Band 3 employees has widened from \$26 643 to \$65 797 over the same period. SES salary ranges have continued to widen considerably across the APS, continuing the trend that has been evident since 1996 with the move away from Service-wide rates.

DEWRSB concludes that the survey results demonstrate that Agency Heads are taking advantage of the flexibilities available to them to set their own remuneration policies and are continuing to take a moderate and responsible approach to remuneration setting within their agencies.

### **NON-SES PAY INCREASES IN APS AGENCIES**

In June 2000, DEWRSB released a report, *Pay Increases in APS Agencies*,<sup>8</sup> that provided an overview of non-SES pay increases since the introduction of agency level bargaining in May 1997. The data is based on information provided by agencies in response to a pro-forma sent out in February 2000. Eighty of the 98 agencies surveyed responded to the pro-forma and, where an agency chose not to respond, data was gathered from the relevant certified agreement and other publicly available information.

In addition to reflecting general pay rises, figures in the report may also include other increases such as those due to moving to new pay points within a broadband or to receiving ongoing base salary increases for effective performance.

The report concluded that:

- the average increase from 1996 to the end of 1999 has been 2.1 per cent per annum. Total increases from the last Service-wide pay rise in October 1996 to the end of 1999 averaged 6.7 per cent; and
- the median agency increase for 1999 was three per cent.

There has been considerable concern that the agency bargaining process would impact adversely over time on small agencies which do not have the same ability to find economies. The DEWRSB survey noted that there is no evidence, at this stage, of a relative disadvantage in pay outcomes where an agency employs smaller numbers of staff. This is an issue, however, that merits monitoring over time.

### **REVIEW AND EVALUATION OF AGREEMENT MAKING IN THE APS**

In December 1999, DEWRSB issued the interim results of a survey research project, *Review of Agreement Making in the APS*.<sup>9</sup> The research was directed towards obtaining information about agencies' perceptions and understanding of agreement making as well as feedback about issues that they are facing in future rounds.

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<sup>8</sup> Available on the Internet at [www.dewrsb.gov.au](http://www.dewrsb.gov.au)

<sup>9</sup> Available on the Internet at [www.dewrsb.gov.au](http://www.dewrsb.gov.au)

Responses to the survey research project suggested that APS agencies viewed it as an initiative that would assist them in improving their performance and organisational effectiveness. Agencies stated their objectives for agreement making as including some of the following:

- complementing the strategic direction of the agency;
- achieving particular management initiatives;
- achieving improvements in wages and conditions;
- tailoring employment conditions to agency business; and
- advancing cultural change within the agency.

According to the interim report, more than 75 per cent of respondents felt that they had 'fully met' their particular agency agreement-making objectives. Agencies were less sure, however, about whether their agreements tailored employment conditions to agency business needs or advanced cultural change.

The second phase, following the interim review, is now underway. It comprises case studies of significant themes in agreement making in particular agencies, including the Departments of Finance and Administration, Foreign Affairs and Trade and Family and Community Services, the Australian Customs Service, Centrelink, and selected small agencies. Although these case studies are not yet finalised, a summary of the initial findings is that:

- a strong, visionary CEO and a committed management team assist in achieving cultural change;
- change programs are a continual learning process for all in the relevant agency;
- managers are, and will increasingly act as, a major channel for two-way communication;
- performance management systems should be matched to the development of agency culture;
- encouraging management and staff ownership of performance assessment and performance remuneration processes is important;
- small agencies are seeking and adapting initiatives to help them 'keep up' with larger agencies; and
- strategies adopted to attract and retain staff vary depending on agencies' immediate and emerging priorities. Non-monetary strategies and rewards such as a good working environment and culture, and training and development opportunities, are equally important in attracting and retaining staff.

## **ANAO PERFORMANCE AUDIT OF CERTIFIED AGREEMENTS**

The Australian National Audit Office (ANAO) Performance Audit of Certified Agreements in the APS<sup>10</sup> provides some important insights into remuneration practices in the APS. The audit is built on the work of the PSMPC and DEWRSB and uses information derived from an all agency survey conducted with DEWRSB in July 1999 together with fieldwork undertaken by the ANAO in ten selected agencies which together employ about 45 per cent of APS staff. The audit examined, amongst other things, wage outcomes in first round agreements, arrangements to measure improvements in productivity, and reporting and accountability mechanisms used by APS agencies to monitor and evaluate the outcomes of their certified agreements. The audit's findings on performance management aspects of agreement making are discussed separately.

The ANAO audit report noted that, of the ten agencies studied in detail, the links between wage increases and overall agency productivity were blurred. It concluded that 'although improvements in agency effectiveness can reflect an increase in agency productivity, they do not necessarily provide tangible savings to fund wage rises or other improvements in employment conditions'.<sup>11</sup> The report also pointed out that most agencies made a general reference to the link between wage increases and productivity improvements but the links were not explicit.

Of the 10 agencies examined in detail, the audit commented that two agencies—Centrelink and the Australian Taxation Office—'not only made wage increases conditional on achieved productivity gains but used their existing corporate goals to measure productivity improvements'.<sup>12</sup>

The audit proposes better practice principles for agreement making and that certified agreements should contain 'specific reference to a measurable improvement in productivity over the life of the agreement and wage increases should be conditional on fulfilling clearly defined pre-conditions'<sup>13</sup>, with robust monitoring and reporting against a benchmark which measures future productivity.

The audit also noted that, 'Although there was no requirement for certified agreements to be fully 'self-funded', the APS-wide survey indicated that efficiency savings and/or productivity improvements were used as a means of funding 97 per cent of APS certified agreements'.<sup>14</sup> However, the audit then noted that in one third of agencies, productivity gains and/or efficiencies were insufficient to meet the costs of wage increases. Efficiency savings were relatively minor and productivity improvements were associated with agency effectiveness rather than

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<sup>10</sup> Australian National Audit Office, Audit Report No.13 2000–01, *Certified Agreements in the Australian Public Service*, October 2000.

<sup>11</sup> *ibid*, p.13.

<sup>12</sup> *ibid*, p.71.

<sup>13</sup> *ibid*, p.69.

<sup>14</sup> *ibid*, p.20 and p.88.

generating savings to meet the costs of certified agreements. ‘The ANAO found that agencies funded their agreements from a variety of sources in addition to those generated by the agreement itself [and] savings from previous staff reductions have been a major contributing factor, although these were not causally linked to agreement making’.<sup>15</sup> The audit noted that this was not unexpected given ‘the high cost of salaries as a percentage of Agency expenses.’<sup>16</sup>

The audit drew attention to a perception in the APS that those agencies unable to fund competitive wage outcomes may experience difficulty in attracting and retaining employees with the capabilities required to meet current or future job and skills needs. The audit concluded that there would be benefit in DEWRSB undertaking an analysis of APS wage outcomes over the longer-term to help identify any trends and enable investigation of any anomalies in this area.

### **IMPLICATIONS FOR THE FUTURE**

It is some three years since the introduction of decentralised pay arrangements in the APS. The data and other findings discussed in this chapter indicate that, while there has not yet been any radical shift in pay and conditions as a result of this move, there are emerging trends, and two issues in particular, that warrant future attention and analysis.

The first issue is whether an agency’s ability to increase wages and conditions depends too much on the agency’s base position prior to the advent of agreement making, or to fortuitous events since that time. Are agencies which went into the process as over-resourced and inefficient, for example, benefiting noticeably over those which were efficient and tightly run at the start of the bargaining process? Do agencies that have, for example, amalgamated functions as a result of administrative re-arrangements benefiting from windfall gain efficiencies over and above those that are returned to general revenue?

On one hand, of course, achieving such efficiencies is a boon for the overall Budget and is part of the impetus for agreement making. On the other, it can lead to inequities in the ability to reward staff. The difficulty in analysing this issue is the lack of objective data by which to judge the base position of agencies and how far their situation prior to agreement making varied from a level playing field.

The second issue is the potential, as noted in the audit, for smaller agencies to fall behind in their ability to set salaries and other conditions when compared with larger organisations with greater resource flexibility. There is a widespread perception that this is occurring, although there is no evidence yet of any relative disadvantage in pay outcomes. As mentioned earlier, this is an issue that will need to be monitored,

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<sup>15</sup> *ibid*, p.21 and p.88.

<sup>16</sup> *loc. cit.*

as not only could it affect the ability of small agencies to recruit and retain the skills they need, but also it could undermine the sense of shared professionalism and expertise that is a core element of the concept of a career Service.

## PERFORMANCE MANAGEMENT AND PERFORMANCE REMUNERATION

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Effective performance management is a key element of the APS Values.

The APS focuses on achieving results and managing performance.

APS Values – *Public Service Act 1999*.

As a generic term, *performance management* in the APS covers the set of interrelated strategies designed to improve the performance of individuals and teams, and so to contribute, more effectively, to the achievement of agency organisational goals and business outcomes.

Effective performance management requires an organisation to have in place a framework that integrates the elements of organisational, business and individual planning and performance. It can involve clarifying performance objectives and linking these with organisational business plans, periodic performance appraisal of individuals or teams against the achievement of these objectives, feedback from this appraisal, recognition or reward for performance, development to build capabilities and counselling, or other action to deal with poor performance.

*Performance appraisal*, performance-based remuneration and *performance pay* are possible building blocks of an overall performance management system.

*Performance appraisal* is a fundamental component of any performance management system and could operate in its own right without being linked to remuneration. It must be seen to be objective, fair and transparent, and agencies must ensure that employees understand the agency's goals, what is expected of them, how their work contributes to the achievement of the goals, and how they have performed against the expectations.

Similarly, the process of linking performance outcomes to performance-based remuneration must be well understood within an agency to be successful. The two most common forms of *performance-based remuneration* adopted by APS agencies are:

- a base salary increase for satisfactory or higher performance, usually in terms of incremental progression through pay points or through a percentage increase; and
- a performance bonus, usually a one-off bonus payment in recognition of higher than satisfactory performance.

Although some confusion has developed from these various terms being used interchangeably, the term *performance pay* has increasingly been used for either a performance bonus or for a system of proportional increases in base salary for higher than satisfactory performance. Systems that link the full base salary increase to the attainment of satisfactory performance can be seen as performance-based remuneration but are not generally seen as denoting a performance pay system.

In the APS, the links between performance management, performance-based remuneration and wage increases flow from a legislative and policy framework.

### **THE LEGISLATIVE AND POLICY BASIS FOR PERFORMANCE MANAGEMENT**

Clause 2.12 of the Directions 1999 gives effect to the APS Value on achieving results and managing performance (PS Act 1999 section 10(1)(k)). Clauses 2.12(1), (e) and (f) requires Agency Heads to establish and conduct a fair and open performance management system that:

- i. covers all APS employees;
- ii. links performance to remuneration and rewards and is linked to Agency organisational and business goals and the maintenance of the APS Values; and
- iii. provides each APS employee with a clear statement of performance expectations and an opportunity to comment on those expectations.

The Government's *Policy Parameters for Agreement Making in the APS* of April 2000 provide a broad policy framework for agreement making within which agencies have flexibility to determine arrangements that are best suited to their needs. Policy Parameter 5 requires, among other things, that effective performance management arrangements guide salary movement.

The slight difference in expression between clauses 2.12(1), (e) and (f) of the Directions and Policy Parameter 5 has led to a suggestion that the two may be in conflict. In order to avoid misunderstanding, therefore, the Public Service Commissioner's Direction 2.12 will be amended to reflect the language of Policy Parameter 5, so ensuring that the two instruments are seen as directed toward the same outcome.

### **PERFORMANCE MANAGEMENT ARRANGEMENTS IN APS AGENCIES**

For the *State of the Service Report 1999–00*, all APS agencies were asked to comment on their progress and experience in establishing a fair and open performance management system. All APS agencies that responded to this question have introduced, or are in the process of introducing, a performance management scheme that complies, or is moving to comply, with the requirements of clauses 2.12(1), (e) and (f).

The findings of the Department of Employment, Workplace Relations and Small Business (DEWRSB) *Review of Agreement Making in the APS*,<sup>17</sup> released in December 1999, concluded that the major feature of first round agency agreements was the introduction of performance management systems (77 per cent). The research confirmed that, while there had been a heightened focus on performance management, there was a significant degree of variation between the features and sophistication of agencies' performance management systems.

Recent reforms and negotiations in the context of second round agreements have encouraged many agencies to review their approaches to performance management. All APS agencies with second round agreements in place as at 3 July 2000 have either refined their existing performance management systems or propose to undertake a major review of their systems during the life of their agreements. While the focus and extent of these reviews have clearly varied from agency to agency, some common themes have emerged. The reviews have resulted in agencies:

- strengthening the links between individual responsibilities and performance and the overall agency corporate and business planning framework;
- making modifications to performance appraisal criteria, rating scales and remuneration arrangements;
- broadening the basis for assessment, including through 360-degree feedback or upward appraisal;
- placing greater emphasis on the development of agreements that target areas for development as an element in individual performance management; and
- making general refinements to administration and processes.

Some agencies have made adjustments to their current schemes in the light of operational experience and feedback. The Department of the Prime Minister and Cabinet, following a review by a consultant and within the context of certified agreement negotiations, has modified its rating scale and performance descriptors. It is also looking at options to simplify the appraisal documentation and is planning to introduce into the performance agreements of all staff with supervisory responsibilities, and all SES staff, a specific requirement that they implement successfully its Performance Appraisal Scheme.

A review of the operation of the Australian Agency for International Development performance planning and review system found that its scheme was considered by staff to be fair and open, and to meet the needs of the agency and individual members of staff. It recommended some organisational changes which have been adopted. These included a tighter link between the key capability requirements identified in

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<sup>17</sup> op. cit.

the agency's People Management Strategy and the critical performance factors in the Performance Planning and Review system, a rating scale in line with the agency's performance increment scheme, and streamlined administration.

Some agencies, on the other hand, have introduced, or are planning, significant change. DEWRSB has implemented a new performance management framework based around regular feedback, individual action plans which identify key business priorities, commitment to the Departmental values, learning and development needs, salary advancement, and a reward and recognition system. The Department of Family and Community Services' Certified Agreement 1999–01 requires the agency to undertake a total review of its existing performance management system, focusing on the effectiveness of performance-based advancement, performance improvement and the fairness and objectivity of the current system.

### **A VARIETY OF APPRAISAL AND REMUNERATION SCHEMES**

Within the overall legislative and policy framework, agencies have the flexibility to adopt an approach to performance management, performance appraisal and performance-based remuneration that suits their labour market, their business goals and their workplace culture. This flexibility, which allows a variety of approaches and strategies across the APS, means that it would be neither easy nor appropriate to develop a uniform model of performance management for all APS agencies. While it is important to consider examples of good practice, it is difficult to construct a one-size-fits-all set of indicators to assess the effectiveness of individual agency arrangements. Often the best evaluation will come from the extent to which agencies are meeting their work goals and from the reactions and responses of staff over time.

Similarly, the speed with which performance-based remuneration or performance pay schemes are being introduced, and their coverage within an agency, depends on agency-specific assessments of how greater effectiveness is achieved.

The Department of Agriculture, Fisheries and Forestry's performance management system provides for salary advancement through pay points for non-SES staff who receive an overall assessment of fully effective or better. While performance-based rewards such as performance bonuses may be given to non-SES staff in the future, the Department aimed first to create a culture of trust where individual work planning, skills development and the regular provision and receipt of feedback are an accepted part of the working environment, before extending the scheme to include performance bonuses.

Centrelink moved gradually to introduce pay based on performance assessment and concentrated on building employee confidence in its appraisal system. Centrelink's second workplace agreement provided for a phase-in period of one year, during which employees were to receive an assessment which did not affect pay, moving to pay advancement based on performance assessment after 1 July 2000. Centrelink has reported that the new system has seen a dramatic improvement in staff acceptance of expectation setting and the provision of feedback.

The Australian Customs Service arrangements, introduced after a trial in all Customs locations in 1998, provide for salary advancement for satisfactory or higher performance of between one and five per cent of base salary. There is no performance bonus arrangement. The Australian Taxation Office arrangements provide for salary advancement of one pay point for satisfactory or higher performance under the general employees certified agreement. For SES and EL 2 employees, however, a three tier performance pay system is in operation.

DEWR's Interim Report on the *Review of Agreement Making* noted that around 20 per cent of agencies had introduced some system of performance bonus. The performance-based remuneration approach adopted by the Department of Finance and Administration (DOFA) relies solely on performance-based bonuses of between two and fifteen per cent.

There are other differences in organisation, operation or approach which reflect individual agency experiences and culture. In the Department of Foreign Affairs and Trade, the Secretary determines the proportion of staff that could expect to receive a rating of 'superior' (never less than 30 per cent), 'highly effective' and 'effective' (around 45 per cent and 25 per cent respectively in 2000–01). The Aboriginal and Torres Strait Islander Commission was particularly concerned to ensure Indigenous input into both the development of its scheme and the development of culturally sensitive and appropriate training and performance management guidelines.

There are a variety of opinions both within and outside the APS about the appropriateness and effectiveness of different forms of performance-based remuneration. The controversy focuses mostly around schemes defined as performance pay, including performance bonuses.

The Secretary of the Department of Defence, Dr Allan Hawke, for example has a scheme of performance-based remuneration in Defence where salary advancement is dependent on achieving a 'satisfactory' rating but he does not favour performance bonuses. He told the Senate Finance and Public Administration References Committee on Australian Public Service Employment Matters on 5 May 2000:

I do not approve of performance pay and do not have it in the organisations in which I am in...merit pay often brings about results precisely the opposite from what is desired: dissatisfaction, discouragement and decreased performance.

On the other hand, DOFA advised the Committee on 23 June 2000 that its performance management and remuneration policy, which includes the opportunity for employees who are competent or better to earn a performance-linked bonus, is contributing to better performance in DOFA as a whole, with over 95 per cent of staff receiving a performance bonus in 1999–00. In its response to the PSMPC, the Department stated that ‘the average level of performance for DOFA has improved. On a 10-point scale we have increased our ratings from an average of 6.45 in 1997–98 to 6.68 in 1999–00.’

A recent staff survey and independent evaluation of the performance assessment scheme of the Australian National Audit Office (ANAO) showed that about 50 per cent of staff believed that the scheme had assisted communication between supervisors and staff, improved work performance by helping staff understand their responsibilities, and helped identify inhibitors and contributors to good performance.

#### **ANAO PERFORMANCE AUDIT OF CERTIFIED AGREEMENTS**

The ANAO’s *Performance Audit of Certified Agreements in the APS*<sup>18</sup> provides some important insights into remuneration and performance management practices. The audit is built on the work of the PSMPC and DEWRSB and uses information derived from an all agency survey conducted with DEWRSB in July 1999 together with fieldwork undertaken by the ANAO in 10 selected agencies which together employ about 45 per cent of APS staff.

A particular issue canvassed in the draft audit report is the perception that some types of performance based remuneration given for satisfactory performance act as a ‘defacto pay rise’. The intention of APS performance-based remuneration arrangements developed in the 1990s was to reward high performing staff. Although acknowledging that progression through pay points is now subject to a more rigorous performance test than in the past, the ANAO audit noted that most agencies are still advancing employees’ salary by one pay point annually simply for ‘meeting the requirements of the position’.<sup>19</sup>

A focus of the ANAO audit is on increasing the rigour with which agencies set, manage and allocate goals, outcomes and rewards under a performance management framework. It also recognises, however, that agencies have the flexibility to develop performance management agreements that suit their own operating environment.

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<sup>18</sup> Australian National Audit Office, op. cit.

<sup>19</sup> *ibid.*

The audit report makes the fundamental point that, whatever decision an agency makes about its performance remuneration and reward system, the decision should be an informed one, based on the particular needs and environment of the agency.<sup>20</sup>

### **REMUNERATION OUTCOMES AND ACCOUNTABILITY**

The *State of the Service Report 1998–99* noted, among other things, that the link between performance-based remuneration and performance assessment must clearly be understood by staff and seen to be fair. This is particularly important in a performance management system that provides considerable opportunity for differential remuneration and rewards. The ANAO audit of certified agreements noted that, in some agencies, performance-linked remuneration increases that staff were eligible to receive were significant and sometimes greater than the wage increases included in certified agreements.

A major issue for the effective implementation of performance-based remuneration is balancing the overall requirements of fair and transparent outcomes with the privacy rights of individual staff. The Treasury makes available to all staff aggregated data on the outcome of each performance appraisal round and information on the percentage of staff who have moved to each pay point within its broadbanded structure. Similar data on SES performance outcomes is also available and is readily accessible to all staff on the Treasury intranet.

The issues of openness and accountability in relation to the negotiation of AWAs were raised during hearings of the Senate Employment, Workplace Relations, Small Business and Education Legislation Committee on 3 May and 14 August 2000. During those hearings, the Employment Advocate responded to requests from a member of the Committee to provide, *inter alia*, a copy of the full report of a recent case study into the use of AWAs and copies of the first 100 AWAs. At the hearing of 3 May, the Employment Advocate agreed to provide the material under the provisions of the *Parliamentary Privileges Act 1987* on the understanding that he would not be breaching section 83BS of the WR Act

The Employment Advocate then wrote to the Senate Committee on 9 May indicating that it was not appropriate for the Office of the Employment Advocate to provide the Committee with copies of the individual agreements or the names of employers with AWAs. He indicated that disclosure would be counter to the intent of the WR Act. At the hearing on 14 August, he reaffirmed his views and the rationale for the secrecy provisions of section 83BS of the WR Act.

The Employment Advocate agreed, however, to consider ways in which to provide information on AWAs to the Senate Committee without disclosure of identities.

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<sup>20</sup> *ibid*, p.130.

Subsequently, in September 2000, the Employment Advocate announced his intention, under section 83BT of the WR Act, to publish a sample of 100 AWAs in the near future in a way that will not identify the parties to the AWAs in question. He indicated that this would be a representative sample that would reflect the spread of AWAs by industry type and size of employer and would include some APS AWAs.

The ANAO audit pays particular attention to the monitoring and reporting of performance-linked remuneration, stressing its importance both for internal management purposes and for external accountability to Parliament. It also notes that the Senate Finance and Public Administration Committee has raised, as part of its inquiry into APS employment matters, the issue of accountability to Parliament regarding the results of performance assessment processes in agencies and the amount of performance-linked remuneration received by employees. The audit suggests that there would be benefit in DEWRSB and the PSMPC consulting with relevant Parliamentary Committees with a view to developing a set of agreed measures that capture relevant information in relation to performance assessment and performance-linked remuneration in an appropriate and cost-effective manner.

#### **FUTURE ACTION**

Ongoing good practice suggests that the most effective approaches to planning and managing performance in the APS are those that clearly identify specific performance expectations and bring together people, processes and outcomes by:

- aligning individual, team and corporate planning and strategies with corporate goals, values and behaviours;
- aligning individual and team performance with achievement of agency outputs;
- ensuring that performance management is integrated into overall people management strategies and into individual learning and development plans to meet current and future skills needs;
- linking individual performance appraisal with salary movement, and the management of poor performance in a way that is seen to be objective, fair, transparent and properly documented;
- including review mechanisms to assess the impact of performance management processes; and
- measuring work group performance against the achievement of agency outputs so that these can be reported to government.

