

## Ministerial Statement

# Reforming the public service to meet the global challenge

The Hon. Dr David Kemp MP  
Minister Assisting the Prime Minister for the Public Service  
at the  
Committee for Economic Development of Australia,  
Melbourne, 25 February 1998

*public service and merit protection commission*

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# Introduction

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Ladies and Gentlemen let me say how delighted I am to be here today to talk to you about a vital plank in the Government's micro-economic reform agenda.

Along with reforming workplace relations generally, and the waterfront in particular, achieving a more relevant, efficient and innovative, world class Australian Public Service is a key objective of our Government. We are determined to build on the strengths of—and make even more effective—one of the key institutions supporting Australia's democratic system of government.

The performance of the Australian Public Service is not incidental to Australia's success. Countries are competing internationally not only in the market place but on the quality of their public sectors. The globalisation of economies is placing sustained and strong pressure on governments to improve competitiveness across the board and, as a result, public sectors everywhere are under the spotlight. This is evident all around the globe, almost irrespective of the structure of markets or political systems.

To quote a recent OECD paper: 'the quality and effectiveness of governance is crucial to national prosperity and well being.... Governance capacities in the future will depend increasingly upon the innovative ability and commitment of public sector personnel.' (p. 17, p. 20 Governance)

What the global economy is teaching us is that the rigidity arising from excessive prescription in our organisations and regulatory frameworks, and inefficiency in our taxation and public spending arrangements, undermines security in an age where everything or almost everything is contestable. The greatest security we have comes from excellence and adaptability. The pursuit of best practice is not a fashion. It is a survival technique.

The maturing of our democracy is also a major force for change, pushing governments to control their expenditure and meet increasing citizen expectations. Governments now are exploring and adopting demanding tests of what services should be provided and by whom. Opening the provision of services to competition, being a purchaser rather than a provider of services and shedding non-core functions are global themes.

Over time, governments, through war and peace, have accumulated many functions, and established many laws and regulations granting privileges to one section of the community over others which fit poorly with democratic ideals of equal opportunity and equality before the law.

Between 1960 and 1985, governments in the industrial countries swelled to twice their starting size with much of the expansion driven by increases in transfers and subsidies. (World Development Report 1997, p. 22)

We therefore add to the other pressures for change the need to address the problems of inequity and inefficiency arising from that process. We want to implement Government policies and programs which maximise the freedom of choice of citizens, develop the capacities of private enterprise, and make maximum use of the decentralised knowledge and skills which exist throughout the broader society.

The Government believes strongly in the role of individual choice in aligning what happens to people's values, and in the creativity and adaptability of a strong private sector in a free society.

These goals all reinforce the need for a vibrant high performing public service.



# The role of government

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**I**n a world of rapid change, governments need to be able to offer strategic leadership on which business planning can be based, and establish frameworks of law, regulation and taxation that facilitate flexible adaptation to unforeseen developments.

A key role for governments is to ensure that their societies and economies can meet the challenges of change.

A high performance public service is a vital element in ensuring that governments are best placed to achieve these purposes.

The Government today is actively encouraging public service leaders to adopt and apply the values that are common to high performing organisations:

- a focus on customers
- quality and productivity;
- flexibility and continuous improvement.
- trust and integrity;
- openness, cooperation and involvement; and
- personal growth, security and dignity.

I am sure no one here underestimates the economic, social and political complexity of governing a liberal democracy. A central role of the public service in a democracy is to consider ideas, understand and interpret the future, and give expert advice to governments about the strategies that will best deliver the outcomes of democratically elected governments.

Within this very complex environment the distinguishing feature and unique value of the public service is its role in providing 'public interest' policy advice.

The public interest policy analysis skills of the career public service in the next century must be exceptionally strong. Policy advice itself today is increasingly contestable. There is a growing number of analytical think tanks and lobby groups which actively voice their private interests in policy advice. The public service is no longer the sole source of advice to governments, but it does remain the government's key advisory voice in the public interest. To understand, analyse and advise from multiple sources of advice requires the skills and creativity of the public service itself to be higher than ever.

We need an Australian Public Service that can:

- position Australia in a global environment to ensure that we are future focused and seeking out the changes that will guarantee our national future;
- benchmark itself against all sectors to determine what it does best, what it can improve, and what is more effectively delivered by the market;
- provide frank and fearless—and innovative—advice to government; and
- access the best service delivery skills, quality and cost, wherever they might reside.