The role for central agencies, in responding to the overall concerns raised by the ANAO and by other stakeholders, is to encourage a more rigorous and integrated approach to performance-based remuneration while preserving agency flexibility.

## **PART 4 ACCOUNTABILITY**

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CONDUCT IN A NEW ERA

DATA MANAGEMENT AND ACCOUNTABILITY

FINANCIAL MANAGEMENT



## CONDUCT IN A NEW ERA

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One of the important outcomes of the introduction of the PS Act 1999 has been to increase awareness of public servants' standards of conduct.

First, the PS Act 1999 contains the text of the Code of Conduct (section 13) and gives it clear legislative effect. Second, the Act requires Agency Heads (including Heads of Executive Agencies and Statutory Agencies) and certain other statutory office holders to comply with the Code in the same way as APS employees. Third, there is a requirement that Agency Heads must establish procedures for determining whether APS employees have breached the Code of Conduct and there are provisions for determining whether breaches of the Code have been committed by Agency Heads. Together, these mean that there is a common set of standards that apply across the APS, including at the highest level, that provide the basis for determining whether conduct standards are being met.

The Code serves a number of other purposes as well, such as providing the basis for making whistleblowing disclosures and, in some cases, for seeking a review of actions. It also requires employees to give effect to the APS Values.

*The APS has the highest ethical standards.*

*The APS is apolitical, performing its functions in an impartial and professional manner.*

*APS Values – Public Service Act 1999.*

As well as having a continuing interest in the management of conduct under the new framework, this year's Report focuses on three issues on which the Code of Conduct impacts: the receipt of gifts and other benefits; working with contractors; and the maintenance of proper standards of workplace behaviour in the use of new technologies including e-mail, the Internet and intranets. There are also two ongoing issues that have been commented on in previous State of the Service Reports: fraud and whistleblowing.

### RECEIPT OF GIFTS AND OTHER BENEFITS

Key aspects of the APS Values and Code of Conduct are integrity and impartiality. Offering, giving or receiving gifts and other benefits inappropriately can

compromise these standards. With the increase in outsourcing and consultancies, public servants are working more closely with the private sector and so may be more frequently exposed to offers of hospitality and other benefits.

On this matter, the Code of Conduct is clear:

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.

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.

*APS Code of Conduct – Public Service Act 1999.*

Most agencies have in place a policy on dealing with offers of gifts and other benefits. Some are relying on policies that have been in place for some years, although most say that they will be reviewing their policies in the light of the PS Act 1999. Many agencies have already undertaken this work. As the environment in which the APS is working is constantly changing, it is important that these policies be reviewed regularly.

Agencies' policies range in form from a broad discussion of the issues to be considered, to the detailed procedures to be followed. They draw on PSMPC advice such as the *Guidelines on Official Conduct of Commonwealth Public Servants*<sup>21</sup> and circulars, for example, about policies on the use of frequent flyer points.

A few agencies prohibit the acceptance of any gifts or other benefits by staff. The Administrative Appeals Tribunal, for example, has a policy that no gifts or benefits are to be accepted by any staff for any reason, irrespective of value.

Most agencies, however, allow staff to accept gifts or other benefits in particular cases. The receipt of gifts up to a certain value may be permitted where it is in the nature of a souvenir or memento of an occasion.

Exchanges of gifts in the context of overseas visits are sometimes differentiated from personal gift-giving in view of the protocols that may be involved in

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<sup>21</sup> Public Service Commission, *Guidelines on Official Conduct of Commonwealth Public Servants*, Canberra, 1995.

government-to-government exchange. In such cases, gifts that are accepted on behalf of an organisation remain with that organisation.

The following are three examples of approaches amongst agencies:

- employees of the National Museum of Australia are not to accept personal gifts or benefits. However, where declining a gift would be inappropriate (for example, from visiting diplomats), the gift may be accepted but must be declared to the Director (who decides its future);
- National Crime Authority staff are permitted to retain ‘memorabilia’ type gifts from other agencies to a value not exceeding \$50 wholesale; and
- the National Native Title Tribunal has special protocols in place for accepting gifts or benefits from Indigenous stakeholders to respect differences in culture, and for making appropriate gestures or responses to promote client relations positively. The written permission of the Registrar must be obtained before a gift or benefit may be accepted.

Several agencies make it clear that staff must not seek out gifts or benefits. ScreenSound Australia’s Code of Ethics provides that staff should avoid situations which could be construed as an abuse of professional position, including acceptance of personal gifts or rewards beyond conventional hospitality or trivia.

Declaring receipt of gifts and other benefits does not in itself justify their acceptance. Before any gift is accepted, the employee receiving the gift must determine—and be able to justify to others—that the gift does not give rise to a conflict of interest and cannot be perceived as such by a reasonable outside observer. Staff must also be alert to offers that may not at first be recognised as a gift or benefit. Offers of hospitality or travel, for example, to view the facilities of a provider, may lead to an expectation of future favours and so should be treated with caution. Often the divide between private benefit and public benefit is not easy to make. Finally, registers of gifts should be able to withstand scrutiny and reasonable access to such registers should be provided.

It is important for agencies to take specific actions to raise awareness of their policies and to enforce them. This can be done through, for example, specific awareness raising training, regular notices on intranets, wall posters and interactive learning technologies.

Some agencies seek to limit the opportunities for staff to be compromised by outlining to clients the behaviour expected of them. In particular, agencies may ask clients not to offer gifts or inappropriate benefits. The Department of Agriculture,

Fisheries and Forestry's (AFFA) client service charter, amongst other things, seeks assistance from its clients by requesting that they not offer AFFA staff any inducement, or seek any improper preferential treatment. The Departments of Defence and of Immigration and Multicultural Affairs provide similar advice to their clients and stakeholders.

Having clear guidance on how to deal with offers of gifts and other benefits is likely to increase in importance as more staff deal with commercial entities (for example, through competitive tendering and contracting initiatives) and the potential conflicts of interest that that may involve. In this area, in particular, it is vital that senior employees have a consistent understanding of the issues and their role in modelling appropriate behaviour. Anecdotal evidence suggests that this understanding is variable and it is an area where leadership is vital. The PSMPC will shortly publish revised guidelines on official conduct and these will include an expanded section on receipt of gifts and hospitality.

#### **WORKING WITH CONTRACTORS**

An issue having increasing impact on APS management is the relationship between APS staff and contractors or outsourced providers. APS staff are bound by the Code of Conduct in their dealings with contractors. It is important to ensure that staff are aware of this and also to make clear the extent to which an agency's contractors are expected to behave in accordance with the Code of Conduct and the Values.

The Department of the Prime Minister and Cabinet's personnel guide, *Working with the Code of Conduct*, requires that all dealings with contractors are able to withstand public scrutiny in terms of fairness and equity and that there is no real or apparent conflict of interest. The guide also refers to further sources of information for staff working with contractors such as the PSMPC's publication, *Outsourcing: Human Resource Management Principles, Guidelines and Good Practice*,<sup>22</sup> and the Department of Finance and Administration's *Competitive Tendering and Contracting: Guidance for Managers*.<sup>23</sup>

The Department of Health and Aged Care (DHAC) runs an internal ethics awareness program that includes discussion about contract management. Following the Australian National Audit Office (ANAO) report, *Magnetic Resonance Imaging Services—effectiveness and probity of the policy development processes and implementation*,<sup>24</sup> the Secretary issued a new Chief Executive Instruction on conflict of interest which is being widely promulgated to staff. The instruction covers not only the issues related to dealing with contractors, but also issues relating to dealing with regulated industries, and other areas of actual or perceived conflict of interest.

<sup>22</sup> PSMPC, *Outsourcing: Human Resource Management. Principles, Guidelines and Good Practice*, Second edition 1998.

<sup>23</sup> Department of Finance and Administration, *Competative Tendering and Contracting: Guidance for Managers*, March 1998.

<sup>24</sup> Australian National Audit Office, Audit Report No.42 1999–00, *Magnetic Resonance Imaging Services—effectiveness and probity of the policy development processes and implementation*, May 2000.

It requires all employees, and all committees set up by the Department, to address carefully and frequently the question of conflict of interest.

Many agencies have a specific focus on training as part of their policy. The Australian Geological Survey Organisation (AGSO) is in the process of making all staff aware of the standard of behaviour expected of them in dealing with contractors, including in its supervisor/manager training, and all employees, along with contractors, are being put through an induction program that includes discussion of the standards required of all people on AGSO's premises.

The Department of Education, Training and Youth Affairs has a comprehensive system of training and support for employees negotiating contracts or engaging consultants/contractors. Standards of behaviour when dealing with contractors are addressed as a part of this system. IP Australia has conducted Purchasing Awareness and Ethics training courses to ensure that employees are aware of the standards of behaviour required when dealing with other staff and contractors. The Office of the Commonwealth Ombudsman includes standards of behaviour expected when dealing with contractors as part of the usual on-the-job training when staff commence working in the Office.

In response to requests from agencies, the PSMPC has established contract management development programs that address standards of behaviour in dealings with contractors as well as general probity and ethical issues in contract management.

The Office of the Employment Advocate (OEA) and Comcare have addressed the standards of behaviour and accountability in relation to working alongside contractors and outsourced providers. They expect their staff to exhibit the same standards of behaviour when dealing with contractors as they do with other employees or clients.

Another aspect of the relationship with contractors is the standard of behaviour they must exhibit. The APS is accountable for all aspects of a contractor's performance and agencies will need to consider including provisions in contracts that spell out clearly the standards of behaviour that are expected and the penalties for non-compliance.

PSMPC uses a standard clause requiring consultancy contractors to be aware of, and understand, the APS Values and Code of Conduct and to provide the services in a manner consistent with the APS Values and Code of Conduct. The Department of Foreign Affairs and Trade (DFAT) issued a notice in December 1999 requiring contract managers to ensure that contracts contain an enforceable provision that

contractors conduct themselves as if they were APS employees and in accordance with the Department's *Code of Conduct for Overseas Service and Security Instructions*.

### **ETHICAL ELECTRONIC COMMUNICATION**

Employees in most agencies have desktop access to e-mail and the Internet. Concerns about the potential for misuse, which have recently become more prominent, centre on:

- inappropriate conduct of employees;
- increasing costs;
- reduced productivity, which in turn is related to quality of supervision and performance management;
- legal liability and the reputation of agencies; and
- the tension between some employees' expectations that their communications are private and the organisation's obligations to provide a safe and healthy workplace.

It is evident that APS agencies are aware of the issues involved and are putting in place arrangements designed to maintain appropriate standards in the use of electronic communication. Agencies' responses on this issue were more substantial than those for other areas on which they were questioned.

Nearly all agencies have developed, or are developing, guidelines or instructions on using e-mail and the Internet. These vary in detail which is, in part, a reflection of the different level of risk agencies assess as being associated with electronic communication, but generally refer to the APS Values and Code of Conduct and set standards for use and the implications for employees for misuse. Other common measures include one or more of the following:

- a requirement for staff to agree to a code of use or to sign an Internet use agreement prior to being granted access to the system;
- specific briefings or training for staff, including at induction sessions, often before they are granted access to the Internet;
- the user's agreement to abide by the agency's guidelines required at each login or access to the Internet;
- prominent display of code of practice when logging on, or on the intranet home page;

- guidance documents on the intranet;
- regular reminders in staff bulletins or newsletters;
- electronic scanning, monitoring and auditing of Internet and e-mail use for inappropriate sites, images and language; and
- secure storage of information gathered during surveillance so that it can be vetted by designated staff and/or used in any judicial proceedings.

The Australian Agency for International Development's (AusAID) policy and guidelines are circulated to staff and state that computing resources are to be used primarily for business purposes. Some incidental and limited private use is allowed, but must not interfere with the work of the user or others, or consume resources needed for AusAID business. Access to systems, including e-mail and the Internet is granted at the discretion of Section Heads and system owners, based on their judgement of the fulfilment of business needs, the sensitivity of the information involved, relevant legislation, contractual obligations and the risk of damage to, or loss or compromise of, the particular IT resource or information. At all times, use (whether business related or private) must be in accordance with the law, comply with all AusAID's official instructions and guidelines, and be in accordance with the Code of Conduct.

The standards outlined in the Department of Employment, Workplace Relations and Small Business' IT guidance are reinforced during Fraud Awareness training sessions that are available to all employees. To provide assurance that the ethical standards are being adhered to, the IT Services Group monitors the use of the Internet and e-mail and any allegations of serious misuse of these facilities are reported to the National Investigation Unit. Investigations have revealed a very small number of employees who have sent inappropriate e-mail and/or have viewed inappropriate Internet sites. Remedial action has been taken to reinforce the inappropriateness of this behaviour.

The Department of Transport and Regional Services' (DoTRS) revised *Internet and E-mail Usage Guidelines* allow a small amount of personal use provided that it does not intrude on business activities and that the use is compliant with the APS Code of Conduct and APS and DoTRS Values. It empowers staff to exercise judgement while ensuring that appropriate management controls exist in the form of guidelines that are clear, simple, user-friendly, transparent (everyone knows they exist and what they cover), and participatory (people accept responsibility to do what is ethical and do not rely on others to do it for them or check they did it correctly). The guidelines are supplemented by information sessions to discuss issues.

The Australian Industrial Registry asks individuals to make a formal, conscious effort toward appropriate use of electronic communication. Its individual team member plans require team managers to address how they will manage their team's use of the Internet, consistent with the APS Values and Code of Conduct. Team members are asked to address the question 'Do I understand the Internet Guidelines, my responsibilities and the terms on which I access the Net and e-mail?'

Some smaller agencies, such as the Commonwealth Grants Commission, find that their size and collegiate management approach greatly assist in promoting appropriate behaviours, and that less formal approaches are appropriate. Other smaller agencies, such as the PSMPC itself, prefer a more formal approach, for example, asking staff to sign an Internet access agreement before access is permitted.

One aspect of guidance that appears in many cases to be neglected is the action that staff should take when they receive an inappropriate communication. The Australian Competition and Consumer Commission is attempting to address this through developing guidelines and mechanisms so that staff can deal appropriately with vexatious e-mails, in particular, harassing or slanderous e-mails.

There is some evidence that agencies are increasingly using information technology features such as filtering, site access restriction or site monitoring software. These impede inappropriate use of electronic communication systems by limiting certain types of material that can be sent or received by e-mail or accessed on the Internet. The Family Court, for example, has software attached to its Internet gateway that checks for inappropriate words or phrases, both incoming and outgoing. The Court is able to trap and block the transmission of e-mail, particularly incoming, that it considers to be inappropriate. AFFA has implemented a commercially maintained site filter which prevents access to specified categories of Internet sites and which alerts staff automatically to the Code of Conduct when access to these sites is attempted. The ANAO has also installed similar software on its small number of computers dedicated to Internet use.

It is unclear, however, whether agencies have given full consideration to the range of issues involved, including:

- the standards that should be applied in determining what is 'appropriate' for individuals to access on the Internet or e-mail;
- the degree to which productivity may be affected by e-mail and Internet usage; and
- whether employees have been made aware in an appropriate manner that their e-mail and Internet usage is being monitored.

The APS is openly accountable for its actions within the framework of Ministerial responsibility to the Government, the Parliament and the Australian public.

*APS Values – Public Service Act 1999.*

Centrelink has reported that it is providing advices on the appropriate use of Centrelink facilities (including the possible ramifications of misuse) to all employees on a regular basis via e-mail. Employees are advised that users should not have an expectation of privacy in anything they create, store, send or receive on the system and that Centrelink will monitor e-mail messages both incoming and outgoing for size and content.

In March 2000, the Privacy Commissioner issued guidance for agencies on establishing policies in this area.<sup>25</sup> The main elements of the Privacy Commissioner's Guidelines are:

- the policy should be promulgated to staff and management should ensure that it is known and understood by staff. Ideally the policy should be linked from a screen that the user sees when he or she logs on to the network;
- the policy should be explicit as to what activities are permitted and forbidden;
- the policy should clearly set out what information is logged and who in the organisation has rights to access the logs and content of staff e-mail and browsing activities;
- the policy should refer to the organisation's computer security policy. Improper use of e-mail may pose a threat to system security, the privacy of staff and others, and the legal liability of the organisation;
- the policy should outline, in plain English, how the organisation intends to monitor or audit staff compliance with its rules relating to acceptable usage of e-mail and web browsing; and
- the policy should be reviewed on a regular basis in order to keep up with the accelerating development of the Internet and IT and should be re-issued whenever significant change is made.

DHAC has established an Arbiters Group to review e-mail for its appropriateness and to advise on issues including education and action on policy breaches. This supports the Department's three-pronged strategy which includes:

- a Chief Executive's Instruction giving effect to its Departmental Information Technology and Telecommunications (IT&T) Security Policy and the associated Electronic Messaging Policy;

<sup>25</sup> The Privacy Commissioner, *Guidelines on Workplace E-mail, Web Browsing and Privacy*, (30/3/2000), available on the Internet at [www.privacy.gov.au](http://www.privacy.gov.au)

- an ongoing education regime to ensure employees are aware of their rights and responsibilities when using any electronic communications; and
- active monitoring of e-mail and of Internet usage.

Some instances of inappropriate use of electronic communication during the year have been reported by agencies. Agencies' responses show a range of approaches in accordance with the particular circumstances ranging from giving advice to the staff concerned to formal counselling, misconduct action and, in one agency, termination of employment.

As the Migration Review Tribunal has pointed out, this is clearly a problematic area. The Tribunal has taken the view that it is very difficult to prescribe every possible improper scenario and ultimately employees must be given relatively broad guidance in relation to what constitutes improper behaviour.

The essential requirements are for a policy to be established, guidelines to be given and staff to be made aware of what is expected and the sanctions involved in misuse.

## **FRAUD**

Last year's State of the Service Report reported that the Commonwealth's Fraud Control Policy, which applies to all agencies subject to the *Financial Management and Accountability Act 1997* (the FMA Act) and to agencies subject to the *Commonwealth Authorities and Companies Act 1997* (the CAC Act) where they are 50 per cent budget funded, was being revised and that a draft had been circulated for consultation in June 1999. This consultation has continued during 1999–00, and it is expected that a revised policy will be released in 2000–01.

In the meantime the ANAO reported in June 2000 on a survey it had undertaken of fraud control issues and arrangements in APS and other Commonwealth agencies subject to the FMA and the CAC Acts.<sup>26</sup> Issues covered in the survey included the definition, nature and level of fraud in agencies, fraud control policies and plans, risk assessments and training and awareness raising activity. One hundred and fifty agencies were surveyed, and the ANAO reported an 83 per cent response rate.

The ANAO concluded that the majority of APS agencies had a framework in place that contained key elements for effectively preventing and dealing with fraud in line with Commonwealth policy, although fraud control frameworks themselves varied. In a number of areas, however, a significant proportion of agencies did not have appropriate fraud control arrangements in place. In particular, the survey results highlighted that many agencies (about one third) had not undertaken a recent risk assessment to identify existing risks and those emerging as a result of a changing environment and changing methods of service delivery. As well, a number of

<sup>26</sup> Australian National Audit Office, Audit Report No.47 1999–00, *Survey of Fraud Control Arrangements in APS Agencies*, June 2000.

agencies had not developed fraud control plans which meant, in the case of agencies covered by the FMA Act, that they were not meeting the requirements of that Act.

The audit also emphasised that the nature of fraud is changing as the APS adopts new approaches to delivering government services and as it makes greater use of e-commerce, including the Internet. The audit points out that, to allow for a better understanding of the type and scale of response needed to control fraud, agencies will need to make a greater effort to define and measure fraud.

## **WHISTLEBLOWING**

Section 16 of the PS Act 1999 provides protection from victimisation and discrimination for employees who make a whistleblowing disclosure to an authorised person, reporting a breach (or alleged breach) of the Code of Conduct. The Public Service Regulations 1999 require Agencies to establish procedures for handling whistleblowing reports by employees to ensure that the allegations are dealt with fairly.

Agencies, responses indicate that the number of whistleblowing reports remains low.

The Public Service Commissioner completed her investigation of one case, referred directly to her during 1998–99. Five other matters were referred directly to the Public Service Commissioner during 1999–00, and one directly to the Merit Protection Commissioner. None of these reports met the requirements (set out in the Regulations) for investigation as whistleblowing.

In addition to whistleblowing procedures, some agencies have internal arrangements to encourage the reporting of problems. DFAT, for example, encourages ‘public interest disclosures’. Defence noted that it:

...has had in place a definition of whistleblowing and measures for dealing with whistleblowing reports. The concept and implied definition of whistleblowing in the new Act is considerably different from the definition used by Defence and this presents problems in accurately reporting whistleblowing statistics in terms of the legislation. Arrangements that better reflect the correct categorisation of whistleblowing reports in terms of the provisions of the Act will be developed during the 2000–2001 financial year.

The Australian Tax Office (ATO) has a number of avenues through which employees can make disclosures including to the Official Conduct Team, the Fraud Prevention & Control Unit, to *ATOconcern*,<sup>27</sup> and to employees’ own business line managers.

The whistleblowing provisions are relatively new and will be kept under review for future State of the Service Reports.

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<sup>27</sup> *ATOconcern* is an independent and confidential service within ATO to help ATO employees deal informally with any issues or concerns they may have with the Tax Office. Issues raised with *ATOconcern* have the capacity for referral to the Commissioner personally, if they cannot be satisfactorily be resolved.

### **A CENTRAL PUBLIC INTEREST PROVISION**

As the environment in which the APS works becomes more complex, the need to reinforce to staff the importance of the Code of Conduct takes on even greater importance. It is the APS that is accountable for its own behaviour and for that of other people carrying out functions on its behalf. APS staff will, therefore, have to be very clear about what the Code of Conduct means and be skilled in contract management to ensure that services are delivered in a manner consistent with the APS Values and Code of Conduct. This will require both leadership and clearly expressed and explained guidance so that staff understand the application of the Code of Conduct in their particular work environment.

## DATA MANAGEMENT AND ACCOUNTABILITY

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The use of IT by APS agencies to collect, maintain, coordinate and exchange data has, potentially, a major role to play in maximising the performance of the APS, including its performance in the delivery of government services.

The APS focuses on achieving results and managing performance.

The APS delivers services fairly, effectively, impartially and courteously to the Australian public, and is sensitive to the diversity of the Australian public.

*APS Values – Public Service Act 1999.*

The collection of data is also central to the accountability obligations of the Service.

The APS is openly accountable for its actions, within the framework of Ministerial responsibility, to the Government, the Parliament and the Australian public.

*APS Values – Public Service Act 1999.*

The storage and dissemination of this data, however, carries its own responsibilities. The *Privacy Act 1988* provides a general framework for the handling of personal information on employees and clients by APS agencies. It is complemented by the *Freedom of Information Act 1982* and the *Archives Act 1983*, which also cover various aspects of access to, and storage of, personal information. In addition, individual agencies may be covered by specific legislation in relation to the data they collect and maintain.

The effective maintenance and storage of data on staff, clients, contractors and tenderers has long been an issue for the APS. The current environment presents two particular challenges in balancing the efficient use of data with the accountability requirements of the APS Values, the Privacy Act and other legislation. These are:

- the increasing use, on grounds of efficiency and effectiveness, of non-APS (including private sector organisations) to deliver services to, and on behalf of, the Commonwealth; and

- decisions made by agencies, as a result of market testing, to outsource the management of their payroll, personnel processing and other HR functions.