And public service leaders are actively responding. Some recent innovations in organisational performance in the APS are at the leading edge.

APS agencies have been Australian leaders in adopting the Investors in People Standard, an international benchmark for aligning the development of people with organisational performance. Agencies are adopting team based work structures as one way of freeing up the creativity of their people to be more responsive to customers.

Organisations like Centrelink are focusing their service and performance around the Balanced Scorecard approach. They want to know what their stakeholders think, so they can improve.

APS agencies are adopting a comprehensive approach to valuing diversity in the workplace, recognising the positive value that different perspectives, skills and experience can have on generating new ideas and improving productivity.

There is now strong evidence that some APS organisations really understand the link between accessing the talent of their people and the quality of the service they give to Government and the community.

But this must be only the beginning if the development of truly high performing organisations in the APS is to be achieved.



## The size and performance of government

The very dynamic changes that are being sought by governments around the world are already evident in Australia.

As government becomes more tightly focussed on its strategic purposes, public employment is shrinking. In the last seven years, from August 1990 to August 1997, the total workforce has expanded by 342,000, while public employment in Australia has declined by 257,000. This has occurred across all levels of government, with the Commonwealth leading the way with a reduction of 29%. State government employment, by far the largest sector, has dropped by 11% and local government by 7%.

Some of this has occurred as governments have increasingly commercialised, completely or partly privatised, or outsourced functions that are either commercial by nature, or not the core business of government.

In 1990 public employment in the Australian Public Service comprised about 2.4% of the total workforce. In 1997 that had reduced to 1.9%.

The underlying size of the APS—after the impact of transferring functions out of the APS—has reduced from 156,654 in 1987 to 126,390 at the end of 1997. Under our Government the APS has reduced in size by almost 12% between June 1996 and December 1997.





## Deregulation and the effect of competition

One of the key aims of the Government has been to reduce the impost of regulation on business and the community. Legislative regulation and administrative processes impose significant costs. The OECD argues that regulatory costs are the least controlled and least accountable among government costs. (OECD 1997, p. 55)

The Small Business Deregulation Task Force established by this Government in 1996 found that:

‘small business feels besieged by Government demands, and the psychological impact of the burden (of regulation) cannot be over-estimated’.

This Government has been setting in train measures to reduce or simplify regulation and minimise the burden on competition. Deregulation is opening up genuinely new opportunities for adjustment in the market. This can be seen most dramatically in the financial sector, where consumers are enjoying lower prices and more services. Real regulatory reductions can also be seen in telecommunications—where productivity is improving, service quality is going up, and prices are falling—and the airlines, where ticket prices have been substantially reduced.

The transfer of government services to the private sector through privatisation, commercialisation, corporatisation, or outsourcing allows market conditions and consumer choice to come into play. For services that are contestable, market mechanisms are likely to generate significant competitive pressures for improved delivery and reduced costs. The existence of alternative suppliers gives people the freedom of provider choice—a choice which should offer better services.

Let me give you two examples: telecommunications and employment services.

### **TELECOMMUNICATIONS**

The deregulation of Australia’s telecommunications market offers a prime example of the benefits of reform to consumers, industry and the nation. The deregulation of the market last year allowed the entry of new service providers, each offering competitive rates and innovative services. Less than eight months after deregulation, Australian business and consumers are now

enjoying greater choice, lower prices and better services, including unprecedented access to information, and to new markets.

The most tangible benefit has been dramatic price reductions with new service providers offering residential customers price reductions, for example, of between 40 and 75 per cent in international call rates.

In the same way, deregulation of the telecommunications market is reducing the cost structure of Australian businesses, enabling them to be more profitable and be more internationally competitive. And a more profitable business is more likely to expand and create new jobs.

The September quarter national accounts showed that the communications sector grew at a staggering 14.2 per cent in twelve months, with growth accelerating. Employment in the communication services and manufacturing sectors is growing far more rapidly than the national average.

## **EMPLOYMENT SERVICES**

The second, even more recent, example of the benefits of deregulation will be one of the landmark reforms of the Howard government—the new employment services market. In one of the most important social reforms for decades, the government is enlisting the energies and expertise of the private and community sectors to lift the quality of help to unemployed people in finding jobs, within an improved framework of regulation and incentives.

A previously monopolistic service provided through the Commonwealth Employment Service is being tendered to a competitive market with the aim of helping more unemployed people find jobs more efficiently.

This radical new approach to a central social equity policy will expand the proportion of job vacancies readily accessible to eligible job seekers far beyond the 20 per cent registered with the old CES. The number of points of access for unemployed people will be expanded three to four times beyond that provided by the CES, and for the first time public monies will be paid for actually getting people jobs, and not merely churning them through programmes. This new policy architecture is as important in achieving social equity as it is in achieving efficiency.



## Customer service

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Throughout all areas of government, citizens increasingly expect responsive and accessible services delivered at a time and in a way that suits their convenience.

This Government is leading the way in the public service by requiring all departments, agencies and business enterprises who deal with the public to develop Customer Service Charters. This initiative will place customers squarely at the forefront of public service provision.

A public service agency which has already become very customer focused is Centrelink, an initiative of this Government, which is the 'First Stop Shop' providing an integrated range of services to customers. It is worth making the point that the employees of Centrelink constitute 20 per cent of the entire Commonwealth public service.

### **CENTRELINK**

Centrelink has been established with an emphasis on customer service. Business hours have been made flexible and counters and barriers have been removed to provide an environment that is more personalised and more alive to customers' needs.

Innovative ways of delivering services are being developed to respond to the changing needs of customers:

- families who cannot get to a Centrelink office during business hours can now make out-of-hours appointments;
- those who have difficulty getting to an office at all will now be visited at home;
- their Internet site is extending access to information on services and is now receiving 200,000 hits a week;
- possibly linked with this improved electronic access is a dramatic reduction in waiting time for Centrelink teleservice centres; and
- an electronic benefits transfer card is on trial and Centrelink is exploring how smart cards can be used as pensioner concession cards.

Centrelink is benchmarking its customer services every six months. The November 1997 survey is the first conducted since the establishment of Centrelink.

The survey showed that 72% of customers rated the overall quality of Centrelink's people, service and information as 'very good' or 'good'—an increase of 5% over the last six months.

The survey showed significant improvements in the six months in areas such as:

- friendliness and helpfulness of call staff (up 6%)
- treating customers with respect and sympathy (up 5%)
- reduction in wait for appointments (performance improved by 11%)
- call centre service (improved by 6%)

And the Ombudsman has experienced a 15% decline in complaints!

The views of different client groups vary, with aged pensioners the happiest with the quality of Centrelink, with 87% of respondents rating Centrelink as 'good' or 'very good'. Recipients of family payments and parenting allowances were least positive.

The survey charts changes over time, changes between Centrelink offices, and identifies respondents by the services they use—aged pensioners or recipients of Newstart allowances, for example. It also analyses changes in customer perceptions of quality and how they change over time.

I would like to commend both the leadership and staff of Centrelink for their willingness to put themselves under such comprehensive scrutiny as part of their determination to perform better. The results will contribute to Centrelink's responsiveness and help determine its priorities.

While Centrelink is becoming an illustration of much that is excellent in the public service, other APS organisations are successfully meeting the developing demands of Government and the public. There is much that is done well, even outstandingly well—and in many cases better than the private sector or state counterparts—but too often this is achieved only by navigating around miles of red tape and regulation.



## What confronted the Government in 1996?

For the last hundred years Australia's public service has operated in an environment of regulation, central controls, award complexity and a culture focused on rights and entitlements. When the government came to power in 1996 it was confronted by an Australian Public Service with major legislative and administrative inflexibilities in its administrative, industrial and financial dealings.

The costs of many government processes were high because a culture of rules and regulation had developed as a result of dependence on outdated and overly prescriptive and centralised legislative frameworks. Those managers in the APS who were working to find innovative solutions to improving performance were hamstrung by these formalised requirements.

The effects of these constraints are only too obvious. Let me draw on the findings of three whole-of-government benchmarking projects to illustrate my point. The public service tested itself against best practice organisations in the private sector, and in state and overseas governments, to assess how it was performing. The benchmarking projects examined human resource management practices; leadership; and financial management.