### **APSED AND THE STORAGE OF INFORMATION ON APS EMPLOYEES**

The *State of the Service Report 1998–99* noted the impact of the new devolved framework on:

- the development by agencies of new HR systems which will enable them to manage pay processes that were previously managed centrally by the Department of Finance and Administration (DOFA); and
- the development by the PSMPC of APSED to replace the CRP that was maintained for many years by DOFA and drawn from the centrally managed pay system. The Office for Government Online's (OGO) specifications for the providers of the agency HR systems required that they be capable of providing data electronically to APSED.

The direct ongoing transfer of data from agencies will, when APSED is fully operational, provide the PSMPC with a much greater capability to produce accurate and timely data on trends in the size, structure and composition of the APS. This will enable the Public Service Commissioner to meet accountability reporting responsibilities more effectively through the State of the Service series of reports and will assist broader research and evaluation work on the changing composition and nature of the APS. It will also enable the PSMPC to provide whole-of-Service data to agencies for comparative and planning purposes.

The transfer of agency data to APSED has taken considerably longer than was first envisaged and there are lessons to be learnt about contracting. Firstly, there were very real questions about the capacity of the various software providers to deliver their products—they were slow, apparently because they did not assign sufficient resources or priority to the task. On the other side, performance management was less than optimal because neither OGO which produced the specifications for, and had an oversight role with respect to, the suppliers, nor the PSMPC which was the end user of the output of the software, had a contractual relationship with the suppliers and could enforce performance requirements. Agencies might have done this but were engaged in the introduction of a range of software and configuring the data and loading the software for APSED was one of a number of competing priorities.

The introduction of APSED raised privacy concerns in some agencies, perhaps because staff did not appreciate that the data has been collected for many years through the CRP. The PSMPC therefore produced advice, *Your privacy and the*

*Australian Public Service Employment Database (APSED)*,<sup>28</sup> which it suggested be provided to staff and which explains:

- the reason for the collection of APSED data;
- the methods for the transfer of the data to APSED from the agency. In most cases this will be through encrypted electronic transfer;
- that access to individual APSED data sets is limited to authorised PSMPC employees; and
- that the presentation of data from APSED for research and accountability purposes will be in aggregated form.

The advice also noted that the provision of diversity data was optional, but that staff were strongly encouraged to provide it in order to assist the agency and the PSMPC to develop and evaluate workplace diversity programs.

**The APS provides a workplace that is free from discrimination and recognises and utilises the diversity of the Australian community it serves.**

*APS Values – Public Service Act 1999.*

The comprehensiveness of APSED data will ultimately depend on the systems which agencies themselves have in place to collect and protect personal data and the confidence staff have in these systems. Because provision of data has been slow and incomplete, it has been necessary for 1999–00 reporting to focus on ensuring that base employment data, at least, is included in APSED. Many agencies have not kept their staffing records up-to-date with respect to diversity data. Some conducted staffing surveys as part of the introduction of their new HR systems but others have not yet done so. Diversity data is still seriously incomplete and the PSMPC will be following up with agencies to improve data collection in this area.

For this Report, agencies were asked to comment on the privacy and other management issues for them and their employees in the collection and maintenance of data for APSED and any measures they have taken to address these issues.

The responses provided by agencies reflected to some degree the different stages in the development of their data interface. Sixty-five per cent of agencies advised that they were successfully managing the collection and transmission of data for APSED and, while the detail of responses varies, most of these agencies report that they have internal systems in place which protect their HR data in accordance with the Information Privacy Principles and which ensure that staff responsible for managing this data understand privacy issues.

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<sup>28</sup> Available on the Internet at [www.psmpc.gov.au/apseonline](http://www.psmpc.gov.au/apseonline)

Of the remaining agencies, most were engaged in resolving various technical aspects with their HR database supplier, with OGO and with the PSMPC. A few raised specific issues in meeting the requirements for the new database. Two agencies referred to the workload involved in collating and extracting APSED data and another commented on its interest in ensuring that ASPED data was protected from use by third parties for surveys or marketing.

Whatever the reason, however, the fact was that a number of Agency Heads were still unable to meet their statutory obligation to provide data to the Public Service Commissioner for reporting purposes. This meant that accountability has suffered for the second year running. This is an area that must receive priority attention to avoid the situation occurring for a third year.

The Department of Veterans' Affairs (DVA) has taken an integrated approach to the management of the privacy aspects of the collection of data about its employees and the provision of that data for APSED, taking account of advice from the Department's legal area to ensure freedom of information (FOI) and privacy requirements were addressed. This involved the development and implementation of a security plan covering the collection, storage and transmission of data for APSED via a secure interface to the PSMPC. It also distributed the PSMPC information sheet about APSED, setting out the details about the database and addressing privacy and FOI issues. The Department used AGS numbers, computer logon IDs and passwords to ensure that an employee could only access their own record on the agency's system. It also developed an electronic data collection form to be accessed through the Intranet, the data being in a secure SQL Server database before inclusion on DVA's Personnel and Human Resource Information System.

A number of agencies, including those in the Finance and Administration and the Prime Minister and Cabinet portfolios have outsourced the management of their payroll and personnel processing functions. This is likely to become more common as agencies market test HR and other corporate functions. In these cases, it will remain the responsibility of the agency to ensure that the service provider provides secure storage for all personnel records and to arrange the transfer of data to APSED. As has been learnt from recent experience, it is therefore important that agencies ensure that contractual arrangements cover these issues effectively.

#### **COLLECTION AND STORAGE OF DATA ON CLIENTS AND CONTRACTORS**

APS agencies also need to provide appropriate protection for the data they collect and maintain on non-APS individuals and non-APS organisations. Agencies were asked about the measures they have taken to ensure that data collected on clients and contractors meets the Information Privacy Principles and any other

confidentiality requirements of legislation, and that staff are aware of their responsibilities in this context.

Agency responses to this question varied considerably, reflecting the variety of data agencies collect and use, as well as the quality of response. Most agencies that responded advised, without much detail, that they had procedures in place to ensure the protection of information, and that they had standard clauses in contracts covering the protection of information provided to consultants and other non-APS providers.

Some agencies did report more detail on data privacy issues and the steps taken to deal with them.

The Department of Family and Community Services (FaCS) engages social research provider organisations to undertake the collection of survey information, according to predetermined survey parameters. FaCS noted that the need to ensure the privacy and confidentiality of customers is a paramount concern. The accepted practice is for the Department to contact customers in writing who have been selected for survey, to inform them that it is voluntary and to provide them with the means not to participate if that is their wish. No identifying customer information is provided to researchers before customers have the opportunity to respond to this initial contact. Only once the agreed participant group for a survey is established are the minimum details necessary to undertake the survey provided to the research company. Contracts with research companies include provisions that are designed to maintain the privacy of survey customers, including the signing of confidentiality agreements in respect of the company and employees of the company.

The Department of Immigration and Multicultural Affairs (DIMA) IT infrastructure has been substantially outsourced under the Cluster 3 contract, and the contractor, Computer Sciences Corporation (CSC), is responsible for data storage. CSC's data centres are accredited to protected level by the Australian Security Intelligence Organisation and the Departmental network and all IT staff and contractors who have access to the data and infrastructure are also classified to 'protected' level. Access to classified material, however, is restricted to persons who have both a 'need to know' and the appropriate security clearance.

The responsibilities of management, system owners and all staff and contractors who use and support DIMA's IT resources are detailed in an Information Technology Security Instruction which is mandatory for all staff and contractors, who are required to sign an undertaking that they agree to abide by its provisions. In accordance with the Privacy Commissioner's recommendation that Migration Movement Records be identified so that it is possible to establish who has accessed individual records and, as far as possible, the reason for the access, an audit log has

been placed on this database. Access is restricted and controlled under section 488 of the *Migration Act 1958*.

DIMA's standard form contract and Government Information Technology and Communications contracts also include clauses relating to disclosure of information, the *Privacy Act 1988* and intellectual property rights. A general contract advisory service is provided to line area contract managers, including advice relating to staff responsibilities in this regard and the requirement for all copies of signed contracts to be held in secure cabinets.

### **THE FEDERAL PRIVACY COMMISSIONER**

The Federal Privacy Commissioner reports annually on the operation of the Privacy Act. In doing so he also comments on the manner in which APS agencies have complied with the requirements of that Act. This compliance is assessed through investigation, complaint handling and through the results of privacy audits. These audits are, by necessity, snapshots of personal information handling practices relating to a certain time and at a particular location. During 1999–00, five audits of federal and ACT government agencies were commenced and 11 finalised. Details of these audits and their outcomes in 1999–00 are set out in the Privacy Commissioner's Annual Report, but are also referred to here because of their relevance to this chapter.

The Privacy Commissioner's audit teams generally found that agencies had appropriate privacy controls in place to ensure a reasonable level of compliance with the Information Privacy Principles. The auditors identified a number of instances in which electronic personnel data was insufficiently protected. These included:

- the computer screen at an enquiry counter was positioned so that any information displayed could be viewed by people making enquiries;
- not all computer terminals had password protected screensavers and a user may not be automatically logged out of an active session;
- inappropriate access was available to staff of other organisations and the use of these access rights was not monitored;
- access granted to users permitted wider access than was necessary for the user's functions;
- computer servers were not located in secure storage and computer system backup tapes were not separately stored to prevent both being destroyed by the one event; and
- system security administrators were not routinely notified that a user no longer required access to computer applications and the access rights of users were not regularly reviewed to ensure that access rights remained appropriate for a user's current duties.

Significantly, the Privacy Commissioner also reinforces his view that agencies need to remain vigilant in regard to ensuring that appropriate protection is given to personal information that is being transferred or accessed by non-APS agencies in the course of outsourcing arrangements. In the course of the Commissioner's audits, the auditors noted that agencies do not always minimise their risks by including appropriate clauses in all contracts that may involve access to personal information and ensuring ongoing monitoring of those organisations compliance with their contractual obligations.

The Privacy Commissioner suggests that this issue will become of increased importance to agencies with the passage of the Privacy (Private Sector) Amendment Bill 2000. This Bill, which is currently before Parliament, will place increased responsibility on agencies to ensure that appropriate protections are in place for personal information collected and used on behalf of the Commonwealth.

As well, in his Twelfth Annual Report on the Operation of the Privacy Act, the Federal Privacy Commissioner will be emphasising that the online provision of services and collection of personal information is fraught with complexities that many agencies need to consider carefully. The Federal Privacy Commissioner's Report refers in particular to his involvement in assessing the implications of publication of Australian Business Numbers (ABNs), as part of the new tax system, and will include the results of his investigation into the provision of an electronic copy of the electoral role by the Australian Electoral Commission to the Australian Taxation Office for mailout purposes.

#### **ANAO AUDIT DATA — PRIVACY IN CENTRELINK**

A useful discussion of privacy issues in the management of personal data in the APS is provided in the Australian National Audit Office's Performance Audit Report No. 8 1999–00, *Managing Data Privacy in Centrelink*, issued in August 1999. While many of the performance audit's observations and recommendations related to specific aspects of Centrelink's operations, several of its observations about data privacy management may have broader application to the APS.

Centrelink is the Commonwealth's primary service delivery organisation and provides a wide range of client services on behalf of a number of other agencies for which it collects, stores, uses and disseminates client personal information. It has nearly eight million clients overall so its task in this area is a very significant one.

The audit reviewed the adequacy of policies, procedures and the administrative framework associated with data privacy and the computer systems that are used to store and disseminate data. It concluded that Centrelink had established the key elements of sound framework to meet the legislative requirements and that, in

general, suitable policies, procedures and systems relevant to privacy issues were also in place. It commended elements of the framework that actively promoted the notion of data privacy:

- a good general awareness of privacy matters by staff;
- availability of comprehensive guidance material; and
- a well established processes to investigate breaches of data privacy.

The audit also concluded that the information technology systems supporting data privacy were generally sound. Users and systems staff were well aware of their obligations relating to privacy and arrangements in place which allowed Centrelink to track and investigate systems related activity.

On the other hand, the audit noted that some areas required further work:

- while impact statements were prepared for particular risks, there was no overall assessment of risks to data privacy, leaving open the possibility that significant risks may not be addressed;
- while Centrelink had in place processes to investigate breaches of data privacy, it should take a more proactive role in detecting privacy breaches, including through investigations aimed at particular identified risk areas; and
- Centrelink needed to develop a range of data privacy performance indicators to enable it to properly determine its overall success in achieving privacy outcomes.

The audit reported that Centrelink had accepted the findings and was examining the recommendations with a view to making improvements in the protection of customer privacy.

### **AN AREA FOR ONGOING FOCUS**

Data are central both to performance and accountability. This chapter has concentrated in particular on the development of the systems and procedures necessary to collect and store such data, in line with its identification in the last State of the Service Report as a priority area of attention over 1999–00.<sup>29</sup> Feedback from agencies suggests that progress has been made but that, in a number of cases, much more needs to be done. Given the importance of data for evaluation and accountability, the parallel need for proper protection of privacy, and the assessment that there is a need for ongoing priority to be given to this area, agencies will again be asked about their management of data in the lead-up to the 2000–01 State of the Service Report.

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<sup>29</sup> PSMPC, *State of the Service Report 1998–99*, p.138.

## FINANCIAL MANAGEMENT

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The Government's financial management reforms have been aimed at giving agencies greater flexibility to manage resources at the same time as facilitating a clearer analysis of, and reporting on, financial performance. They are thus aimed both at achieving results and at enhancing the accountability of the APS.

The APS is openly accountable for its actions, within the framework of Ministerial Responsibility to the Government, to Parliament and the Australian public.

The APS focuses on achieving results and managing performance.

*APS Values – Public Service Act 1999.*

The year saw the consolidation of the financial management reforms introduced in 1998–99, including:

- the 2000–01 Budget was the second to be presented under the new accruals-based outcomes and outputs framework; and
- work continued on the requirement for agencies to open and manage their own bank accounts.

The *State of the Service Report 1998–99* noted that, in the short term at least, the requirement to implement these significant reforms concurrently was having a cumulative impact on the resources, the systems and the staff of individual agencies.

Pressures in this area continued during 1999–00. In addition, many of the people who were implementing the financial reforms were also putting in place the systems necessary to implement the Government's new tax system, including a Goods and Services Tax (GST), from 1 July 2000. The impact of the new tax system was considerably greater on some agencies than on others. Overall, however, it placed additional pressure on those agencies whose resources were already tightly stretched.

### ACCRUALS-BASED BUDGETING

Introduction of the accruals-based outcomes and outputs framework highlighted the increased emphasis on identifying what is to be achieved with available funds, on reporting performance against these aims and on establishing the full cost of individual services. Successfully managed, it can be an important aid to accountability in the APS.

Last year's State of the Service Report discussed the Review of Budget Estimates Production Arrangements (the Vertigan Report) commissioned by the Secretary to the Treasury and the Secretary of the Department of Finance and Administration (DOFA). The Vertigan Report examined the lessons to be learned from the first attempt to produce an accruals-based outcomes and output Budget. While it noted the accruals-based outcomes and outputs framework constituted international best practice and that the successful presentation of the 1999–00 Budget was a very considerable achievement, it reported that the process involved considerable stress and pressure on individuals and agencies and on the systems and processes that serve them. It noted that the resource management benefits of the new framework would take some two to three years to be fully realised and that, during this period, agencies would continue to have to provide greater resources to their budget management.

The Vertigan Report also noted deficiencies in accrual accounting expertise and support systems, emphasised the need for whole-of-budget strategic planning across the APS, and made a number of recommendations to address these issues.<sup>30</sup>

DOFA and the Department of the Treasury have reported that the thrust of these recommendations has been implemented. In particular, arrangements for management of the budget process have been clarified:

- a Budget Coordination Committee (BCC) has been established to provide, at a strategic level, a whole-of-Government approach to the Budget process. The Committee is chaired by the Secretary to the Treasury with DOFA and the Department of the Prime Minister and Cabinet (PM&C) represented at Deputy Secretary level. The BCC oversaw the management of the timetable and process of the 2000–01 Budget; and
- the day-to-day management of the 2000–01 Budget process was undertaken by working groups—on planning and processes, chaired by DOFA on documentation, chaired by the Treasury and including representatives of DOFA. The working group contained representatives of DOFA, the Treasury, PM&C and the Cabinet Office.

The two Departments concurred that the coordination arrangements have promoted a streamlined and more integrated approach to the Budget process and the development of budget documentation.

In addition, all agencies have either formally nominated a Chief Finance Officer (CFO) or have identified an employee who fulfils that function, to be responsible for both budgeting and financial reporting. DOFA has established a CFO's Network

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<sup>30</sup> M.J. Vertigan, *Review of Budget Estimates Production Arrangements*, 28 July 1999, available on the Internet at [www.dofa.gov.au](http://www.dofa.gov.au)

to facilitate the management of the Budget process in agencies and to share information, experience and advice on the accruals-based framework. The CFO Network, which meets monthly, provides a vehicle for coordinating budget processes between DOFA and other agencies.

A DOFA web-based 'centre of excellence' provides accounting policy and best practice advice under the accruals-based framework. It includes updated guidance on the outcomes and outputs framework, monthly reporting information, and Account Information Management Systems (AIMS) manual. An accounting centre of excellence has also been established within DOFA to address a wide range of accounting policy issues..

### **AGENCY MANAGEMENT OF THE ACCRUALS-BASED BUDGET PROCESS**

DOFA considered that, while there was considerable individual variation, agencies generally performed better in the development of the 2000–01 Budget and the process was generally smoother. Both the Treasury and DOFA also emphasised, however, that the successful implementation of the accruals-based budget framework is a long term process for both central and line agencies with a focus on continuous improvement as the new framework is bedded down.

Agencies themselves expressed widely differing views on their experiences in managing the Budget process under the accrual accounting framework.

Eight agencies replied that, for business or other reasons, they had already been operating internally under an accruals-based system for some time. These agencies, understandably, had less difficulty in implementing the accruals system.

The remaining responses revealed a considerable variation in the preparedness for, understanding of, and commitment to, the accruals-based framework. While this variation makes it difficult to generalise, there are some overall conclusions that can be drawn which are similar in their overall thrust to those made by the Treasury and DOFA:

- most agencies felt that they had been able to build successfully on their experiences of the 1999–00 Budget process to make various degrees of improvements in 2000–01;
- there was, however, a belief that the implementation of the accruals system was continuing in many cases to place considerable strains on management, staff and resources, with about 25 per cent of agencies raising this as an issue in various forms;

- agencies also commented on the pressures placed on financial and corporate management and staff by the concurrent implementation of accrual budgeting with other financial reforms, such as devolved agency banking; and
- there was a strong consensus across all agencies that the bedding down of the accruals-based framework across the Service would take some time and would need to be accompanied by an ongoing education campaign at all levels and by a significant cultural shift.

There appeared to be no overall correlation between an agency's size and its confidence in its ability to manage in an accruals-based outcomes and outputs framework. Several small agencies, however, did comment on the particular pressures imposed by a relative lack of resource flexibility.

Comments on the cost-benefit outcome were also diverse. Some agencies noted that they were beginning to see broader benefits for their particular operational requirements. The Australian National Maritime Museum commented that the reforms had assisted it in ensuring a more accountable and realistic understanding of the Museum's financial position. The Australian Electoral Commission reported that the reforms have contributed to facilitating financial management as a strategic management tool within the Commission.

Some others, however, continued to raise doubts at this stage about its cost-effectiveness. One agency, for example, commented that the introduction of accrual accounting had resulted in significant additional complexity in the estimates process, resulting in additional costs; another reported that the move to an accruals-based framework had been a costly exercise with the benefits yet to be realised.

The Vertigan Report noted that the accrual accounting experience and expertise which agencies had available were below that required for the long term effective support of the production of the budget estimates. A strong sub-theme in agency responses was the ongoing need to allocate resources to recruit, develop and sustain financial management and accountancy skills, including through the engagement of specialist consultants. Central agencies have also noted this as one of the issues to which agencies will need to pay ongoing attention as the accruals-based budgeting system is bedded down.

The results of the survey *Beyond Bean Counting 2000—A Benchmark of Effective Financial Management in the Australian Public Service* jointly commissioned by the accounting organisation CPA Australia and DOFA are interesting in this context. The survey of CEOs and CFOs in Commonwealth, State and Local Government and in private sector organisations—most of which have now moved to accruals-

based methods of accounting—indicated that, while CEOs were confident of the ability of their specialist financial staff, there was much less confidence in the ability of line managers to understand and apply sound financial management practices. In 1997, when many of those first surveyed were still operating in a cash accounting environment, 79 per cent of CEOs rated the financial management skills of their line managers as either ‘very good’ or ‘excellent’. In the 2000 survey, only 15 per cent of CEOs held the same favourable opinion.

In the Australian National Audit Office *Audit Report No. 2, July 1999 Use of Financial Information in Management Reports*, the Auditor-General addressed the broader issue of the internal preparedness of selected Commonwealth organisations, including three APS agencies, to understand and make use of accruals-based financial information in management decisions. It concluded that line managers had little understanding of the new accrual environment. But it also concluded that financial areas were poorly equipped for their new role of assisting management to analyse and interpret financial information. It recommended reviews of skills, experience and training in these areas.

#### **ACCRUAL INFORMATION MANAGEMENT SYSTEM**

The Accrual Information Management System (AIMS) provides a system for the automated transfer of accruals-based budget data from agencies to DOFA. The Vertigan Report noted that AIMS has the technical capability to meet the information requirements for the production of budget estimates, but is not seen as user friendly and is lacking in capacity for effective interface with agency systems. A major criticism of AIMS in the preparation of the 1999–00 Budget was the time required by some agencies to calculate and input individual items of data in the format required by the system—reportedly up to 20 minutes in some cases—which affected the ability of these agencies to meet budget deadlines. A broader issue was the extent to which this centrally imposed system took account of the particular financial management interests, concerns and processes of individual agencies. The Vertigan Report recommended a staged approach to improving AIMS that focused, in the first instance, on improving functional performance for the 2000–01 Budget.

DOFA has reported that, as a result of operational improvements based on the Vertigan Report recommendations, the system performed significantly better during the 2000–01 Budget preparations, with the average agency input calculation time being less than six seconds, 94 per cent of input calculations taking less than 20 seconds and the longest reported input calculation taking 84 seconds. DOFA’s assessment is that this contributed to a noticeable improvement in the Budget process, with almost all agencies being able to meet budget deadlines satisfactorily.

In the light of comment in the Vertigan Report and feedback from other sources on the lack of skilled staff and of familiarity with the accruals-based system, the Department has also invested in an AIMS training program, a 24-hour help desk during the Budget period, a newsletter and the ongoing maintenance of an AIMS user group.

Although the issue was not directly raised in the questionnaire, several agencies specifically mentioned improvements in the AIMS in the 2000–01 Budget process. The Department of the Environment and Heritage commented that the improvement in the performance of the system since the last budget exercise has facilitated the inputting of budget estimates in the tight time frames available. The Department of Education, Training and Youth Affairs reported that its problems with AIMS in the first year of operation had to a large extent been overcome. On the other hand, some smaller agencies queried the appropriateness of AIMS in its current form to small agencies. A comment from this group, for example, was that access to AIMS was required only a few times each year and that the cost of complying with the DOFA requirements that the equipment not be used for other purposes and must be upgraded on a regular basis was therefore relatively high.