The findings were dramatic, and revealed a number of deficiencies which had long been suspected. For example:

- it cost almost \$28 million a year to administer selection processes in the APS, which represents a cost three times higher than private sector best practice, and the focus of managers was on process not results;
- APS leaders rated poorly in terms of how they communicated, the level of trust they exhibited, and their overall strategic management ability; and
- less than half of the core Commonwealth agencies knew their full product or service costs, and professional financial skills were not valued.

These benchmarking projects showed that in efficiency and quality of management the Commonwealth lags behind practice in some other government jurisdictions, and even further behind the best of private sector practice.

But let me make one very important point, and that is to commend the way that the APS has responded to these three investigations and published the findings—in paper and on the Internet. Indeed, these studies gave many

APS managers the ability to drive further change. When the next set of benchmarking is done—and I have asked the Public Service Commissioner to undertake the re-benchmarking on human resource management later this year—we shall see how the picture has changed.

Altogether, it is clear that, despite the changes that have been made to APS practices over the last ten years, the old legislative framework, and its centralised, complex rules, have contributed to a culture of compliance rather than one of creativity and change. Rules have been added to rules and agencies have often been so careful to abide by the rules that they have added another layer of local rules on top. There has been no incentive to find innovative ways of doing things and costs have skyrocketed.

Despite budgetary and financial reforms over the last ten years the financial framework of the APS remained characterised by detailed, centrally prescribed rules. More than 100 finance regulations and 130 finance directions prescribed compliant behaviour. A cash based accounting system made accurate assessments and comparisons of public service activity impossible. Inputs were monitored—not the outputs required to achieve the Government’s outcomes. The real cost of government was unknown.

The industrial framework was also inefficient. The APS shared the general constraints of the industrial relations legislation of the time.

In 1996 when we came to Government:

- The Australian Public Service employed about 143,000 people in about 100 agencies;
- it was highly unionised with multiple unions. Indeed, it had twice the level of union participation as the private sector;
- a multiplicity of highly prescriptive industrial awards based on paid rates arrangements applied; and
- pay and major conditions were specified through centrally negotiated APS-wide agreements with agency bargaining playing a minor role.

In short, there was a complex and rigid employment framework with unions resisting change in any fundamental sense.

Yet public servants were clearly dissatisfied. The 1995 Australian Workplace Industrial Relations Survey indicated that employees in the Public Service felt dis-empowered by the highly protected and regulated environment, and there was a lack of trust of management. While formal consultative processes were twice as likely to be in place than in the private sector, public servants did not feel able to make decisions for themselves at the workplace level.

They did not have a high level of workplace autonomy—the Survey showed that more than twice as many private sector employees recorded high levels of workplace autonomy.

Neither management nor decision making was as devolved as in the private sector.

Under the *Public Service Act of 1922* public servants have been working under a piece of legislation more than seventy five years old. It is outdated, overly prescriptive and unnecessarily centralist. The current Act, for instance, devotes about thirty pages to the processes of selection and recruitment and forty pages to dealing with misconduct! This cascades down into a plethora of regulation and rules. Workplace flexibility and accountability is limited. Personnel decisions are slow, paper-driven and labour-intensive.

These results reflect the constraints of complex, centralised processes and a risk averse culture created by an outdated legal framework.





## The Government's legislative initiatives

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When the Government came to power in 1996 it realised that many of the inefficiencies of the public service were not the fault of individual public servants but a systemic failure which has its primary, but not sole cause, in the legal framework and the employment arrangements governing the public service.

It was evident that the Government needed to change the legislative framework to provide the conditions necessary if high performing organisations were to be achieved.

We acted quickly to develop new legislation in three areas crucial to the competitiveness of the APS: financial management, workplace relations and the Public Service Bill. We have been successful in implementing two of these, but the third, the Public Service Bill has been blocked by the Senate.

### **THE PUBLIC SERVICE BILL**

The Public Service Bill is an essential part of our reform agenda and will not be allowed to lapse. But the urgent need to move forward on this program has led us to institute an interim administrative response wherever we can. And this is what I am launching today.

The Public Service Bill is a very exciting piece of legislation, aiming to put in place a framework for a high performance public service.

Alan Kohler, writing in *The Age*, commented last year that the Bill is:

‘... the most uncompromising deregulation of the Public Services anywhere in the world. The bill lays down standards for ethical behaviour and impartiality, establishes the first code of conduct for public servants, sets up a process for accountability and scrutiny, and then lets departmental heads run things as if they were corporate chief executives.’

‘[It] is one of the great pieces of Government employee legislation—simple, clear and powerful’. (*The Melbourne Age*, 11 July 1997)

It not only removes prescription and central control, but enhances the accountability framework which the Parliament and the community expect of the public service. It will enable the public service to meet market competition; to benchmark itself more effectively against other sectors; to bring employment arrangements into line with community standards and to promote a stronger performance culture.

The Bill is all about making the Public Service more efficient and effective and delivering better service to both the Government and to the public. It gives a message about the expectations of citizens in a democratic system of governance appropriate for the twenty-first century.

This is a Bill that will enable change on a grand scale, that will allow employment arrangements to meet the distinct and particular needs of each individual workplace.

What holds the APS together, what creates a unified Service, is the shared values and ethos of public service. And these are reinforced in the Bill, by setting out for the first time, the APS Values and a Code of Conduct for all public servants. This legislative framework of values, conduct and scrutiny provide, for the first time, a coherent statement of the public interest.

The community also expects that its public service will be subject to the same workplace arrangements as apply to the rest of the workforce. The Public Service Bill seeks to achieve this by giving APS CEOs the same rights, duties and powers as an ordinary employer. Accordingly, the Bill devolves employment powers from the central agencies to Agency Heads. It does not prescribe process but instead ensures that Agency Heads are held accountable for their actions.

Although there will be some fundamental employment relationships that we cannot change without the new Public Service Bill, the Government will continue, in the meantime, to use the Workplace Relations Act to make a significant impact on the performance of the APS.

## **THE WORKPLACE RELATIONS ACT**

Reform of the workplace relations framework is an important element of the Government's micro-economic reform agenda to enable Australia to compete effectively in the world economy into the 21st century. Micro-economic reform, including labour market flexibility, is the key to achieving high sustainable economic growth. Our Government is committed to removing barriers to change and other measures which inhibit economic growth. These general concerns are equally applicable to the public sector as the private sector.

We have taken the initiative in seeking change in the Public Service by targeting it as one of the key sectors for workplace reform. We accept that, as an employer, we must take a lead in driving change in workplace relations.

The Workplace Relations Act establishes the broad framework for reform:

- the fundamental principle is direct employee/employer relations with the emphasis on making agreements and a reduced role for third parties like the AIRC or unions;
- genuine freedom of association for employees is guaranteed;
- clearer rights and responsibilities have been established with remedies to support compliance with obligations under awards and agreements; and
- simpler arrangements with less regulation and greater choices about which kind of agreement best suits them - awards are to remain as a safety net and will be subject to simplification.

The Workplace Relations Act covers government employment and a major reform principle has been to mainstream arrangements applying to the APS with those in the community generally. Government has therefore been determined to see the Act applied to its own area of employment in order to provide a more flexible, less regulated workforce.

The effect has been dramatic. Let me give you a couple of examples: strike pay and freedom of association.

### **Strike pay**

Before the Workplace Relations Act, at any time there would have been bans on work somewhere in the APS—challenging management prerogatives, forcing union participation in change processes and acting as a major disincentive to innovation. These industrial bans adversely impacted on the agency and, more importantly, its customers. Yet employees continued to receive full pay because there was only a slow, time-consuming process of seeking stand-down orders after conciliation had failed to resolve the dispute.

When it came to agreement making, or more generally, public service reform the first reaction of the unions was to employ these tactics.

But section 187AA of the Workplace Relations Act demolished one of the unions' favourite weapons and put in place an effective mechanism based on the simple proposition that you don't get paid if you are taking any form of industrial action. As a result, industrial action is no longer subsidised by taxpayers, and there has been a virtual drying up of what had been pervasive use of bans and limitations to frustrate management decision making.

## **Freedom of association**

The public sector has, in the past, actively supported union membership. With the passage of the Workplace Relations Act the Government felt it was important to ensure that staff were aware of the neutral stance being taken on this point. We didn't refuse to collect union dues, we simply asked agencies to highlight the freedom of association rules to their staff and seek confirmation that staff wished to continue having union dues deducted from pay.

In the event almost 40% of staff using this payroll deduction facility opted to have the deduction cease. It is clear that very large numbers of public servants, dissatisfied with the representation provided by the CPSU and other public sector unions, voted with their feet. They left the unions.