DOFA recognises the need—also covered in the Vertigan Report—for a broader strategic reform of AIMS which takes closer account of the data management and other interests of agencies. In June 2000, the Department announced that it had commissioned PricewaterhouseCoopers to undertake an overall review of AIMS covering the original implementation of the system, consideration of the business requirements for Budget preparation of both DOFA and other agencies and an analysis of options for improved agency data capture to enable the system to meet all these requirements more fully. The review will develop a series of propositions for the improvement of AIMS, including the maintenance of an appropriate level of security, to provide the basis for agency consultation before any significant change is implemented.

It is intended that the outcomes of the review will be implemented fully in time for the preparation of the 2002–03 Budget. Significant changes could, however, be in place for the preparation of the 2001–02 Budget.

Overall, it seems that the implementation of accrual budgeting was considerably better in its second budget round than in its first although it continues to place resource strains on many agencies and further skill acquisition, in particular, is a priority. Additional assistance from central agencies and consideration of the particular needs of small agencies would be an advantage, but it is generally accepted that full bedding down will take time.

## **REPORTING UPON FINANCIAL PERFORMANCE**

The degree to which improved accountability is achieved under the new accruals-based budgeting system depends partly on the success in managing performance reporting through the outcomes and outputs framework.

The Senate Standing Committee on Finance and Public Administration's Legislation Committee, in its October 1999 report *The Format of the Portfolio Budget Statements—Second Report* discussed committee experience with the first accruals-based Budget. It noted that the previous reporting framework had been based on portfolio and agency programs, sub programs and components. Reporting under the outcomes and outputs framework does not necessarily relate to agencies' organisational structures, and a major concern was the lack of consistency and logic across portfolios in the level of detail disclosed by agencies under the new reporting framework. Concerns were expressed that the new framework would change too frequently for proper parliamentary scrutiny.

The Committee acknowledged that these concerns were real, but it also recognised that portfolios are now too diverse to be contained in a single rigid reporting model and that some inconsistency has been, and will be, a continuing element in reporting on financial performance. It noted that DOFA had signalled its intention to conduct an analysis of portfolio outcomes/outputs frameworks and produce a good practice guide, and recommended that this be maintained and updated on its website for as long as necessary.

DOFA has reported that it has undertaken this review and is developing a good practice guide on structuring and specifying outcomes and outputs, which will be available on-line from November 2000. DOFA has also reported that it is in the process of developing performance information principles to provide Commonwealth agencies with guidelines on performance reporting under the outcomes and outputs performance framework, which will be released early in 2001.

## **DEVOLVED BANKING**

In 1999–00, agencies covered by the *Financial Management and Accountability Act 1997* moved to a devolved banking framework. Under accrual budgeting, funding agencies for the full price of outputs places greater responsibility on agencies to manage all their resources, including cash. Each agency is required to manage its own bank accounts, with choice in tailoring the transactional banking and related services they seek from the market, either from private sector banks or the Reserve Bank of Australia.

A major objective of devolved banking for 1999–00 was to encourage agencies to adopt more efficient cash management practices. To achieve this, DOFA implemented the agency banking incentive scheme so agencies would receive interest linked to market rates on departmental cash holdings. The scheme allows agencies to place monies on term deposits earning more favourable rates of interest. DOFA reported a clear trend where agencies moved more funds to term deposits rather than maintaining large cash balances in their departmental bank accounts and noted that this was a key factor in agencies gaining better than forecast interest earnings during 1999–00.

Progress in this area will be monitored for a future State of the Service Report.

### **GOODS AND SERVICE TAX**

The Government's tax reforms came into effect on 1 July 2000. While the GST is a core element in the Government's tax reform package, the package also involves other elements which may effect in various ways the operations of many APS agencies including the abolition of wholesale sales tax, the abolition of other indirect taxes and changes to the fringe benefits tax.

As noted above, the degree to which the tax reforms placed additional pressure on agencies varied considerably. The basic requirements for agencies were to:

- obtain an Australian Business Number (ABN);
- update systems and processes to ensure compliance with the tax reform legislation including the ability to claim input tax credits and acquisitions;
- update systems to ensure awareness of and compliance with Australian Taxation Office (ATO) GST rulings and changes to GST legislation;
- review and amend contracts and MOUs to comply with GST arrangements;
- analyse the effect of the GST on business cash flows and pricing policies to ensure awareness of and compliance with Australian Competition and Consumer Commission (ACCC) guidelines on price setting in relation to the GST;
- review record keeping processes to ensure compliance with GST requirements; and
- undertake staff awareness training.

Ultimate responsibility for ensuring that each Commonwealth agency complied with the new tax system by 1 July 2000 rested with the Chief Executive Officer of the agency or its board of directors where applicable. To help ensure that Commonwealth agencies were well prepared to implement the new system, a special GST Implementation Unit was established in the DOFA in August 1999 to:

- coordinate assistance to agencies;
- monitor implementation for the Government through a series of comprehensive surveys; and
- develop the financial framework to enable the new tax system to apply in the Commonwealth sector.

Under the Australian Constitution, liability for the GST cannot extend to the Commonwealth or a Commonwealth Government entity. To ensure competitive neutrality between the government and private sectors, a special administrative framework was developed for the Commonwealth, underpinned by legislation enacted on 8 July 1999, to make Commonwealth agencies subject to the GST on a notional basis.

The main aim of the GST Implementation Unit was to reduce duplication of effort, communicate tax reform information specific to the Commonwealth, and build networks of agencies facing similar issues. It provided:

- advice from specialist consultants in the Unit and a panel of accredited consultants established by the Unit;
- an outsourced help desk and referral of issues to the ATO for resolution;
- whole-of-government training manuals, seminars, and special presentations;
- a website of tax reform information specific to the Commonwealth;
- news sheets to agencies; and
- an agency user group to assist the redevelopment of common GST management information systems.

All of the Commonwealth agencies monitored by the Unit reported to their respective portfolio Ministers that they were ready to comply with the new tax system from 1 July 2000.

In addition, the ATO undertook a number of initiatives to assist APS agencies with the implementation of the GST, including:

- setting up a Government Issues Log with all Government agencies for the purpose of resolving GST and other tax reform issues of a technical nature, having regard to the specific needs of Government and forming the basis of a shared technical research directory for the benefit of Government as a whole;
- coordinating formal technical training for Government agencies, undertaken by consultants and consisting of a number of technical modules including topic overviews as well as frequently asked questions and relevant case studies;

- running a GST Interstate Working Group, part of a national partnership program directed at assisting Government agencies to resolve issues which had arisen during the implementation of GST. Specific assistance was rendered to agencies during the GST registration and Business Activity Statement lodgement process. This initiative will be continued throughout the compliance phase as part of an ongoing campaign towards educating and advising this group of taxpayers; and
- undertaking advisory visits to Government agencies on a specific needs basis, designed to assist agencies to resolve complex issues around GST implementation.

A cooperative compliance program, including individual profiling of Government agencies, is also currently being undertaken. This profiling activity is designed to identify areas of potential compliance risk and to improve understanding of needs. Compliance strategies are being developed as part of an ongoing initiative to educate and assist this group of taxpayer to fulfil its tax reform obligations.

#### **AGENCY IMPLEMENTATION OF THE NEW TAX SYSTEM**

Agencies were asked to comment on their experiences in implementing the requirements of the new tax system with particular reference to the implementation of the GST.

The complexity of the arrangements that needed to be put in place varied considerably from agency to agency, depending on the agency's core function and business profile. Some agencies were simply concerned with the effect of the new system on the acquisition of supplies. Others had to provide for its impact on fee for service activities, regulatory roles, the allocation and administration of grants, and contract management, including in relation to outsourced service providers. Some agencies had particular policy and administrative interests and responsibilities in relation to the operation of the GST. The Department of Health and Aged Care reported that it had worked closely with the Treasury and the ATO on health policy aspects of the new tax system. The Department of Foreign Affairs and Trade had concerns about whether certain transactions at overseas missions would be subject to the GST.

Other examples of the specific issues which agencies needed to address in implementing the new tax system include:

- for the Department of Family and Community Services, provision of written and oral information to its 15 000 non-government service providers about the effect of the GST on their funding arrangements;
- for the Department of Employment, Workplace Relations and Small Business,

a comprehensive education and training effort for those organisations which have been contracted by the department to deliver services on its behalf to the Australian public; and

- for the Department of Communications, Information Technology and the Arts, work with the Australia Council and the Australian Film Commission to develop and deliver GST Start Up Office Education Campaigns to the arts and film sectors.

The Australian Securities and Investment Commission (ASIC) is an example of an agency that has been focused on the need to be well prepared for GST implementation. A new financial management system with GST functionality was modified to accord with the requirements of the new tax legislation and staff involved in the accounts processing area have been trained on the new system since early in 2000. ASIC finance staff have attended sessions conducted by CPA Australia and all senior and middle management staff have been exposed to a general awareness campaign.

The differences in the way in which the GST and other tax reforms affected the various business and organisational responsibilities of individual agencies, together with variations in the level of detail in responses, makes it difficult to generalise about how effectively agencies managed the implementation process. About 25 per cent of agencies reported simply that they had no difficulties in implementing the new arrangements. A number of other agencies responded that implementation in a tight time frame had imposed considerable pressures in terms of time and resources, including the need to upgrade systems, to recruit or contract specialist staff, and to provide training. One medium sized agency reported that the cost of compliance was between \$2m and \$2.5m, comprising staff time, systems and process redesign, taxation advice and training. While there appeared to be no overall correlation between an agency's size and its confidence in its ability to implement the GST, large agencies appeared to be able to devote greater relative resources, including through the formation of 'GST teams', to the issue.

DOFA has surveyed 172 of the 208 agencies registered for the GST to ascertain their views of its performance in assisting agencies to meet their responsibilities. Those surveys found that 87 per cent of agencies found the assistance of the GST Unit in DOFA to be beneficial and 57 per cent found that the Unit provided most or all of the information needed for GST compliance.

Ten agencies, mainly small and/or specialist agencies, in their response to the PSMPC, noted difficulties in their relationships with the DOFA and the ATO over the implementation of the new tax system. These complaints fell into three broad categories:

- the lack of prompt and comprehensive information and advice on implementation issues;
- late advice of changes to tax legislation and ATO determinations; and
- the failure of the DOFA questionnaire, that was periodically administered to agencies as part of the GST implementation monitoring program, to take account of the particular interests of small agencies.

## **CONCLUSION**

Implementation of the Government's financial management reforms has progressed significantly over the year but there is still some way to go and many agencies continue to feel the pressure.

There are two particular challenges for agencies. The first is the need to develop or obtain new and different skills in the area of financial management and accountancy. Since these skills are likely to be in demand by broader industry, it also raises the issue of sustainability, including the need to make effective and proper use of the agreement making parameters and processes to attract and retain skills.

The second issue is the need to balance flexibility with accountability. The *Financial Management and Accountability Act 1997* makes the Chief Executive of an agency clearly and directly responsible for the efficient, effective and ethical use of Commonwealth resources. It is important that agencies are able to understand and use the new systems and tools available in order to demonstrate to stakeholders that they have made proper use of Commonwealth resources.

These are areas where high quality and ongoing assistance from central agencies is crucial to the achievement of the Government's objectives. Forward planning, clear guidelines, consistent advice and assistance with training is an increasingly important role for central agencies in the devolved and flexible environment.

## **PART 5 CUSTOMER SERVICE**

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SERVICE TO CLIENTS

ELECTRONIC DELIVERY AND SERVICES ONLINE



## SERVICE TO CLIENTS

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A major outcome sought by the Government's public sector reform program has been to improve the effective delivery of services by the APS based on guidelines set by Parliament or the government-of-the-day.

*The APS delivers services fairly, effectively, impartially and courteously to the Australian public and is sensitive to the diversity of the Australian public.*

*APS Values – Public Service Act 1999.*

Reform has focused on the importance of responsiveness, timeliness, accountability and innovation in the delivery of rights and entitlements to an increasingly diverse and sophisticated clientele. This chapter deals with some broad trends and themes in the delivery of services by the APS. The particular focus over 1999–00 on electronic and online service delivery is discussed in more detail in the next chapter.

### SERVICE CHARTERS

All Commonwealth departments and agencies, both APS and non-APS, that deal directly with the public are required to develop and implement a client service charter, in consultation with clients, staff and stakeholders. Government bodies that have indirect service delivery or have outsourced some or all of their services are encouraged to have a service charter. A service charter does not need to account for all functions and services of an agency—specifically it covers those services that impact on the agency's clients. There are a number of portfolios that have several service charters, that is, a departmental service charter and one or more agency charters.

Agencies are required to report annually on their performance against their charter and a whole-of-government report is tabled in Parliament. The second whole-of-government report, covering the period July 1999–June 2000, will be tabled in the spring sitting period for 2000.

Preliminary findings from the report show that 152 service charters have been initiated since the concept of a service charter was introduced in 1997. Of the 152, ten are under development or being redeveloped, seven were not able to submit

survey responses in time for publication and two charters have ceased. There are also seven new charters this year and the Department of the Prime Minister and Cabinet has an internal charter.

Key findings for 1999–00 are:

- *Service standards, rights and responsibilities and needs of specific client groups:* 99 per cent of Commonwealth client service charters include service standards and articulate the rights and responsibilities of clients. Of the 99 per cent, many addressed the needs of specific client groups, such as Australians who are living in rural, remote and regional areas, have disability access needs, or are from non-English speaking or culturally diverse backgrounds. A large proportion of service charters reflected the values in the PS Act 1999 and covered the quality of service delivery to clients;
- *Recording feedback:* 92 per cent of service charters have formal systems to record complaints feedback, 83 per cent have recording systems for suggestions and 75 per cent have recording systems for compliments;
- *Consultation during charter development:* 99 per cent of service charters were developed in consultation with the agency's clients, staff and stakeholders;
- *Charter formats:* 98 per cent of service charters were presented in formats suitable to their client's needs, such as in print, online, telephone typewriter (TTY), braille, or large print. A number of charters were presented in multiple formats;
- *Complaints handling systems:* 96 per cent of service charters were able to track and manage complaints from receipt through to resolution; and
- *Monitoring and review:* 66 per cent of service charters were able to monitor the effectiveness of their charter service standards and 83 per cent regularly reviewed their service charter, usually on a 12 month cycle.

Apart from reporting on performance, the Department of Finance and Administration also manages, on behalf of the Special Minister of State, the *Service Charters—Awards for Excellence* scheme. The purpose of the awards scheme is to encourage competition, to identify Australian government best practice and to raise the bar for higher performance. There are three categories of awards:

1. excellence in raising customer awareness in agencies through service charter development and use;
2. excellence in integrating service charter driven, customer service outcomes, with core business practices; and

3. excellence in service practices in agencies with service charters.

The Child Support Agency (CSA), the Department of Veterans' Affairs, Centrelink and the Australian Customs Service (ACS) received awards.

As part of the move to improve accountability and client service, new guidelines for developing client service charters were issued in June 2000. In launching the revised Client Service Charter Principles, the Special Minister of State, Senator the Hon. Christopher Ellison, noted that they:

...support the Government's goal to introduce a more client-focused, open and accountable culture in the public sector...[and, that] the revised *Principles* provide advice on reviewing a charter, thereby keeping an eye on effectiveness, and on monitoring and reporting performance against client service standards.<sup>31</sup>

In response to the new Principles, several agencies (about nine per cent) mentioned that they were revising their client service charter.

### **IMPROVEMENTS IN CLIENT SERVICE**

In preparation for this State of the Service Report, and noting the importance of effective client service in the APS, the PSMPC asked agencies for information on:

- progress with current strategies and any further agency innovation in service delivery;
- any evaluations which agencies may have undertaken of the success of service delivery strategies; and
- what agencies consider to be the client service issues for them and their business in the movement to the greater use of electronic communication.

About three-quarters of agencies reported some improvement in client service. The most common area in which improvement was reported was electronic communications, which is discussed in the next chapter. But this is complemented by improvements in the more traditional methods of delivering services and information.

Clients of the Office of the Parliamentary Counsel, for example, now have available comprehensive information about the Office and its work. A key feature of this is *Working with the Office of Parliamentary Counsel: A Guide for Clients*, issued in August 1999, which provides a range of information about the work of the Office, the legislative process, and modern drafting approaches. It also includes a service charter.

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<sup>31</sup> Senator the Hon. Christopher Ellison, *Launch of Client Service Charter Principles*, Media Release E21/00, 5 June 2000.

As noted in the *State of the Service Report 1998–99*, Centrelink has embarked on the development of a new service delivery model to deliver one-to-one service based on a customer's life events such as having a baby, looking for a job, planning for retirement, or arriving to settle in Australia. The new model of service delivery is being developed in consultation with Centrelink's client departments. The first critical step in developing the new service delivery model, implementation of one-to-one service, was completed at the end of 1999. Centrelink has also changed its IT systems to support staff in their new roles.

Under the one-to-one service model, responsibility and accountability for each customer lies with their Customer Service Officer and staff have a stronger incentive to explain their decisions thoroughly and accurately to their customers. This is having a positive effect on solving problems and on the overall quality of decisions. As well as improving client service, the one-to-one service concept has also helped Centrelink to save money by reducing 'red tape' and duplication and by allowing information to be better managed. The average number of decisions made by staff has increased by 25 per cent since the concept was conceived in September 1998. While the change in service delivery has contributed to a reduction of some 2695 staff and a return of efficiency dividend to Government of \$96.1 million during the financial year 1998–99, staff and customers are continuing to report increased satisfaction.

CSA, which received a special award for service across all categories of customer service in December 1999, has instituted a range of initiatives to improve service to its clients, including:

- launching 22 Regional Service Centres in early 2000 to provide face-to-face contact with over 36 000 clients. The aim is to improve accessibility and responsiveness to CSA clients in regional Australia in order to achieve improvements in voluntary payment of child support and reduction of complaints;
- holding regular community information sessions in many regional and metropolitan centres. This move brought consistent positive feedback from both clients and community service providers;
- a national outreach program which provides a client interview service at venues other than CSA offices. A targeted approach ensures that the clients who most require this service can access it, and the services are also making a constructive contribution to improve the level of voluntary payment of child support;
- phone coaching and training to support staff in client relationship management has been introduced, with 90 coaches being appointed across all sites. Coaches have proved to be an asset in supporting staff to implement a 'phone first' culture;

- *The Guide to Managing Your Money* was launched by CSA in April 2000 to assist separated parents to manage their financial circumstances. It is designed to be used by parents either as a self-help tool or in consultation with a financial counsellor; and
- in response to client request, two CSA calculators have been designed to sit on the website, giving parents the option to calculate child support liabilities and to access information independently of contacting the CSA.

Some agencies, such as the Department of Foreign Affairs and Trade (DFAT), the Department of Immigration and Multicultural Affairs (DIMA) and the Australian Electoral Commission (AEC), are using, or improving their use of, call centres in an attempt to improve client service.

Centrelink in Hobart won a DFAT tender to provide the call service facility for passport information. The transfer of the call centre from Canberra to Hobart was achieved ahead of schedule and with no disruption of client services. DFAT reports that the expanded capacity available under the new arrangements has improved client accessibility to passport information.

The Australian Taxation Office (ATO) has adopted a broad range of strategies to improve client service in the implementation of the New Tax System. Key elements of its approach include:

- encouraging the use of a range of alternative methods to make requests, payments, refunds and returns;
- improving timeliness, quality and consistency of responses to clients, through using technology and involving several staff in developing the response;
- educational initiatives to improve compliance, including seminars in person and on Sky Channel, followed up by workshops for specific interests;
- releasing information through a wide range of products (for example, booklets, videos) and outlets (for example, banks, shops, Australia Post, libraries and local councils);
- visits from mobile advisers with mobile technology for instant access to technical information, and regular meetings between senior technical staff and industry representative groups to identify and resolve issues;
- extending hours of operation to include evenings and weekends and continuous access to a dynamic website that was constantly updated with accurate, public education information;

- a 'Whole of Client' system to assist ATO staff to answer client queries more quickly by having a whole of client view instead of traversing a wide range of systems to answer a single question. This system brings information to one or two screens, providing more efficient service; and
- publicly available issues registers, a single reporting form, Business Activity Statement, and single payment/refund for business.

The Australian Competition and Consumer Commission (ACCC) established a GST public inquiry office which was open seven days a week to handle complaints and inquiries arising from the ACCC's responsibilities under the *Trade Practices Act 1974*. It also established a special enquiry line for indigenous Australians and facilities for ethnic groups to receive the same service. A special GST website enabled the public, and in particular small business, to access information and programs to assist them with pricing for GST and the *Pricing Kit for Small Business* provided small business with guidelines and software to assist them in preparing their pricing for the New Tax System.

The Federal Court of Australia initiated a community relations strategy to foster greater understanding of the Court and the judicial system within the community. This program represents a significant innovation in the court system. The strategy includes:

- developing, implementing, coordinating and monitoring national strategies to promote community information about the Court;
- initiating high quality education programs about the role of the Court;
- raising the general awareness of the Court and the justice system as a whole within the community;
- encouraging, seeking out and receiving comments and suggestions from the community and in particular user groups about ways to improve the operations of the Court; and
- initiating methods to generate discussion within the Court about needs and issues affecting the Australian community.

Several agencies also mentioned an increased focus on rural and remote service provision. In addition to CSA's regional initiative, Centrelink delivered its own Rural Outreach program over the last two years which has included:

- a major expansion of the Centrelink agents network. These agents (usually local councils) act on behalf of Centrelink in their local communities. The agents are provided with an Internet PC (where practicable), pre-programmed phone

numbers to their host Centrelink Customer Service Centre, and a Centrelink computer CD to help them provide a basic level of Centrelink services;

- more Centrelink visiting services (staff from Customer Service Centres regularly visiting other towns) that provide a Centrelink service to smaller local communities;
- video-conferencing facilities at selected Centrelink agents to facilitate Centrelink staff interviewing clients;
- a mobile career information service in southern New South Wales; and
- establishment of four Rural Call Centres on a trial basis with a dedicated telephone service for rural and remote customers in Queensland and South Australia.

The implementation of such improvements, however, has in some cases seen client service expectations increase significantly. The AEC notes that the increased usage of electronic communications creates an expectation that responses can be given almost immediately, even though the number of communications can overwhelm staff and sometimes computer systems. Likewise, as much of the information is held in electronic databases, internal clients can place heavy demands on the retrieval of information. Consequently slow response times may give rise to negative feedback from clients.

DIMA improved its general inquiry number infrastructure and centralised calls made to its National Telephone Inquiry Service to two main sites in Sydney and Melbourne, with all calls directed into an Interactive Voice Response Unit (IVRU) to access a national script of recorded messages. The majority of complaints under the Department's client service charter, however, related to the IVRU. To address the issue of complaints about the telephone service and the significant increase in demand, the IVRU was reviewed, leading to a considerable simplification of the script and use of plain English where possible, as well as fewer menus and shorter information cells. This, coupled with increased emphasis on and support for local call management, is beginning to show improvements to call waiting times.

### **HANDLING CUSTOMER COMPLAINTS**

Implementing effective mechanisms for handling customer feedback is vital to serving clients well.

The Commonwealth Ombudsman has reported that agencies have made significant progress in the development of complaint handling mechanisms. Over the past year, however, his Office has been undertaking investigations and reviews of the

complaint handling mechanisms in a number of agencies that indicate there is still room for improvement in the systems and processes in place. This applies both for agencies that deliver services themselves and for those that are responsible for managing the delivery of services by the private sector.

Some consistent themes have emerged from the work of the Ombudsman's Office to date, including:

- the need to have the most senior levels of management both committed to, and seen to be committed to, the effective handling of complaints;
- the value in using timely information about complaints as one of the essential elements informing relevant decisions about policy and corporate governance;
- the importance in having complaint handling considered throughout the agency as a core business, and not just as an issue for a few in the agency to be concerned about;
- the need to have clear lines of accountability and responsibility in dealing with complaints from individuals; and
- the importance of having robust ways to collect information about complaints and analyse trends in a timely manner.

Over the next year, the Ombudsman will complete a further round of investigations of complaint handling mechanisms in major agencies, and he expects to publish a new guide to effective complaint handling.

Linked to this, as he has indicated a number of times, the Ombudsman remains concerned over the potential for the contracting out of government services to result in a lessening of accountability. He has made a submission to the Joint Committee of Public Accounts and Audit on this issue, and noted that the Government has not yet responded to the recommendations of the August 1998 report by the Administrative Review Council on *The Contracting Out of Government Services* (Report No. 42).

## **COMPLAINTS TO THE OMBUDSMAN**

The total number of complaints received by the Ombudsman in 1999–00 fell by 12 per cent compared with the previous year. This reduction was largely due to decreases in complaints about Centrelink (down by 17 per cent) and the ATO (down by 30 per cent). Both these agencies had unusually high complaint numbers during 1998–99 as a result of specific problems they experienced. Together with CSA, these three agencies continue to account for nearly three

quarters of all complaints received under the *Ombudsman Act 1976*.

There has been an improvement in Centrelink's underlying complaint rate, after the factors specific to 1998–99 are taken into account. This may be partly due to the maturation of Centrelink's internal complaint handling processes and the wider awareness of the existence of these processes amongst Centrelink's customers. Some particular issues which arose in complaints about Centrelink concerned staff relying solely on computer records which were incomplete or wrong, rather than checking more comprehensive paper files stored off-site, debt recovery procedures, and identifying and dealing in a timely fashion with people who may be affected by a computer systems problem.

The number of complaints about the CSA has continued to decline. During the year some particular sources of complaints concerned CSA's capacity to deal with objections in the required time frame following changes to child support legislation, and deficiencies in CSA's identification and recording of problems raised with them by payees and payers.

Sixty per cent of all complaints to the Ombudsman's Office in 1999–00 were about actual decisions and/or actions of agencies compared with 51 per cent to 54 per cent over the previous three financial years. In 30 per cent of all cases, the complainant considered the agency had made a wrong decision or action, while another 12 per cent considered an agency had failed to act.

The other major causes of complaint are categorised as:

- advice (clarity, being wrong, incomplete): 13 per cent in 1999–00;
- timeliness (delay, did not meet statutory deadline): 13 per cent in 1999–00;
- behaviour (rudeness, bias, corrupt, privacy problems): 5 per cent in 1999–00; and
- policy (unfairness): 5 per cent in 1999–00.

A complaint may lead to the Ombudsman identifying an 'arguable agency defect'. This is an action by an agency which the Ombudsman considers to be contrary to the law, unreasonable, unjust, oppressive, discriminatory or based on a mistake of law or fact, have taken account of irrelevant considerations, or to have been exercised for an improper purpose or on irrelevant grounds.

The Ombudsman's Office identified an 'arguable agency defect' in nearly half of all complaints about advice or timeliness that it investigated and, while no conclusion was reached in another third, a remedy was identified in almost all cases.

An 'arguable agency defect' was also identified in nearly a third of those complaints about decisions and/or actions that it investigated, while in a further quarter no conclusion was reached but a remedy was identified. The Ombudsman is of the view that the increased proportion of complaints about decisions and actions is due to improvements in customer service in agencies, which has lowered the proportion of service delivery related complaints relative to those about decisions/actions.

This is an area that the Ombudsman will keep a close watch on over the next year, particularly as the tax reform package is implemented. At a time of substantial change, service recipients' uncertainty and unfamiliarity with new systems can sometimes lead to a perception of administrative errors.

### **EVALUATING CLIENT SERVICE STRATEGIES**

One of the most important aspects of client service is ongoing evaluation of the strategies for delivery to ensure that the strategies are remaining relevant and effective. Responses from agencies to this question varied from ongoing monitoring to formal review. The emphasis on evaluation would depend on agencies' particular role in service delivery and the nature of their clients. It is of some concern, however, that 30 per cent of agencies provided no information including a few that reported no evaluation.

Most agencies appear to rely on feedback through their client service charter and website mechanisms, one agency reporting using the number of 'hits' to its website as a main method of evaluation. Others are more proactive. OPC, for example, sends out client feedback forms for each drafting job it undertakes and ScreenSound Australia includes survey forms with all of its merchandise, both standard and customised. Two agencies referred specifically to staff feedback. ACS has set up a Customs National Complaints and Compliments Handling System which provides a national perspective of the type and nature of complaints and compliments, and allows trends and issues to be identified and addressed.

Some agencies conduct longitudinal surveys. The Australian War Memorial recently completed a year long survey to gain information about its visitors and services to inform its approach to improved service delivery. The National Library of Australia has undertaken seven customer surveys of the success of service delivery strategies during 1999-00, collecting information from both individuals and organisations that use the library's services. The surveys have extended beyond evaluating user satisfaction to gather user input into possible future developments. Centrelink is currently conducting a longitudinal study to measure the efficiency and effectiveness of one-to-one service over time. The results of the study will be available towards the end of 2000.

The major service delivery agencies conduct a range of surveys to measure client satisfaction with their services. Centrelink measures customer satisfaction through a suite of four surveys:

- the National Customer Satisfaction Survey;
- the Customer Service Centre Customer Satisfaction Survey;
- the Call Centre Customer Satisfaction Survey; and
- the International Services Customer Satisfaction Survey.

This effort is complemented by other customer research run by Centrelink including a large number of ad hoc customer research activities to test information products, a range of marketing and communication strategies, and the use of Value Creation Workshops and focus groups to explore the particular needs of groups of customers in more detail.

Centrelink runs its customer satisfaction surveys twice a year, each round seeking the views of around 67 000 Centrelink customers. These surveys are conducted by telephone on behalf of Centrelink by contracted organisations who specialise in customer research.

In the 12 months to May 2000, there was an increase in overall customer satisfaction with Centrelink (including its people, services and information), up one per cent to 66 per cent. Centrelink's two main methods of delivering service (Customer Service Centres and Call Centres) both recorded their highest ever overall customer satisfaction results. Customer satisfaction rose significantly for both Customer Service Centres (up four per cent to 77.2 per cent) and Call Centres (up 9.8 per cent to 70.1 per cent). Customers living overseas continued to be very satisfied with the overall quality of Centrelink's service (up two per cent to 94 per cent). Customers accessing Centrelink's services through Centrelink's extensive network of visiting services and agents also rated the quality of these methods of access highly, with satisfaction rates of 79.7 per cent and 83.9 per cent respectively. Customer's satisfaction with ease of access to Centrelink's services also increased significantly over the year (up five per cent to 59 per cent), with room for further gains.

The degree of satisfaction shown by these figures could, perhaps have been affected by a number of environmental factors influencing the general perceptions of Centrelink's customers about government services at the time the surveys were taken. For example, the May–June 2000 survey period covered the lead-up to the launch of the Family Assistance Office and other significant external changes, including the introduction of the GST and Life Time Health Cover.

The number and characteristics of Centrelink's clients mean that its telephone call centres are heavily used and have been a focus of customer complaints. Work to improve the telephone service over the year has been reflected in changes in customer satisfaction recorded in May 2000 against both time on hold (up 16.5 per cent to 32.4 per cent) and ease of getting through (up 11.8 per cent to 60.1 per cent). Ease of getting through is the primary driver of customer satisfaction with Centrelink's Call Centre service, while time on hold is ranked as the fourth most important key driver.

The CSA has run regular client surveys over a number of years. The client satisfaction survey, conducted in May 2000, measured client satisfaction against demographic variables of access and extent of parent cooperation. A professionalism survey, conducted twice during 1999–00, measures the 29 defining attributes of CSA Professionalism. Results continue to remain consistent for clients overall, with a continuing improvement among payer satisfaction resulting in scores significantly higher than in May 1998. The CSA also conducted the Community Services Providers Satisfaction Index for the first time during 1999–00, designed to produce a robust measure of community service providers' satisfaction with CSA. Results of this survey are still pending.

The Service Quality Monitoring Program, run by the Department of Employment, Workplace Relations and Small Business, focuses on the service relationships that exist in the Job Network between stakeholder and customer groups, namely Centrelink, service providers, job seekers and employers. The research program identifies the issues and aspects of service that customers perceive to be most important and relevant for quality service, and monitors how well these needs are being met.

The program currently comprises four discrete surveys which are conducted regularly (annually or biennially) and are supported by qualitative research including:

- a survey of job seeker satisfaction with services delivered by Job Network members;
- a survey of job seeker satisfaction with services delivered by Centrelink;
- a survey of Job Network member satisfaction with Centrelink referral services; and
- a survey of employers' use of Job Network.

The 1999 job seeker survey measured some of the aspects of service relating to the tailoring of services to assess job seeker perceptions of how the Job Network is performing compared to the Commonwealth Employment Service. Whilst these are only some of the measures collected through the service quality monitoring program, indications are that the Job Network is maintaining high levels of service quality.

The survey findings were similar for the quality of the services delivered to employers through the Job Network. Overall, 84 per cent of employers who had used Job Network to fill their last vacancy were satisfied with the service provided. The Job Network also performed well in particular aspects of service such as accessibility and meeting needs of employers. Employers who had used the Job Network to fill their most recent vacancy assessed the service as easy to contact (92 per cent), meeting employers needs (87 per cent), taking account of individual business needs (80 per cent) and providing high quality service and assistance (80 per cent).

Some agencies plan, or have conducted, formal reviews of their service delivery strategies internally. While a few specified that they conduct these reviews at least yearly, the majority of agencies did not indicate frequency.

Four agencies specified that they prefer external review. For example, the Department of Defence service charter will be subject to independent external review in 2001.

Three agencies indicated that they benchmark their services against other providers. ComSuper uses three main benchmarking activities, each one addressing specific criteria. Since 1993, ComSuper has participated in the survey of its members run by the Association of Superannuation Funds Australia. The special value of this survey is that it covers superannuation administrators from the same cost and regulatory environment, and as such has provided a sound assessment of ComSuper's performance over a period of significant change in the superannuation industry.

During 1999–00, ComSuper participated for the second time in an international benchmarking survey for administrators of large, defined benefit schemes. This round covered 18 superannuation administrators including 15 from North American and two from Canada. The survey itself was also expanded and its measurement techniques further refined, to ensure optimum comparability. Participation in a complementary peer conference enabled even more detailed and valuable comparisons and exchanges of information.

ComSuper also monitors publicly available sources of administration costs for superannuation schemes, and while this method cannot always take into account the variations in superannuation schemes and their administration, it does provide the basic yardstick for costs, against which ComSuper will inevitably be compared.

### **CUSTOMER SERVICE AS A PRIORITY**

The Government's public sector reforms increase the focus on client service as an important indicator of high performance. The preponderant type of delivery may have altered in many areas and may be less direct and immediate for APS staff but the responsibility and accountability for the quality and relevance of service delivery remains a priority.

The *State of the Service Report 1998–99* noted that the introduction of service charters was an important stage in the accountability process but that it must be complemented by systems to measure outputs and evaluate success.<sup>32</sup>

Responses from agencies both on improvements to their client service and on their evaluation of services varied considerably. Some, including the major service delivery agencies, were clearly aware of the importance of the issue and were working, generally successfully, to improve service provision and evaluation. Others seemed to be according it less priority and were making slower progress.

In view of the central importance of high quality delivery of services for the APS, this area will continue to be a priority issue for future State of the Service Reports.

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<sup>32</sup> PSMPC, *State of the Service Report 1998–99*, op. cit., p.89.

## **ELECTRONIC DELIVERY AND SERVICES ONLINE**

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The increased flexibility accorded to agencies under the public sector reform framework was intended, *inter alia*, to provide scope for creativity and innovation in the delivery of services to clients. Electronic service delivery has obvious potential to achieve improvements in quality, cost-effectiveness, coordination and accessibility. The ease with which this potential can be realised, however, clearly depends on the type of services to be delivered and the characteristics, culture and preparedness of the particular client base.

### **ELECTRONIC SERVICE DELIVERY**

When asked for information on improvements in service delivery, by far the most common area in which improvement was reported was electronic communication. In particular, agencies tended to focus on improving their website and/or electronic transactions.

Centrelink's views mirror those of many agencies in that it sees these services as a major part of its strategic future in delivering benefits such as:

- reducing the complexity of dealing with government;
- providing greater choice for customers in dealing with government;
- reducing the cost of service delivery; and
- improving accuracy through customer self-maintenance of their circumstances data.

Many agencies use electronic communications as one method for improving information distribution to clients. The Aboriginal and Torres Strait Islander Commission (ATSIC) is working on initiatives that recognise the isolation of remote clients and that will facilitate access to ATSIC's grant management processes. The Defence Housing Authority is taking a similar approach in developing an electronic database, including pictures and floor plans of housing stock available at sites around Australia.

Policy and regulatory agencies are also improving client service through increased usage of electronic communication. The National Occupational Health and Safety Commission, for example, finds that it facilitates its capacity to promote its programs, communicate with clients, undertake research and gather information.

The Commission's clients have access to a wider range of relevant information more quickly, and further development of the provision of information by electronic media is seen as a priority in improving client service.

For a very small organisation, the National Environment Protection Council website has been very successful in delivering environmental information that is rich in content, easy to download and quick to access. It recorded almost 788 000 hits for 1999–00.

Like many of the cultural agencies, the Australian War Memorial has been very active in developing and coordinating its website in order to enhance the services it delivers. This enables visitors to:

- access Memorial Collection databases, historical information and education programs;
- view exhibitions and Memorial products;
- plan visits and book tours online;
- access corporate documents and employment information; and
- provide feedback on the service charter.

The Memorial's electronic communications are now compliant with World Wide Web Consortium's (W3C) *Web Content Accessibility Guidelines*. It is also moving towards a full implementation of electronic commerce for all Memorial products appropriately delivered via the website.

Several agencies, such as the Department of Immigration and Multicultural Affairs (DIMA), Agriculture, Fisheries and Forestry–Australia and the Australian Customs Service (ACS), have also made progress in using electronic services to provide more integrated services to clients.

DIMA introduced special arrangements to allow the for seamless entry to Australia of athletes, officials, accredited media and other Olympic and Paralympic Family members (OPFMs) participating in the Sydney 2000 Games. Electronic interface between the Sydney Organising Committee for the Olympic Games' Accreditation System and DIMA's Olympics System was used to transmit details of all OPFMs to DIMA, which conducted checks of each applicant and granted them a special electronic visa, known as an Olympic Travel Authority.

Electronic services provided by the Australian Quarantine and Inspection Service (AQIS) and the ACS are at the top level of delivery outlined in the Australian National Audit Office's Report No.18 1999–2000 *Electronic Service Delivery, including Internet use by Commonwealth Government Agencies*. Relevant services include:

- EXDOC/Single Electronic Window—an electronic export document clearance system that allows rapid clearance of product from Australia to export markets. The system enables clients to make one data entry using electronic messaging to meet AQIS, Australian customs and foreign country import requirements; and
- AIMS—the AQIS Import Management System, which interacts with the ACS system to risk assess product entering Australia, speeding up delivery of goods whilst at the same time protecting Australia from pest and disease incursions.

### **DELIVERING COMMONWEALTH GOVERNMENT SERVICES ONLINE**

In December 1997, the Prime Minister committed the Commonwealth Government to bringing all appropriate government services online over the Internet by 2001. A major aim of the Government's initiative was to harness the enormous increase in the use of the Internet to:

... streamline and improve the avenues for individuals and business to deal with government—providing user friendly access, rather than navigating the complex structure of government...[as well as helping to] reduce the compliance costs faced by business, and make relevant information readily available.<sup>33</sup>

These commitments were re-affirmed in April 2000 when the Government released the *Government Online* strategy,<sup>34</sup> and the complementary *Commonwealth Electronic Procurement—Implementation Strategy*.<sup>35</sup> These two documents outline national priorities and confirm the Government's intention to actively promote and support the online environment.

The Government Online Strategy sets out eight strategic priorities and some significant new requirements to ensure that maximum benefit is reaped from the new technology in the areas of privacy, access and security. Essentially, the strategy provides a national action framework to:

- ensure a whole-government approach by articulating common goals and priorities;
- provide guidance to agencies about the nature of the 2001 commitment and best practice ways of achieving it;
- facilitate opportunities for enhanced services by putting in place mechanisms to identify potential high value, cross-agency initiatives; and
- promote best practice and benchmarking, so that progress can be measured against other jurisdictions, domestically and internationally.

<sup>33</sup> Office for Government Online. *Commonwealth Government Online—progress report*, December 1999, available on the Internet at [www.govonline.gov.au](http://www.govonline.gov.au)

<sup>34</sup> Department of Communication, Information Technology and the Arts, *Government Online—The Commonwealth Government's Strategy*, April 2000, available on the Internet at [www.govonline.gov.au](http://www.govonline.gov.au)

<sup>35</sup> Available on the Internet at [www.govonline.gov.au](http://www.govonline.gov.au)

Importantly, Internet services are intended to complement, rather than replace, existing written, telephone, fax and counter services.<sup>36</sup>

The Office for Government Online (OGO) is responsible for developing and implementing the Government's online agenda. Within this framework, OGO's central role is to develop strategic approaches and projects that are 'enablers' for the delivery of electronic services by Commonwealth agencies.

The *Electronic Transactions Act 1999* facilitates the move of Commonwealth services online. The Act, which commenced on 15 March 2000, requires Commonwealth agencies to accept electronic communications when a member of the business community or public chooses to communicate in this way.

To facilitate progress towards the 2001 commitment, the Government Online Strategy requires all Commonwealth agencies to develop and make publicly available Online Action Plans by 30 September 2000, comply with a number of standards in the areas of privacy, authentication, metadata, security, publishing, record-keeping and accessibility, and report to OGO every six months on their progress.<sup>37</sup> The standards include Online Information Service Obligations, which aim to ensure a basic level of quality and consistency of government online information and service.

## **PROGRESS TOWARDS ONLINE DELIVERY**

Late in 1999, two reports were issued looking at how agencies were progressing with delivering services electronically.

The Australian National Audit Office (ANAO) undertook a cross-agency performance audit, culminating in the November 1999 report *Electronic Service Delivery, including Internet Use, by Commonwealth Government Agencies*.<sup>38</sup> That report covered the 66 Commonwealth agencies to which the *Financial Management and Accountability Act 1997* applies.

The ANAO concluded that the majority of agencies were well positioned to meet the Government's commitment to deliver appropriate services on the Internet by 2001. The ANAO report identified four stages or degrees of Internet service delivery, and noted that agency functions would 'be a key factor in determining the stage at which the agency should be providing effective forms of Internet service delivery.'<sup>39</sup> The four stages identified are:

- an agency has a website that publishes information about itself and its services;

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<sup>36</sup> Department of Communications, Information Technology and the Arts, *Government Online—The Commonwealth Government's Strategy*, op. cit.

<sup>37</sup> Office for Government Online, *Government Online—Round One Survey Results, Executive Summary*, September 2000, available on the Internet at [www.govonline.gov.au](http://www.govonline.gov.au)

<sup>38</sup> Australian National Audit Office, Audit Report No.18 1999–00, *Electronic Service Delivery, including Internet Use, by Commonwealth Government Agencies*, November 1999.

<sup>39</sup> *ibid.* p.14.

- an agency allows Internet users to access the agency database(s), and to browse, explore and interact with that data;
- an agency allows users access, as in the above, and permits them to enter secure information, and engage in transactions with the agency; and
- in addition to the level of access permitted above, the agency, with the user's prior approval, shares relevant information provided by that user with other government agencies with a view to providing a whole-of-government integrated service.

The report also identified some impediments to implementing the changes and suggested some remedies to overcome them. The key impediments identified were:

- agency-specific legislation, particularly that which does not allow for documents in electronic formats;
- shortage of appropriate IT skills; and
- data security and privacy issues.

A particular security issue was Public Key Infrastructure, which uses technology to encrypt, decrypt and verify data. It is crucial to agencies whose initiatives involve transactions that carry significant actual, or potential, financial and legal implications. Public Key Infrastructure can ensure, in messages:

- privacy;
- authentication;
- non-repudiation; and
- integrity of information.

The ANAO recommended that individual agencies, amongst other things, review their legislation as soon as possible to identify any barriers to Internet or other electronic service delivery such as legislation mandating documents. The ANAO also recommended that agencies should have in place appropriate privacy and data security policies for their Internet sites. It noted that the Defence Signals Directorate has issued security guidelines for Australian Government IT systems and that the Australian Privacy Commissioner has issued guidelines for IT and Internet use. The ANAO concluded that OGO was in a good position to issue guidelines on how agencies can address data security problems, especially through Public Key Infrastructure.

The ANAO did not suggest a remedy to the IT skills problem. It noted the general shortage of IT skills as a result of year 2000 (Y2K) remedial work and suggested that it was likely to affect agencies' ability to implement the changes needed in IT systems, particularly as the Y2K remedial work was likely to remain at a high level for the six to 12 months after 1 January 2000. The ANAO observed that IT outsourcing and the decision to implement a GST would place further pressures on the demand for IT staff resources. It concluded that much of the developmental work for Internet initiatives will need to be undertaken by contract personnel and outsourced service providers which could also be in short supply or at premium cost. As a consequence, agencies' initiatives could be delivered late or could be too costly to pass cost-benefit scrutiny.

In December 1999, OGO released a summary of the progress made by Commonwealth agencies in bringing information and services online, *Commonwealth Government Online—Progress Report*.<sup>40</sup> This report drew on the ANAO findings and surveys undertaken by OGO itself, highlighting some examples of successful online initiatives. It also detailed some of the work underway on enabling infrastructure, especially in the Public Key Infrastructure area. The report concluded that a number of agencies had already made considerable progress but that online service delivery is a progressive task, and many agencies could go considerably further.<sup>41</sup>

OGO has since found that the situation has again improved.<sup>42</sup> More than 700 online service delivery initiatives have been identified and nearly 75 per cent of these are already providing widespread benefits to government clients.

Many initiatives bring together a range of information or services to make them more easily accessible for clients. The national *Health On-line* strategy has been endorsed by the Health sector and provides a high level framework for implementing electronic health services across Australia. As foreshadowed in last year's Report,<sup>43</sup> the Australian Bureau of Statistics (ABS) has developed ABS@, a database placed in the client computer environment and updated daily, providing access to the most up-to-date releases of publications and other relevant statistical information. This information replicates that available on the Internet as AusStats.

The Department of Employment, Workplace Relations and Small Business has developed the Australian Jobsearch Service and the Business Entry Point. Jobsearch is the channel for all government services and programs relating to employment in Australia. It provides job seekers and employers with direct access to relevant services. The Business Entry Point is a Government initiative in partnership with

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<sup>40</sup> Office for Government Online, *Commonwealth Government Online—Progress Report*, op. cit.

<sup>41</sup> *ibid.*

<sup>42</sup> Office for Government Online, *Government Online—Round One Survey Results, Executive Summary*, op. cit.

<sup>43</sup> PSMPC, *State of the Service Report 1998–99*, p.86.

State, Territory and local governments. It aims to simplify and reduce the compliance processes for business and enables business to interact with all levels of government through a single web site and supporting hotline.

Through the Business Entry Point, businesses can access current information on a wide range of government assistance programs and services, as well as on topics such as taxation, record keeping, superannuation, occupational health and safety, customs, intellectual property and workplace relations. Businesses can check various compliance requirements, such as those to do with employer and taxation obligations. They can tailor queries to suit their area of operation. Importantly, businesses can also undertake, privately and securely, a number of initial business registrations and other transactions online. For example, they can apply for a tax file number, register for an ABN, and register a company with the Australian Securities and Investments Commission.

### **DELIVERING SERVICES ELECTRONICALLY IN AGENCIES**

In seeking responses from agencies in preparation of this Report, the PSMPC asked agencies about the client service issues that face them and their businesses in the move to greater use of electronic communication. Nearly half of all agencies did not respond to this particular request or indicated that they did not have any issues to report.

Although the request did not mention the Government's initiative to move services online, most agencies that did respond mentioned that development.

The issues that agencies identified varied widely. There were, however, clusters of issues similar to those identified in the ANAO report and, despite differences in methodology and coverage, the percentages of agencies indicating concerns appear to have remained roughly the same as in the ANAO report more than six months before. The matters that agencies identified as an issue, in order of decreasing frequency of mention (although many are interrelated such as security and privacy), are:

- (a) security of sensitive information and of transactions;
- (b) privacy;
- (c) accessibility of information as well as equity of access;
- (d) reluctance or unreadiness of clients and/or suppliers, concerns about how best to serve clients needs electronically while addressing other issues, and maintaining service quality (including during development of online services);
- (e) concerns about costs in the development phase (including funds management, extra effort and/or resources required for the development of systems, and the suitability of some material for online delivery without considerable re-engineering of forms and processes);

- (f) dealing with client expectations, particularly the expectation that electronic service delivery will lead to instantaneous responses;
- (g) authentication and certification; and
- (h) an effective e-commerce framework.

Agencies continued to raise concerns about whether electronic services meet national security requirements and whether transactions meet legal requirements. Other particular concerns raised include storage and archiving of information, copyright, control of outsourced services, maintaining adequate infrastructure and staff skills, and a framework to maintain standards and regularly evaluate service.

OGO is working to address the issues that have been identified as inhibiting agencies' provision of online services by developing and supporting innovative solutions. Key facilitatory projects include:

- *Gatekeeper*: an online authentication framework for Government agencies. Complemented by developments in government policy and legal frameworks, Gatekeeper ensures the integrity, security and authenticity in the transmission of information and the transaction of business;
- *Australian Business Number Digital Signature Certificate (ABN-DSC)*: This online digital signature certificate, which authenticates the identity of each business, will be linked to the ABN, and will be used by all agencies and by businesses that deal with them;
- *GOVERNMENT*: a cross-jurisdictional access to government information and services;
- *E-Procurement*: the E-Procurement Strategy consists of a framework of standards for agencies and a series of projects and activities designed to implement electronic procurement. The aim is that 90 per cent of all 'simple procurement' transactions by departments and agencies will be undertaken electronically by the end of 2001, and all suppliers will be paid electronically by the end of 2000; and
- *TIGERS*: the Trials of Innovative Government Electronic Regional Services (TIGERS) project is a three-year pilot that capitalises on new technologies to deliver government services to the regional areas of Tasmania. The trials could become a model for government service delivery across the country, particularly in rural, regional and remote areas.

The impetus for online delivery is better service for clients and several agencies raised a number of issues pertinent to client needs.

The APS delivers services fairly, effectively, impartially and courteously to the Australian public and is sensitive to the diversity of the Australian public.

*APS Values – Public Service Act 1999*

More than 10 per cent of agencies mentioned that they were concerned about the ability of clients to access services online. Relevant issues include the services provided by agencies (such as effective search and browser facilities, seamless linkages to other agencies, customer-focused site design and ease of use) and infrastructure concerns such as the absence of appropriate infrastructure in rural and remote Australia. A closely related issue is the extent to which clients are actually aware of the availability of electronic and online services, and the extent to which they feel comfortable using them.

Accessibility is a fundamental issue for clients both in Australia and overseas. The external client base of the Australian Centre for International Agricultural Research (ACIAR) includes research and development institutions within a large number of developing countries and their Australian counterparts, and its ability to rely completely on electronic communication to deliver services is limited by its clients' access to appropriate technology (computers and reliable communication lines). Although modern communication technologies, which are more efficient and cost effective, are increasingly being implemented by ACIAR in line with the Government's Online Strategy, the reality is that in many instances the services will not reach the target clients in developing countries unless traditional methods are used in preference to, or in parallel with, modern electronic methods.

A few agencies mentioned seamless linkages as an issue, particularly to facilitate cross-agency services and single points of access in order to make service delivery and access to information simpler for clients.

Aside from concerns about confidentiality issues, electronic literacy and having access to, and confidence in, the suitable technology appear to be major factors affecting not only the acceptance of, but a preference for, electronic service delivery by clients and suppliers. Both DIMA and The Department of Health and Aged Care mentioned that significant cultural change would be necessary before on-line service delivery was widely accepted as being equivalent to traditional person-to-person service methods.

The Human Rights and Equal Opportunity Commission (HREOC) released a report in March 2000 on the accessibility of electronic service and information technologies by older Australians and people with a disability.<sup>44</sup> It noted that the technologies

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<sup>44</sup> Human Rights and Equal Opportunity Commission, *Accessibility of electronic commerce and new service and information technologies for older Australians and people with a disability*, Report of the Human Rights and Equal Opportunity Commission on a reference from the Attorney-General, 31 March 2000, available on the Internet at [www.hreoc.gov.au](http://www.hreoc.gov.au)

have real potential benefits for many of these people but that there are several barriers preventing older Australians and people with a disability having equal access to e-commerce and other electronic technologies. These include basic physical barriers, the affordability of and access to equipment, and problems of awareness and attitude.

The report noted the personal and social costs involved in some members of the community not having equally effective access to information and opportunities. It made a number of recommendations which agencies can use to help improve many aspects of accessibility that are within agencies' control.

The HREOC work draws on and strongly supports the Web Accessibility Initiative of the W3C. The Web Accessibility Initiative has resulted in the development of guidelines which are primarily aimed at making web content accessible to people with disabilities but which also make web content more accessible to other users with technical constraints (such as people using a low-speed Internet connection).

The Government Online Strategy<sup>45</sup> (released in April 2000) stresses the need for equity of access and endorses the W3C approach. The Strategy states that:

[t]he Government is committed to ensuring that no group is excluded from being able to access Government Online. Agencies will be required to fulfil their obligations under the *Disability Discrimination Act 1992* by observing the World Wide Web Consortium's (W3C's) *Web Content Accessibility Guidelines 1.0*, to ensure the widest possible audience for *Government Online*.

From 1 June 2000, all websites are to be tested by agencies for accessibility, and all new website contracts are to include accessibility as a key performance measure.

By 1 December 2000, all websites are to follow the W3C guidelines to a sufficient extent that they pass recognised tests of accessibility.

The Ombudsman has identified trends in issues coming before his Office in relation to electronic service delivery which are similar to those found by the ANAO and to those raised in agencies' responses to the PSMPC's questions. He has noted that the increased use of information technology, leading to less personal interaction between the service provider and their client, can lead to a decreased feeling of empowerment and increased levels of frustration when Service responsiveness is poor or record keeping systems deteriorate.

He identifies three important principles that arise from this result:

- methods of service delivery must be aligned to the reasonable capacities of those potentially receiving the service;

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<sup>45</sup> Department of Communication, Information Technology and the Arts, *Government Online—The Commonwealth Government's Strategy*, op. cit.

- planning for major changes in policy or legislation should include a plan for service delivery aspects as an integrated element, including the need to cope as seamlessly as possible with surges in demand; and
- record-keeping and the documentation of advice and/or decisions given to service recipients and potential service recipients require special attention.

The National Library also raised another aspect: information from various media (for example, print or electronic) may be used to provide services without the user being aware of its origin. This is a particular problem where clients are searching the Internet and where they have low levels of electronic literacy. There will need to be careful consideration of the balance between simplifying service access and advising the client about the origin and authenticity of information and services provided. It is also important to ensure that electronic information is managed in a way that maintains copyright.

The PSMPC has been seeking, through its SES Breakfast Seminars, to raise SES awareness of these issues. On 15 July 1999, Graham Simson, Principle of Simson Bowles and Associates, spoke about a survey that they had undertaken with the former Government of Victoria on the experiences of a range of public and private sector organisations delivering services online. Apart from emphasising issues such as privacy and security, Mr Simson pointed out that online systems raise customer expectations about the timeliness, accuracy and volume of services that an agency can provide, and that these expectations will need to be managed.

On 27 July 2000, the Parliamentary Secretary to the Minister for Communications, Information Technology and the Arts, Senator the Hon. Ian Campbell, spoke about the Government's Online Strategy and set out four challenges for the SES. First, it was important for managers to understand what the Internet can achieve and how it can be used. Second, managers need to ensure that online delivery of programs, services and information is integrated into the ongoing mainstream business of the agency. Third, agencies need to move from an approach which asks which of the services that are already provided can be put on the Internet, to one that asks which services clients would like to have. And fourth, agencies need properly to allocate resources and responsibilities, including investment in staff, to ensure effective online service delivery.

### **MEETING THE CHALLENGE**

In committing the Commonwealth to delivering all appropriate government services online by 2001, the Government has set an ambitious target. So far, reports suggest that progress is good in the majority of cases and that the target can be reached. As

at 30 June 2000, 90 per cent of Government agencies are confident of getting appropriate services online by 2001, and already some 530 services are online, with some 700 expected by the end of 2001.<sup>46</sup>

The move to online delivery will probably involve greater resource costs for many agencies in the short to medium term, particularly for those dealing with community rather than business clients. The move will often involve running the new online system in parallel with more traditional delivery methods, both until online access is assured and until this means of delivery is the preferred method for clients. As noted above, the use of online delivery as a complement to, rather than instead of, more traditional delivery methods was recognised by the Government as part of its online strategy.

There is still considerable work to be done by both central and line agencies, however, to ensure that the issues of concern raised by agencies are addressed. Only then will online delivery of services be properly sustainable and accepted by the clients it is intended to serve.

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<sup>46</sup> Office for Government Online, *Government Online—Round One Survey Results*, September 2000, available on the Internet at [www.ogo.gov.au](http://www.ogo.gov.au)

## **PART 6 CAPABILITY DEVELOPMENT**

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WORKPLACE PLANNING

LEADERSHIP



## WORKFORCE PLANNING

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The changing nature of the APS and of the environment in which it operates, and the growing expectation on the APS to continue to improve its performance and achieve results, means that agencies must now give more priority than ever to issues of organisational capability. The APS Values emphasise the expectation that the APS will have the capability to respond effectively to the requirements of the Government of the day and, through it, the Australian community.

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.

*APS Values – Public Service Act 1999.*

A key aspect of achieving organisational capability is the capacity to forecast and plan for future skills and staffing needs. The need for agencies to take a much more strategic approach to workforce planning has been identified in previous State of the Service Reports. In addition, one of the major themes to emerge from the 1999 People Management Benchmarking Study is the need for agencies to build their capability through 'clearly articulating current and future workforce needs, and investing, strategically in the acquisition, development, deployment and retention of staff with the required capabilities.'<sup>47</sup>

For this year's State of the Service Report, the Commissioner asked agencies to provide information on the:

- major ongoing issues for agencies in building and maintaining the capabilities required, including the particular skills and attributes needed to be called on or sustained; and
- assessment, recruitment and development strategies needed to obtain these skills and attributes, and which strategies are working well and which are less effective.

There was a considerable variation in the quality of responses. This, together with the differences in size and functions of agencies across the APS and variations in internal demographics, labour markets and business needs, has to be taken into account in any analysis of overall trends. It remains possible, however, to identify a number of common themes and issues across the APS.

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<sup>47</sup> PSMPC, *Building Corporate Capability—The APS in Transition*, Canberra, 2000, available on the Internet at [www.psmpc.gov.au](http://www.psmpc.gov.au).

## **AN INTEGRATED APPROACH TO WORKFORCE PLANNING**

Successful workforce planning involves having information, tools and resources to ensure that adequate numbers of suitably skilled staff are available to be deployed as needed to enable the agency to attain its objectives. As pointed out by Centrelink, it is therefore crucial that there is a strong link between workforce planning and business planning. Agencies need to have staff with the specific skills and attributes that will enable them to make a positive contribution to meeting business directions and goals. There is also a need for effective integration between workforce planning and other elements of an agency's overall people management strategy.

The requirements of effective workforce planning include such elements as:

- shared vision—a clear articulation by agency leaders of the current and future challenges facing the agency;
- desired workforce—a clear articulation of the skills needed to be recruited, developed and sustained to meet these challenges;
- current workforce—use of effective demographic data, including information on the current skills and experience of employees, which is able to be tracked to show trends in areas such as advancement and retention;
- gap analysis—making comparisons between the current and desired workforce to enable consideration of the gaps, the barriers to achieving the desired skills, and the best approach to acquiring the skills needed;
- aligning strategies—investing in those HR strategies, including succession planning, recruitment, retention, career planning and performance management, that can directly shape the workforce to meet business priorities;
- using data—accessing data on APS-wide demographic trends to provide comparative APS labour market information, and understanding the relevant external labour market to assist the development of appropriately targeted recruitment strategies;
- reporting, evaluation and monitoring; and
- setting the agency culture—using the agency agreement making process to ensure that the agency is able to compete internally and externally for skills.

Most agencies commented on the need to adopt an integrated approach to address the challenge of building organisational capability. Responses indicate that most agencies have taken, or are taking, appropriate steps to:

- identify overall recruitment and learning priorities on the basis of the organisation's business plan;

- use performance management and feedback as a means of identifying individual and team development requirements; and
- align individual and team development requirements to overall corporate and business objectives.

The level of sophistication and progress in development varies considerably from agency to agency. The department of Agriculture, Fisheries and Forestry (AFFA) has developed a Performance through People program, based around the *Investors in People Standard*, which provides a framework of factors to be taken into consideration when building and maintaining organisational capabilities. Several other agencies reported that they had comprehensive workplace planning projects under development, but, in general, few details were provided.

In particular, the use of strategic workforce planning techniques using demographic data and labour market scenarios still appears to be in its preliminary stages in the APS. In last year's report, a case study was included on the workforce planning project that the Australian Customs Service (ACS) had embarked on in March 1999 and which it has developed further during 1999–00. Initiatives in 1999–00 included:

- development of data analysis and reporting tools to support workforce analysis, projection and planning;
- development of a National Workforce Strategy to address requirements for recruitment, skill development and succession planning; and
- the identification of a single set of competencies, including management and technical skills required by staff in all work areas, as the basis for an integrated competency-based Customs Development Program.

### **DEFINING CAPABILITY REQUIREMENTS**

An important starting point for an integrated approach to workforce planning is the process of defining the capabilities needed to deliver an agency's business goals.

An interesting development that is being considered in some agencies is the articulation of generic capabilities to focus on the overall goals and interests of the agency and to provide an integrated approach to the acquisition and development of individual skills, often in the context of organisational change.

The Family Court has developed a capability framework for groups of employees who are directly involved in casework and client services and is working to extend the framework to other areas to align it to performance development systems and HR frameworks. The Attorney-General's Department has developed a capabilities

framework which includes generic capabilities based on the *Senior Executive Leadership Capability Framework*,<sup>48</sup> and a comprehensive list of position-specific capabilities. Centrelink proposes to conduct a review shortly to determine a framework for its training, development, knowledge and staff skills, by making a stronger linkage between learning, performance and productivity.

## **DEFINING SKILL REQUIREMENTS**

Once capability requirements have been identified, an analysis needs to be made of the specific skills and attributes needed to ensure capabilities are available when required. An integrated workforce plan also needs to address the availability of these skills.

The move in focus from program delivery towards program management, and the need to develop analytical and communications skills, has led the Department of Education, Training and Youth Affairs (DETYA) to identify five organisational capabilities (understand, anticipate, create, influence, implement) which it considers are the key to achieving its vision and purpose. The Department is undertaking a number of specific initiatives to build and maintain these organisational capabilities. In particular:

- the capabilities are being included in division business plans, which identify how they will be developed and applied;
- planning methods have been revised to strengthen the forward looking elements;
- workforce planning is being developed and implemented with a view to meeting DETYA's future needs and capabilities, and recruitment, exchange and training strategies are increasingly being used to attract and retain staff with the necessary skills;
- better practice guides are being developed and promulgated, based both on internal experience and on examples acquired from external sources; and
- a systematic approach to knowledge management is being explored.

APS reform has increased the need for particular skills that may also be in demand in the broader labour market. Many of these reforms have required agencies to:

- focus on core business, market testing and, where appropriate, contracting out corporate and other functions;
- implement and manage the accrual budgeting and accounting framework;
- increase the focus on effective client service, either directly or through outsourced delivery; and

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<sup>48</sup> PSMPC, *Senior Executive Leadership Capability Framework*, 1999.

- focus on electronic communication and service delivery.

Agencies have identified the need to enhance the skills in their organisations to address these challenges, in particular to develop skills focusing on client service; project, contract, financial, performance, knowledge and people management; and information technology. Extensive research undertaken earlier by the PSMPC produced a very similar response. As a result of this research, the PSMPC introduced 12 new development programs including a new *Thinking Business Series* designed to assist APS staff to operate in a more competitive and business focused environment.

Skill shortages in these areas are likely to impact Service-wide, resulting in increased competition in both the internal and external labour markets. The Australian National Audit Office (ANAO) has reported that it is facing challenges in maintaining capability in its financial statement audit area, as qualified and highly trained staff become increasingly marketable within the accrual budgeting environment.

The recruitment and retention of specialist IT staff remains a particular problem for many agencies. Some agencies, however, noted that increased remuneration flexibility, including the use of AWAs, has enabled them to attract skills in this area.

The increasing emphasis on business oriented skills across all industry sectors is a particular issue for regulatory agencies that have presences in major business centres outside Canberra. The Australian Competition and Consumer Commission has reported that its Sydney Office experiences considerable staff turnover due to dynamic market conditions. The National Competition Council, with its head office in Melbourne, has reported similar problems.

## **ADDRESSING THE SKILL REQUIREMENTS**

Once skill requirements have been identified, they provide the basis for coordinated recruitment, training and development, and retention initiatives.

### **Recruitment**

Several agencies placed strong emphasis on an effective graduate recruitment strategy as a means of acquiring the skills and capabilities they will need to deliver their business goals over the long term. There is generally an ongoing commitment to graduate recruitment—both generalist and specialist—across the APS.

The devolution of graduate recruitment to individual agencies has meant that agencies need to develop systems which enable them to select graduates who meet their own particular skills requirements and at the same time manage the increasingly

large number of graduate applicants. The Department of Communications, Information Technology and the Arts has established a consortium of agencies to recruit graduates online. Graduate Recruitment Online (GRO) comprises the Department of Communications, Information Technology and the Arts; the Department of Employment Workplace Relations and Small Business; the Department of Family and Community Services; the Department of Transport and Regional Services; the Department of Immigration and Multicultural Affairs; the Department of Industry, Sciences and Resources; the Department of Veterans' Affairs; the National Archives of Australia and, outside the APS, the Health Insurance Commission.

The consortium has contracted an experienced online private sector graduate recruitment company, nga.net Pty Ltd, to manage graduate applications for 2001. While initial notification of vacancies is through Gazette and newspaper advertisement, applications are made online to a single e-mail address which then sorts and distributes them to agencies. Follow-up contact with applicants is through e-mail. Apart from the use of electronic technology, GRO streamlines the application process for both applicants and agencies by providing a single point through which to apply for positions in participating agencies. The private sector provider has no responsibility for shortlisting applicants or for any other aspect of merit selection. This remains the responsibility of GRO participants.

Specialist recruitment tends to provide more of a challenge to agencies. The Department of Defence has introduced an integrated strategy to identify and attract people with IT skills, which includes:

- the employment of trainees through an ACT Government scheme designed to fast track students through a graduate diploma in IT. Students spend four days a week in the workplace gaining on-the-job skills and one day at the Canberra Institute of Technology;
- work experience and skills evaluation for senior secondary students as part of their IT studies. As well as providing benefits to students and their supervisors, this initiative establishes a link to the Department for potential recruits; and
- use of the Internet for advertising and filling of IT positions; selection documentation is available online; applicants submit their details electronically.

#### **Vocationally targeted training and skill development**

Agencies have shown a growing interest in a more structured approach to vocational training tailored to public sector needs.

The Public Services Training Package, endorsed by Public Service Education and Training Australia in November 1999, represents agreement by the Commonwealth, State and Territory Public Service Commissioners on the specific skills needed to work in the public sectors in Australia. The Training Package gives agencies and individuals an opportunity to recognise existing skills, to structure learning from entry-level to post-graduate level to support agency strategic outcomes, and to link workplace learning to nationally accredited qualifications.

The Training Package enhances skill mobility and portability and, because it is built around skill streams, can support career and succession planning. It breaks each skill down into levels ranging from basic to advanced and defines the competencies people need to practise skills at those levels. The skills are then packaged into a suite of 22 qualifications from Certificate 1 to Advanced Diploma which are recognised in all Australian jurisdictions and in New Zealand.

Those agencies that are using accredited training, which include the Australian Taxation Office, The Department of Defence, Centrelink and ACS, began the transition to the new qualifications in 1999–00 while other agencies are using competency standards for a variety of purposes including orientation and induction, linking personal development to corporate strategy, and purchasing training. To assist agencies opting to use the Training Package, the PSMPC coordinated agency participation in a Defence-led project to develop assessment tools built against learning outcomes. These tools will enable agencies to establish the skills they presently have, and to identify skill areas that require development.

The skills described in the qualifications enable agencies to purchase specific learning and development outcomes. A skill is not recognised (or assessed) until it is demonstrated in the workplace, meaning that agencies can test whether, and to what extent, learning has occurred through training. This enables outsourced training and development to be soundly described contractually and agreed outcomes to be observed. The skills in the Training Package also provide guidance on non-training solutions to development issues, such as project work, that may develop skills on-the-job.

In addition to such structured skills acquisition processes, agencies are using other targeted strategies for skills development.

The Australian Electoral Commission is pursuing an integrated approach linking development outcomes to its business improvement priorities. It has provided funding for structured professional, technical and operational training and development activities for its staff, with particular emphasis in the areas of contract management and project management.

The National Occupational Health and Safety Commission (NOHSC) has implemented a process of engaging people with specialist skills on a non-ongoing employment basis and ensures that opportunities are provided and taken up for skills transference from the non-ongoing specialist to the ongoing generalist staff of NOHSC.

The Department of Defence strategy for the development of its IT staff, involves:

- a trial work-based learning scheme, in partnership with the University of Technology Sydney. This scheme enables IT employees who do not have tertiary qualifications to complete a graduate certificate, graduate diploma, or master's degree in IT, by demonstrating existing on-the-job skills and expertise, supplemented by work based projects; and
- a Microsoft Certified Systems Engineer (MCSE) course made available to selected employees who require these skills. At the conclusion of the course, students can elect to undertake the examination leading to the formal MCSE certification at their own expense.

Only one agency, AFFA, explicitly mentioned current gender imbalance as a factor to be born in mind in recruitment and development strategies, although several other agencies listed the PSMPC's Senior Women in Development (SWIM) Program as an important element in workforce development. The philosophy of the SWIM Program is that, through the development of its senior women, the APS is better placed overall to contribute to, and to meet the challenges facing, public administration. Its coursework is closely aligned with the APS *Senior Executive Leadership Capability Framework*. The SWIM Program, however, is only one strategy that can be used to address gender imbalance in organisations.

The PSMPC also supports agencies with a wide range of learning and development activities for SES and non-SES staff. The PSMPC works closely with agencies to identify issues that are of particular importance to agencies. Over the past year, there has been particularly high demand from agencies for the PSMPC contract and project management programs. Other programs such as financial management, which is run at both introductory and advanced levels have also been in demand.

### **Retention Incentives**

Although there has been considerable discussion of the use of specific incentives to retain the skills that will be necessary to deliver their business outcomes, agency responses showed little evidence of the widespread use of retention incentives.

The Productivity Commission has introduced AWAs with retention bonuses as a means of retaining experienced IT staff. The Department of Finance and Administration (DOFA) also uses a retention bonus scheme. One mechanism to

identify and retain DOFA's key leadership and management is the Long Term Incentive Plan which was developed to retain employees in business critical positions and reward them for sustained high performance. The Plan involves paying a retention bonus to participants if they remain employed by DOFA for three years and are assessed as eligible for a performance bonus in each of those years. Retention bonuses are paid at the conclusion of each of the third, fourth and fifth annual performance cycles in the Plan. DOFA has reported that, during 1999–00, only three employees out of 55 participating in the Plan left DOFA. This equates to a turnover rate of less than six per cent, significantly less than for DOFA as a whole.

The effectiveness of retention incentives, such as bonus payments, in retaining skilled staff is an issue that will be monitored for possible discussion in future State of the Service Reports.

### **CAPACITY FOR THE FUTURE**

The expectation on agencies to ensure that they have the skilled capacity to respond to the requirements of the Government and the community will only grow in the future. In an environment where many of their activities are becoming increasingly contestable, the onus will be on agencies to establish mechanisms for the ongoing improvement of the organisational capability needed to achieve outcomes.

Many agencies recognise the critical importance of coherent workforce planning in maintaining and improving organisational capability. They also acknowledge that workforce planning will be at its most effective when it is integrated with overall business and people management strategies.

Information would suggest, however, that while many agencies understand the importance of workforce planning issues, they are still learning how to address them effectively. In this process, it will be crucial that agencies have ready access to advice and better practice. The ANAO is currently preparing on Workforce Planning Better Practice Guide to assist agencies to understand the key elements and stages of workforce planning and to develop linkages between strategic business plans and human resource management policies. The ANAO has formed a steering committee, representative of APS agencies and includes a representative from the PSMPC to provide input into the structure and outline of the guide.

The PSMPC will continue to work actively with ANAO on the development of the Better Practice Guide, identify examples of better practice in workforce planning, and promote these to agencies through its networks, development programs and its Better Practice Online site.



## LEADERSHIP

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The importance of high quality leadership in the APS has never been greater. The past two years have seen fundamental changes in the nature of APS employment, culminating in the PS Act 1999. This has entailed a shift from the comparative safety of a detailed framework of rules and regulations to an environment in which the way we work, and are accountable for decisions, is framed by an articulated set of Values.

There is a need for the APS to embed a culture of responsiveness and results orientation. At the same time, there is a need to preserve the impartial, professional and ethical standards that are central to an apolitical public service.

Effective leadership will be vital to the success of the APS in achieving high performance under the new framework. The APS will need leaders who understand and model the Values, and who build trust through demonstrating their own standards of professionalism and integrity. APS leaders will need to lead performance within an environment where there is a growing emphasis on a ‘whole-of-government’ approach and a resultant need for greater communication between agencies. The APS also requires leaders who understand the need to balance the devolution achieved under the new APS framework with maintaining and enhancing accountability.

*The APS has leadership of the highest quality.*

*APS Values – Public Service Act 1999.*

Leaders also have a central role to play in fostering and developing leadership skills across the Service, and in managing succession processes, not only in their own agencies but for the APS as a whole. This challenge is an enduring one, given that leaders must drive an ongoing and iterative process of building and renewing their own organisation’s capability, as well as contributing to collaborative efforts across the APS. This includes fostering a future generation of leaders who can continue to create a shared sense of purpose and a performance culture consistent with a values-based environment.

All of these factors have led to a re-evaluation of the capabilities required of leaders in the APS, how these capabilities can be enhanced through effective development

activities, and how new leaders can be identified and developed. The development and evolution of strategies to address these issues needs to be based on careful analysis of the demographics of the current APS leadership group.

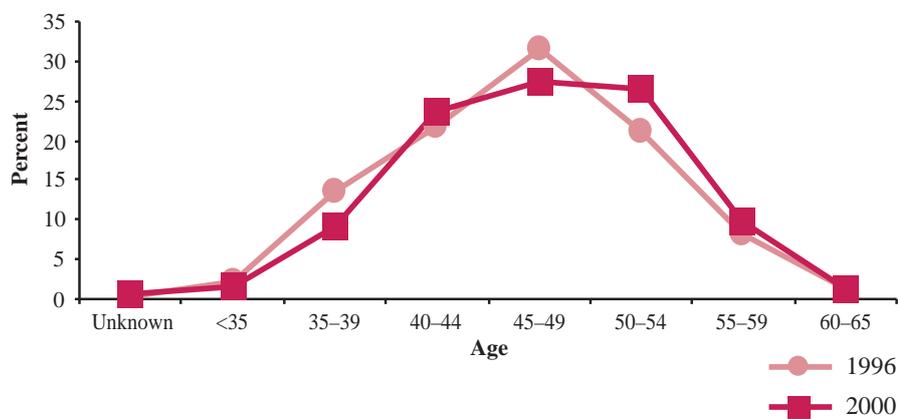
### LEADERSHIP DEMOGRAPHICS

Frequently expressed concerns are that the APS may be approaching a leadership replacement crisis in the form of an ageing SES, and that there will be an imminent loss of skills and corporate understanding through large scale retirements.

The Service certainly contains a significant number of SES employees who are nearing the minimum retirement age. There are certain features of the Commonwealth Superannuation Scheme, to which the majority of this cohort belong, which make it advantageous in pension terms to resign just prior to the age of 55 years. In February 2000, nearly 28 per cent of the SES was aged between 50 and 54 years.

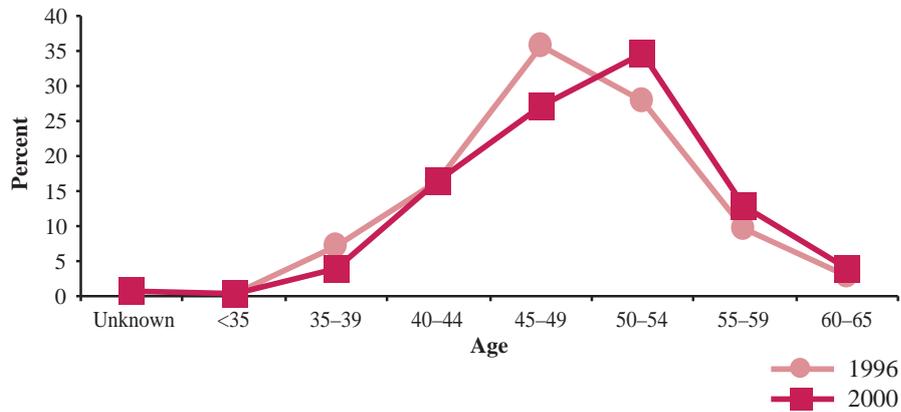
A closer analysis of the data suggests, however, that there has been no dramatic change in the overall age structure of the SES over the last five years. The following figures show the age distribution of the SES by Bands at June 1996 and June 2000.<sup>49</sup>

**Figure 13 SES Band 1 Age by Year**

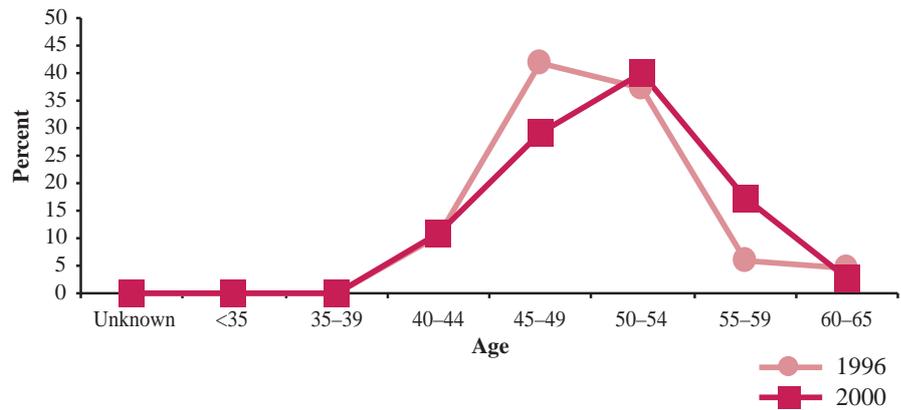


<sup>49</sup> Data source is the PSMPC's Senior Executive Management System. While the comparative data at June 1996 and June 2000 covers a short period, it may be indicative of the SES demographics for the next few years. The figures for June 1997, 1998 and 1999 are broadly similar to these figures.

**Figure 14 SES Band 2 Age by Year**



**Figure 15 SES Band 3 Age by Year**



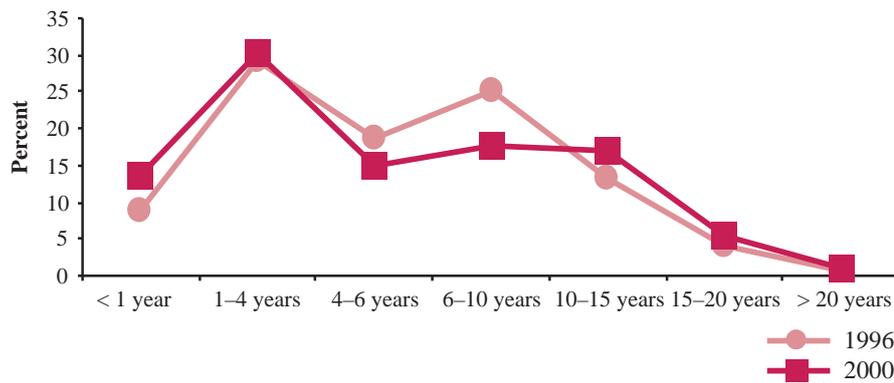
These figures certainly indicate that the SES is slightly older now than it was five years ago, and that the representation of older employees has consistently decreased after ages 50–54. On the other hand, there has been little change to these patterns over the past four years. In particular, the representation of SES employees aged 55 years and over has remained stable or increased slightly.

A breakdown into Bands shows that the median age of SES Band 1 employees remained at 47 years for the last five years; the median age for SES Band 2 employees has increased from 48 years to 50 years over that period; and the median age for SES Band 3 employees has increased from 49 years to 51 years. (The figures set out above are, of course, for the APS as a whole. The situation in individual agencies may differ significantly from these Service-wide figures.)

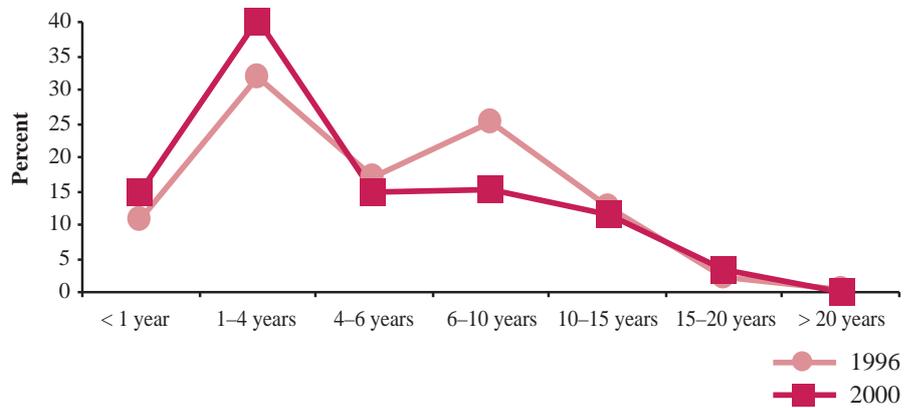
The demographics reinforce the fact that the replacement of the skills and knowledge of SES employees who resign or retire will remain a continuing issue for the APS. But there is no evidence from these figures that it is necessarily becoming more critical. Indeed, on the basis of these figures, a pattern may emerge of SES employees retiring later, a trend that may be influenced by the removal of the compulsory retirement age under the PS Act 1999.

The average length of service at level of SES employees also provides some interesting patterns. The following figures set out the average length of service by years for employees in each of the three SES Bands:

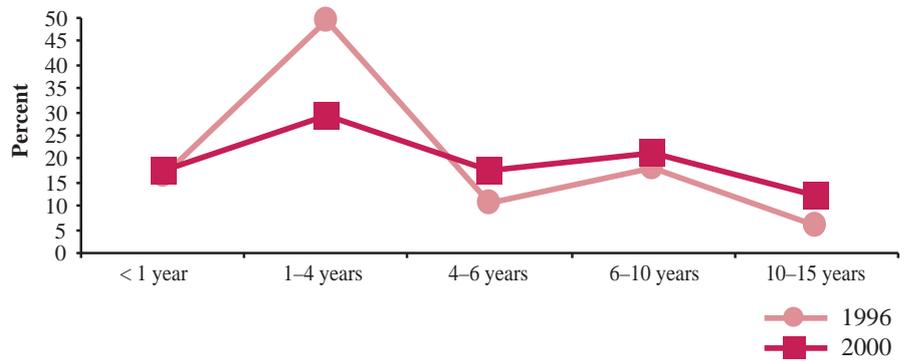
**Figure 16 SES Band 1 Length of Service by Year**



**Figure 17 SES Band 2 Length of Service by Year**



**Figure 18 SES Band 3 Length of Service by Year**



Not unexpectedly, there are some differences between the different Bands. The figures for both Band 1s and Band 2s show a consistent decline in the representation of SES employees who have been at that level between six and ten years, with the SES Band 2 figures, in particular, showing some increase in representation of employees with less than six years service at level. On the other hand, the

representation of SES Band 3 employees with over six years service has increased. Overall, there has been an increase in the representation of SES employees with service at level of ten years or longer.

The median length of service at level for a SES Band 1 employee in each of the last five years has remained more or less constant at around five years. The median length of service at level for a SES Band 2 employee was four years in 1996, with a brief rise to five years in 1997 and a return to three years in each year since. The median length of service at level for a SES Band 3 employee has risen from two years to four years over the same period

Agency reactions to the issue of an aging SES varied considerably across the APS and were closely influenced by agency specific factors such as the age and service profile of their SES group, their size, the nature of their work, the labour market from which they drew their skills, and their ongoing experiences in vacancy filling at senior levels.

A number of agencies mentioned that the aging of their senior staff had given impetus to succession management activities. The Department of Education, Training and Youth Affairs (DETYA) indicated that an analysis of the age profile in DETYA has revealed a need to develop a feeder pool and succession planning for the SES. The Australian Bureau of Statistics (ABS) noted that 34 per cent of its current SES and EL 2 group was aged 50 or over, compared with 21 per cent in that age group in 1995. This has resulted in a particular focus on the development of leadership and management skills of staff currently at EL 1 and EL 2, to address the potential departure of key SES and EL 2 staff over the next five years.

The Department of the Treasury, on the other hand, noted that its SES has a relatively young average age of 43 years, with only 14 percent falling in the age range of 50-55 years. The Department of Health and Aged Care acknowledged that 30 per cent of its SES is in the 50-54 age group, but also pointed out that an analysis of its staffing patterns indicated a reasonable and ongoing amount of turnover and new recruitment. While the Department is investigating succession planning and other strategies to develop leadership, the age profile itself was not considered a basis for immediate concern.

While the above figures are not conclusive it does seem that SES employees may, for whatever reason, be staying slightly longer in the Service and slightly longer at level, particularly at the most senior levels. This analysis may give the APS slightly more breathing space in terms of the replacement of leadership skills. The APS cannot afford to become complacent, however, and it will continue to be crucial to identify potential new leaders and manage their succession.

Perhaps the key feature emerging from the analysis is the need to ensure that those SES staff who appear to be staying longer continue to demonstrate a high level of performance. This will require targeted effort to ensure that their individual capabilities remain relevant and up-to-date.

### **THE SENIOR EXECUTIVE LEADERSHIP CAPABILITY FRAMEWORK**

The *Senior Executive Leadership Capability Framework* establishes a shared understanding of the crucial success factors for performance in APS leadership roles. It was developed during 1998–99 in response to a request from the Hon. Dr David Kemp MP, Minister Assisting the Prime Minister for the Public Service, to upgrade APS leadership development and planning. It provides the context for any discussion of leadership challenges and issues in 1999–00 and beyond.

The Leadership Framework was based on original and collaborative research across the Service to identify the behaviours that characterise effective APS leaders. It identifies five core criteria for high performance:

- shapes strategic thinking;
- achieves results;
- cultivates productive working relationships;
- exemplifies personal drive and integrity; and
- communicates with influence.

The Leadership Framework provides a practical tool to assist APS agencies to address senior executive selection, development and planning issues. It provides a point of congruence for all aspects of leadership development across the Service.

### **SENIOR EXECUTIVE SELECTION**

Since 1 September 1999, the five core criteria of the Leadership Framework have been used for selection to the SES. The balance in emphasis among the criteria can be varied according to the needs of the particular position in question, but a level of competence must be achieved on each of the criteria for engagement or promotion to SES positions.

It is nevertheless recognised that some SES duties may have particular technical or professional requirements that do not easily fall under these headings. In cases where an agency believes this to be the case and wishes to add additional criteria relating to these requirements, criteria can be added if the Public Service Commissioner agrees. As an indication of the broad coverage of the core selection criteria, in 1999–00 there were only 12 requests to include additional criteria in a year in which over 170 SES employment opportunities were notified in the Gazette.

## **LEADERSHIP DEVELOPMENT**

Once the *Senior Executive Leadership Capability Framework* had been established as the frame of reference for leadership performance, a priority for the PSMPC was to ensure that agencies and individuals were able to have access to development programs and activities matched to the Leadership Framework.

A suite of leadership programs was produced during 1999 in collaboration with Agency Heads and with the assistance of a large number of SES staff. The suite was extensively developed in conjunction with specialist providers selected through a national tender process and features core programs that correspond to key points in the career development of senior executives. It also includes a wide range of programs targeted at the development of specific leadership skills, plus services that can be provided to individual, or small groups of, senior executives.

The format of the programs recognises the workload constraints and pressures on the target group, and focuses on short practical courses with minimum residential components.

The Senior Executive Development Prospectus 2000 was individually issued to all senior executives in December 1999, and included a calendar of the scheduled development activities. Individual flyers giving fuller information about links to the Leadership Framework, and detailing content, outcomes and presenters for each program, were sent to senior executives. A second copy of the prospectus was mailed to senior executives in mid-2000, with additional program dates for the second half of the year.

## **360-DEGREE FEEDBACK QUESTIONNAIRE**

Another leadership development tool coordinated by the PSMPC was the 360-degree Feedback Questionnaire. The Questionnaire, based on the Leadership Framework, was originally developed for use at the APS Career Development Assessment Centre (see below) but has now been made available more widely for use across the APS. The Questionnaire provides feedback to individuals on the extent to which they demonstrate leadership capability in the work environment. It is useful for SES staff wishing to gain feedback on their current performance as well as for Executive Level staff wishing to track and plan their progress against senior executive performance requirements. Widespread interest in the use of the questionnaire for SES and EL groups has been expressed by agencies, who plan to use it as a component in integrated leadership development and performance management strategies in 2000–01. It is also being used in a number of PSMPC cross-Service leadership programs, including the Executive Leadership Development Program, the Sustaining the Leadership Contribution Program, and the SWIM Program.

### **APS CAREER DEVELOPMENT ASSESSMENT CENTRE**

The Leadership Framework also formed the basis for the development of an APS Career Development Assessment Centre, which has been designed to identify and assist in a better understanding of the strengths and development needs of high potential EL 2 staff. The Centre involves a range of assessment experiences including:

- the 360-degree Feedback Questionnaire designed against the Leadership Framework;
- a series of simulation activities designed to mirror typical challenges faced by senior executives; and
- a self-report instrument regarding behavioural preferences and leadership styles within the organisational context, which has relevance to many of the capabilities outlined in the Leadership Framework.

Participants are provided with comprehensive, individualized feedback on their strengths and development needs and a summary report regarding their performance over the Centre's activities. They also receive assistance in planning how they will build on the information gained to target future development to their particular requirements.

Fifteen Secretaries and other Agency Heads representing almost 60 per cent of the APS participated with the PSMPC in developing the Centre, and 90 EL staff from those agencies completed a Centre in 1999–00. It is envisaged that at least a further 120 will do so in 2000–01.

A particular feature of the Centre is that senior level observers, usually at the SES Band 2 or 3 levels, undertake the assessments of the participants during the simulation activities and are also involved in follow-up activities in agencies, including the implementation of targeted development strategies. The observers are comprehensively trained in their role and gain skills, particularly in understanding and assessing the behaviours set out in the Leadership Framework, which are transferable to their own agency contexts.

A preliminary evaluation of the Centre demonstrates that participants rate it highly in terms of giving them a clear understanding of their strengths and their development needs and the confidence and motivation to address those needs. The Agency Heads involved in sponsoring the Centre also believe that this goal is being achieved and that it gives them the information they need to identify and understand possible development strategies which will best meet the requirements of the individuals involved.

## **SUCCESSION PLANNING**

As well as providing effective development for the current leadership group, a strategy to ensure that the APS has leadership of the highest quality needs also to concentrate on leadership succession planning, both for individual agencies and the Service as a whole.

The PSMPC is aware of 15 agencies who are currently managing, implementing, planning or contemplating some form of leadership succession management. A number more may be putting in place preliminary strategies to that end.

Several agencies have taken steps to identify and develop the particular leadership skills they need, and this is at least a useful first step in the development of succession strategies. Even some small agencies, who indicated that there was little scope in their organisation for succession management given their small size, had put in place various schemes to identify or attract talent. The Australian Industrial Registry, for example, advised that it uses its performance management system for Executive Level employees, including 360-degree feedback, to identify potential.

At the most senior levels of the APS, Portfolio Secretaries took part in the first round of a structured approach to considering the top leadership potential of the Band 3 and equivalent group across the Service. Secretaries also discussed the development most likely to increase this potential, including lateral mobility or temporary transfer to other agencies to broaden knowledge and experience.

Mobility at this level brings into focus the need for a whole-of-Service perspective in succession management. As Agency Heads contemplate the release of high performing Band 3s to other agencies under mobility programs, there is an understandable tension between the immediate requirements of the individual agency and the long term leadership needs of the APS as a whole. Agency Heads who agree to such moves as part of a broader need to develop the succession at the top of the Service, notwithstanding the real increase in workload pressures it could produce in their particular agency, should have their contribution acknowledged when their own performance is being assessed.

The other key group to be considered as part of leadership succession management is EL 2 staff, who represent the feeder group for the SES. As mentioned above, the APS Career Development Assessment Centre was established during 1999–00 as a significant initiative concentrating on the development needs of high potential members of the EL 2 group.

## **UNDERSTANDING THE STRENGTHS AND THE GAPS IN LEADERSHIP SKILLS**

Under clause 6(1) of the Public Service Commissioner's Directions 1999, Agency Heads must maintain and develop the leadership role and capabilities of the SES. Strategies to develop the SES group should be informed by specific data about the nature and scope of development needs, to ensure that investments are targeted for maximum effect.

Tools such as the Career Development Assessment Centre and the APS 360-degree Feedback Questionnaire are able to generate data on the system-wide strengths, and gaps in performance, of high potential staff in the feeder group to the SES, as well as of current senior executives.

As the *Senior Executive Leadership Capability Framework* has only been in place for just over 12 months, only preliminary data are available. These suggest, however, that one capability area where there may be a general development need is the area of strategic thinking.

There is general agreement among respondents to the APS 360-degree Feedback Questionnaire that strategic thinking skills are the most important of the capabilities identified in the Leadership Framework. The actual performance of respondents, however, does not match this importance rating. Similar evidence is suggested by feedback from other development activities. Performance remains high on the long accepted elements of strategic thinking such as intelligence, common sense and judgement.

Performance is less strong on the more recently identified but equally important elements such as inspiring a sense of purpose and direction, focusing on the broad objectives of government, and harnessing new sources of information.

Such conclusions are, at this stage, based on small samples and must be seen as tentative. But they are of particular interest to a Public Service increasingly focused on the core business of policy advising in an increasingly competitive environment. The PSMPC will continue to monitor the information that becomes available on leadership strengths and development needs and, if firmer data emerges, this issue will be discussed further in the next State of the Service Report.

## **HOW AGENCIES ARE ADDRESSING THE LEADERSHIP CHALLENGE**

As part of its survey of agencies for this State of the Service Report, the PSMPC asked:

- how agencies were responding to the challenge of renewal at the leadership level, including any succession planning strategies they may have put in place or were considering;

- the strategies agencies have implemented to identify, assess and develop leadership potential in the feeder group, including career assessment, 360-degree feedback, cross-Service development opportunities or mobility schemes; and
- the key learning and development needs of the feeder group.

Agency responses to the questions were, in some cases, patchy and vague, suggesting that some agencies were yet to address the issue of leadership development in detail. On the other hand, it would appear that other agencies have been stimulated into putting in place planning systems or frameworks aimed at responding positively to challenges of leadership capabilities and sustainability in the SES. While details differ from agency to agency, it is possible to identify certain core features of their approaches. These include:

- the establishment of, or planning for, an overall integrated leadership development strategy based on the identification of overall corporate needs, including workforce planning;
- the linking of these strategies and programs to the *Senior Executive Leadership Capability Framework*;
- the linkage of SES and feeder group development to a performance appraisal and feedback system. About 20 agencies reported that they had implemented or were planning a 360-degree feedback system as part of this;
- participation in the Career Development Assessment Centres; and
- a consistent emphasis on on-the-job learning and development through rotational and mobility programs as well as on formal training. Many of these initiatives were within the agency but some involve formal or informal arrangements with other sectors, with academic institutions and with overseas organisations.

The Attorney-General's Department was one agency that has been focusing directly on its leadership needs in coping with a period of significant change. In developing a People Plan which included the development of a capabilities framework to underpin workforce planning and the selection, appraisal and development of people, interviews revealed concerns about leadership, people management, the internal focus of the Department, and supervisors' lack of people management skills. Priority was given to leadership and management behaviour to address the identified deficiencies and a program was developed that incorporated the specific needs of the Department with the Leadership Framework. To date, 45 people at the SES and EL 2 (and equivalent) levels have participated in the program.

ComSuper is using its improved project management strategy as a means of providing leadership development opportunities on-the-job. Recognising that projects cut across existing organisational structures, ComSuper has established cross-section Project Boards to fund, resource, manage and accept final responsibility for project outcomes. Membership of these Boards provides an opportunity for ComSuper to develop the leadership potential of a wider range of staff than would otherwise be available under ComSuper's line management structure.

Apart from the general development of broad leadership and management skills and the enhancement of agency specific specialist skills, there were several common themes which agencies had identified and were factoring into their feeder group development programs. They included more specialised management skills such as project and contract management, people, team and workgroup management, and business skills. A few agencies specifically identified broader requirements relating to the overall culture and direction of the APS including awareness of the APS Values, public sector reform, cross-Service issues and corporate citizenship. The ABS listed self-awareness and Centrelink listed emotional intelligence. The Bureau of Meteorology commented on their particular interest in helping feeder group staff manage the transition from specialist expert to leader.

A number of agencies mentioned the advantage of staff in the feeder group participating in internal mobility programs which are seen as a useful mechanism by which to widen experience and knowledge, and for developing leadership capabilities.

In addition to agency-specific development, participation in cross agency activities is also important. While agencies must have the flexibility to develop leadership skills to meet their own particular business and organisational requirements, the Leadership Framework emphasises the importance of common capabilities and a common leadership culture and values across the APS. The PS Act 1999 also emphasises the crucial role of cross-Service cooperation.

The APS is a career-based Service to enhance the effectiveness and cohesion of Australia's democratic system of Government.

*APS Values – Public Service Act 1999.*

In examining the extent of involvement in cross agency leadership development, the Commission looked at attendance at the PSMPC's Orientation to the Senior Executive Service program, a two day seminar held about six times each calendar year. The aim of the program is to provide an effective introduction to the new and different expectations that are placed on people when they join the SES. In view of the special nature of the SES, the PSMPC strongly encourages new SES entrants to attend and asks their agencies to support their attendance.

Because new entrants are encouraged to participate in the program within the first 12 months of entry to the SES, and because entry dates may be spread across the calendar year, it is necessary to follow up attendance patterns over a two year period:

- of the 108 new SES entrants in 1998, 33 (31 per cent) attended the program in that year and 24 (22 per cent) attended it in 1999. There is no evidence that the remaining 51 (47 per cent) have ever attended; and
- of the 167 new SES entrants in 1999, 57 (34 per cent) attended the program in that year, and a further 33 (20 per cent) have subsequently attended it in 2000. Seventy-seven new SES entrants (46 per cent) remain unaccounted for so far.

The fact that nearly half the eligible new SES employees failed, for whatever reason, to attend an important threshold program for APS leaders is a matter for concern. There appear to be no significant ongoing attendance differences in terms of gender or of regional location. While it is difficult to identify attendance trends over time by individual agencies (some small agencies may have no new SES entrants in a particular year), the differences between agencies in these two years were significant and suggest that some agencies give more priority at a senior level to this transition than do others. Some agencies would send few or none of their new SES members whereas others send between 75 and 100 per cent.

The PSMPC will be seeking feedback from agencies on any issues that may have led to this result. Current feedback from the actual participants is consistently strong and fully endorses the value of the program. This value is enhanced by the regular participation of Agency Heads such as the Secretary to the Department of Defence, Dr Allan Hawke; the Secretary to Department of Transport Regional Services, Mr Ken Matthews; the Secretary to the Department of Employment, Workplace Relations and Small Business, Dr Peter Shergold; the Clerk of the Senate, Mr Harry Evans; the Chief Executive Officer of Centrelink, Ms Sue Vardon; and the Chief Executive Officer of ComSuper, Ms Christine Goode. In addition, the Department of Finance and Administration regularly provides senior speakers.

### **THE CHALLENGE AHEAD**

Effective leadership will be the key to the future performance of the APS and to its contribution to the Government and the Australian community. The challenge for the PSMPC and agencies will be to maintain an ongoing focus on developing the full potential of the leadership group and identifying the development needs of the feeder group to the SES.

Identifying and developing leaders will continue to require a significant investment not only in agency-specific training but in cross-Service leadership development and through mobility or short-term transfer between agencies to increase experience. The need for cross-Service collaboration is consistent both with the growing emphasis on 'whole-of-government' approaches and with the fundamental value of building and enhancing the cohesion of a key element of Australia's system of government.



## **PART 7 CHALLENGES FOR THE FUTURE**

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## CHALLENGES FOR THE FUTURE

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The year 1999–00 has been one of sustained achievement for the APS. Agencies have continued to strive for high standards of ethics and responsiveness and have continued to display commitment and professionalism when faced with the considerable pressure of ongoing change and business imperatives. Agencies have made progress in bedding down the changes of previous years, as well as achieving noticeable improvements in service delivery. There are, however, a number of emerging challenges which agencies will need to address.

One important challenge identified in this Report is the need to maintain a focus on building and enhancing workforce capabilities in a changing environment which brings with it new technological, management and customer service challenges. In addition, the skills and qualities which the APS now requires to meet these challenges (such as contract, financial and information technology management) are increasingly similar to those being sought by other sectors of industry. The APS will need to give continuing attention to workforce planning, recruitment and remuneration strategies which give the flexibility to develop, attract and retain these skills. At the same time, these strategies will need to be compatible with the elements of the legislative framework, particularly the APS Values that emphasise probity, merit and open competition.

An essential element in workforce planning at both the Service-wide and agency level is the availability of current and accurate workforce demographics. The implementation of the APS Employment Database (APSED) will potentially provide the PSMPC with a much better basis on which to analyse whole-of-APS trends, including possible changes to some long held assumptions about the future size and shape of the APS. As the APSED is a Service-wide compilation of individual agency data, it is important that, within the framework of the Information Privacy Principles, agencies themselves collect and maintain accurate and current workforce data.

This workforce planning needs to operate in the context of an APS that is no longer a closed labour market. The increasing cross fertilisation of ideas and talent between the APS and other sectors of industry has implications for the concept of a career-based Service. In a devolved environment, agencies have diverse business and organisational goals which require flexibility to manage in the most efficient and effective way. But the APS as a whole continues to have unique public interest roles and responsibilities which in turn require a common professionalism. The

fostering of a core public interest ethos among all employees, focused around an understanding of the APS Values and Code of Conduct, is essential to the concept of a single Service as well as to the maintenance of appropriate standards of behaviour. The qualitative understanding and application of the APS Values by agencies and their employees will be a key theme in next year's State of the Service Report, and agencies have been requested to include questions in their staff surveys over 2000–01 which relate to this.

The Values must be, and be seen to be, modelled by APS leaders. In a devolved environment with a workforce which is increasingly recruited from other sectors with their own values, it is effective leadership that articulates the Values, applies them to the workplace and provides the core model of attributes and behaviours that apply across the variety of individual agencies' activities and responsibilities. Leadership will remain a focus for future Reports.

Another important challenge has been the need for agencies to understand that the individual Values should not be applied in isolation and that there is a balance between them that must be maintained to preserve the public interest. There may, for example, be operational tensions between broadbanded structures, which aim at the more effective deployment of staff in the interests of organisational performance, and the Values relating to merit and community access to APS vacancies. Agencies need to be able to develop approaches that balance the competing requirements of the Values' apparent tensions.

One of the consequences of the shift from a Service based on central prescription to one based around core principles is that stakeholders, including parliament and the community, are likely to become much more interested in the detail of how the Values are being applied in agencies.

Performance management systems should aim demonstrably to recognise and reward those APS employees who behave in a way that upholds the APS Values and the integrity and good reputation of the APS. Such a system must also confront the behaviour of those employees who consistently work against the APS Values.

The implementation of the PS Act 1999 at a cultural, rather than simply a mechanical, level will continue to be a challenge. Agency activity in this area is varied, and issues such as the effectiveness of arrangements for the review of employment decisions in accordance with the new legislation may need to be monitored. In general, most agencies appear to have put at least adequate systems in place to meet their responsibilities under the PS Act 1999. More analysis will be required over time, however, to examine how the PS Act 1999 and its supporting legislation

actually operate in practice, what agencies can and cannot do under its framework, and what the appropriate advisory and regulatory roles of central agencies might be. These will be issues for future reports.

In many circumstances, the success of the PS Act 1999 will be judged by the extent to which it has enabled improved delivery of service. Client and agency mindsets about service delivery will continue to change, fuelled at least partly by technological change and perceptions about what technological change can achieve. The ability of agencies to respond in this area has been shown, for example, in the progress that they are making toward meeting the Government's Online target.

Service delivery is moving from a model focused around a uniform Public Service—client relationship to one in which there are varying and often competing models, including through outsourced providers. Clients are increasingly empowered through information to exercise choice.

Agencies can demonstrate their success in meeting these challenges by developing and sharing information on their experience that is appropriate and informative. The availability of such information will be critical in discharging the accountability obligations of both the Service and individual agencies. Only in this way will we be able to satisfy all stakeholders that we have the capacity and the willingness to achieve the correct balance between the exercise of management prerogatives and proper accountabilities.

In this context, cooperative approaches, particularly in policy development, regulatory activity and service delivery, will continue to be important to the efficiency and effectiveness of the Service. This points to the continuing role played by all Agency Heads in the collective leadership of the APS.



## APPENDIX

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## **APPENDIX 1 – QUESTIONS FOR DEPARTMENTS AND AGENCIES**

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In May 2000 the Public Service Commissioner wrote to all APS Departments and agencies requesting information for the State of the Service Report. Agencies were requested to provide information on the items identified below. The Commission generally sought a short statement for each item, although agencies were encouraged to provide more detailed responses in cases where the agency considers that its experience and views might be of particular interest.

### **A: THE PUBLIC SERVICE ACT 1999**

The new Act, which came into operation on 5 December 1999, will be a major focus of this year's report. While in some areas the Act simply formalised changes that had already taken place through previous administrative reforms, in others it introduced significant new flexibilities and responsibilities for agencies.

#### **The Implementation of the Act**

A major issue for the report is how the APS coped with the mechanics of implementation. We are requesting information on:

- the major issues for agencies so far in implementing the new Public Service Act;
- the steps agencies have taken to help staff understand and manage the new legislative framework. How effective have these strategies been?;
- how useful have agencies found the PSMPC and DEWRSB 'advices' and support; and
- any areas where questions have arisen that were not covered in preparatory material.

#### **The Transitional Arrangements**

The new framework included transitional provisions for dealing with actions in progress when the new Act was implemented. We are requesting information on:

- any major issues and problems for agencies in managing the transitional arrangements.

### **The New Framework**

The Act introduces significant changes in human resource management, further devolving ed responsibilities in important areas while highlighting core Values. We are requesting information on:

- the steps agencies have taken to provide staff with guidance on how the application and operation of ss. 10(2)(d) of the definition of merit in the Act—which gives agencies increased operational flexibility through providing that a selection assessment need only be the primary consideration in making a decision to engage or promote—is to be managed, together with any examples of the use of ss. 10(2)(d) in an engagement or promotion exercise;
- the measures that agencies have put in place to demonstrate that procedures for setting salary and conditions are compatible with the Act and the APS Values; and
- the ways in which agencies are managing the engagement and employment of non-ongoing staff under the new Act framework

### **B: ACCOUNTABILITY**

In addition to adherence to the APS Values and the Code of Conduct, accountability under the new framework requires that systems be in place to maintain the accountability process, including appropriate data for evaluation purposes.

#### **Managing the APS Values**

While the original APS Values were implemented through regulation in March 1998, the Act has introduced four new APS Values (l), (m), (n) and (o) and modified four others—(c), (e), (g) and (i). We are requesting information on:

- steps agencies have taken to incorporate the new and amended APS Values into their corporate governance;
- steps agencies have taken to establish and publicise arrangements for a system for the review of employment decisions as required by Public Service Commissioner’s Direction 2.16 in relation to Value (o); and
- measures agencies have taken to evaluate the extent to which staff are upholding the APS Values and the outcomes of this evaluation;

## **Conduct**

As well as a continuing interest in the management of conduct under the new framework, this year's Report will focus on two emerging issues in this area. The first of these is the maintenance of proper standards of workplace behaviour in the use of email, the Internet and intranets. The second is the issue of standards of behaviour and accountability, particularly in relation to giving and receiving gifts and other benefits, in working with contractors and alongside outsourced providers. We are requesting information on:

- steps agencies have taken to establish procedures for determining whether an APS employee has breached the Code of Conduct;
- measures agencies have put in place to maintain ethical standards in the use of electronic communication and any particular issues that have arisen in this area;
- the agency's policy on the receipt of gifts and other benefits;
- measures agencies have put in place to ensure that employees are aware of the standards of behaviour expected of them in dealing with contractors;
- any whistleblowing cases which have been dealt with under the agency's whistleblowing procedures; and
- any other issues which have arisen in relation to the management of the Code of Conduct.

## **Data Collection**

The APS makes increasing use of IT, including e-mail and Internet, to collect, maintain, coordinate and exchange data on both its clients and APS employees, including through the new APS Employment Database (APSED) currently being implemented. We believe that there is potential for tension between the capabilities offered by more efficient collection, collation and exchange of data and the need to maintain personal privacy. We would be interested in feedback on:

- privacy and other management issues for agencies and their employees in the collection and maintenance of data for APSED and any measures agencies have taken to address these; and
- the measures agencies have taken, where appropriate, to ensure that data collected on clients and contractors meets the Information Privacy Principles and any other confidentiality requirements of legislation and that staff are aware of their responsibilities here.

### **Financial Management**

Financial management and tax reform have introduced a number of significant changes to the way in which agencies manage their budgetary processes and their accounting operations. We are requesting information on:

- agencies' progress and experiences in managing the budget estimates process under the accrual accounting framework; and
- agencies' progress and experiences in implementing the requirements of the new tax system with particular reference to the implementation of the Goods and Services Tax.

### **C: CROSS SERVICE ISSUES**

While agencies now have much greater management flexibility to achieve their own organisational and business goals, there remain key issues which are likely to affect all agencies to some degree.

#### **Building the Capability of the APS**

Last year's report highlighted the challenge of building and maintaining capabilities, the need to make considered choices about the skills needed to sustain organisational and business goals, the development needs of employees and ways of managing and organising work. We are requesting information on:

- the major ongoing issues for agencies in building and maintaining the capabilities they need, including the particular skills and attributes they need to call on or sustain; and
- the assessment, recruitment and development strategies needed to obtain these skills and attributes; which strategies are working well and which are less effective.

#### **Management and Advancement**

As the previous report noted, public sector reforms have given agencies much greater flexibility to establish performance based reward and advancement systems. We are requesting information on:

- agency progress and experience in implementing a fair and open performance management system; and

- any evaluation or studies which may already have been undertaken by agencies to assess the effectiveness of their broad banded performance-based advancement structures, including in terms of time and resources for vacancy filling, improving performance and service and employee perceptions of fairness and objectivity.

### **Leadership Capabilities**

On an APS wide basis, nearly 28 per cent of the SES were aged between 50 and 54 at the beginning of 2000, and the Service may be facing the challenge of finding and developing replacements. We are requesting information on:

- how agencies are responding to this challenge where they have identified it, including any succession planning strategies they may have put in place or are considering;
- other strategies agencies have implemented to identify, assess and develop leadership potential in the feeder group, including career assessment, 360-degree feedback, cross-Service development opportunities or mobility schemes; and
- any key learning and development needs of the feeder group that agencies have identified.

### **Client Service**

The State of the Service Report will continue to monitor progress in the development of effective client service in the APS. We are requesting information on:

- progress with current strategies and any further agency innovation in service delivery;
- any evaluations which agencies may have undertaken of the success of service delivery strategies; and
- what agencies consider to be the client service issues for them and their business in the movement to the greater use of electronic communication.



## **GLOSSARY**

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## GLOSSARY

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ABN	Australian Business Number
ABN-DSC	Australian Business Number Digital Signature Certificate
ABS	Australian Bureau of Statistics
ACA	Australian Communication Authority
ACCC	Australian Competition and Consumer Commission
ACIAR	Australian Centre for International Agricultural Research
ACS	Australian Customs Service
AEC	Australian Electoral Commission
AFFA	Department of Agriculture, Fisheries and Forestry
AGS	Australian Government Solicitor
AGSO	Australian Geological Survey Organisation
AIMS	Accrual Information Management System
ANAO	Australian National Audit Office
APS	Australian Public Service
APSED	APS Employment Database
AQIS	Australian Quarantine and Inspection Service
ATSIC	Aboriginal and Torres Strait Islander Commission
ATO	Australian Tax Office
AusAID	Australian Agency for International Development
AWA	Australian Workplace Agreement
BCC	Budget Coordination Committee
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CD	Compact Disk
CES	Commonwealth Employment Service

CFO	Chief Finance Officer
COMNET	Corporate Management Network
CRP	Continuous Record of Personnel
CSA	Child Support Agency
CSC	Computer Sciences Corporation
DETYA	Department of Education, Training and Youth Affairs
DEWRSB	Department of Employment, Workplace Relations and Small Business
DFAT	Department of Foreign Affairs and Trade
DHAC	Department of Health and Aged Care
DIMA	Department of Immigration and Multicultural Affairs
DOFA	Department of Finance and Administration
DoTRS	Department of Transport and Regional Services
EEO	Equal Employment Opportunity
EL	Executive Level
FaCS	Department of Family and Community Services
FMA Act	<i>Financial Management and Accountability Act 1997</i>
GRO	Graduate Recruitment Online
GST	Goods and Services Tax
HREOC	Human Rights and Equal Opportunity Commission
ISAC	Independent Selection Advisory Committee
IT	Information Technology
IT&T	Information Technology and Telecommunications
IVRU	Interactive Voice Response Unit
JSC	Joint Selection Committee
MCSE	Microsoft Certified Systems Engineer
NOHSC	National Occupational Health and Safety Commission
OEA	Office of the Employment Advocate
OPFMs	Olympic and Paralympic Family members

OGO	Office for Government Online
OPC	Office of Parliamentary Counsel
PAC	Promotion Appeals Committees
PC	Personal Computer
PM&C	Department of the Prime Minister and Cabinet
PRC	Promotion Review Committee
PS Act 1922	<i>Public Service Act 1922</i>
PS Act 1999	<i>Public Service Act 1999</i>
PSMPC	Public Service and Merit Protection Commission
SES	Senior Executive Service
SWIM	Senior Women in Development
TIGERS	Trials of Innovative Government Electronic Regional Services
W3C	World Wide Web Consortium
WR Act	<i>Workplace Relations Act 1996</i>
Y2K	Year 2000