The Workplace Relations Act has been significant in recasting the role of unions in the public sector workplace. It has removed their privileged position and replaced it with one that better reflects members' preferences and ensures more responsible behaviour. Meanwhile, the Government is strongly pressing Agency Heads to actively pursue agency level agreements with their staff to advance the Government's reform agenda.

It is the Government's expectation that public sector agencies will take a leading role in exploiting the opportunities provided by the Act to improve productivity in public sector workplaces.

## **Agreement making**

Agreement making is playing a key role. It allows agencies to achieve high performance and better pay for better work—after all, agreements are not an end in themselves. For the first time each agency is deciding, by agreement with its employees, the salary to be paid in the agency. Gone is the practice where the former Department of Industrial Relations tried to represent the diverse needs of agencies in negotiations with a few peak union officials, arriving at a uniform outcome which was then imposed on all APS agencies irrespective of their operations. We have moved away from one answer fits all, and agencies are taking advantage of this flexibility to establish remuneration arrangements that reflect their unique needs.

Agencies are now linking pay to performance.

The authority to make agreements has been devolved to agencies within broad policy parameters to recognise the Government's interests as the ultimate employer. This is consistent with the practice of other major employers in the public sector. It requires public service agencies to talk directly to their staff in the search for a more productive, more client focussed, more innovative system of work. It allows them to negotiate for flexibility leading to higher performance while providing a rewarding environment for employees.

While the new Public Service Act will formalise the role of Agency Heads as the direct representative of the employer, they already have been given authority to implement major changes under the Workplace Relations Act, including resolution of pay and conditions linked to productivity and performance, making AWAs etc.

### **Achievements under the Workplace Relations Act**

So what has been achieved in the nine months since Government settled the policy parameters?

First, some broad indicators of the extent to which the process has been taken up:

- agencies are actively pursuing the process—80% of APS staff are now involved in agency agreement making;
- over 50% of staff are in agencies in which final draft agreements have been prepared;
- seven agencies have completed the process already; and
- agreements certified by the AIRC apply to about 30% of the APS.

Agreement making is transforming the culture of the public service workplace.

So far, five of the seven agreements have been developed directly with staff. Even in those cases where unions have been directly part of the negotiation there has been direct communication between management and staff. This represents a significantly different way of doing business.

The Government is seeking to have the majority of staff covered by agreements by the end of this financial year.

In addition to the agreements with staff, the Government expects all Senior Executives to sign Australian Workplace Agreements. However, AWAs will apply beyond senior ranks. Indeed, a number of agencies already have AWAs in place for middle managers.

The agreements that have been made include positive initiatives that would have been unlikely, indeed impossible, a couple of years ago. They include significant innovations that break with the past Public Service culture. Let me just highlight a few to give an indication of the sorts of things that are being achieved:

- there is a variety of pay outcomes between agencies;
- automatic increments are being removed in favour of productivity and performance links;

- more flexible hours of work and working arrangements which will enable significantly improved service to clients. Social welfare services, for example, can now be delivered beyond the four and a half day week that previously applied;
- public service job classifications have been broadbanded and performance-linked remuneration introduced;
- there has been a very significant simplification of leave;
- specific penalty provisions for working overtime, or for higher duties have been removed; and
- restrictions on the hours of employment of permanent part-time employment are in the process of being removed.

These are examples of the measures that are being developed by individual agencies. They are all contributing to a culture of high performance. These were features that we identified as needing to be achieved when we said in the Discussion Paper on Public Service reform that:

‘the continued relevance of the APS depends on it becoming a modern employer. Its success will depend on its ability to become a leading edge employer with contemporary workplace practices, and a culture which fosters and rewards high performance. The challenge is to provide maximum flexibility in a devolved environment and to encourage managers to use these new freedoms creatively.’

We are pleased to see these early indications of changing culture—but need to be realistic that major change will take continued commitment and some time.

We haven’t finished the task and are seeking to extend agreement making across the Service. It is what we expect of other employers and it is what we must deliver ourselves.

We are taking the opportunity offered by the Workplace Relations Act to implement reforms that we believe are essential to sustain the economic prosperity of Australia into the next century. The Act can be used as a powerful lever to achieve broader objectives that are relevant to every sector of the economy. We are using it as one of the drivers in a significant change process in the public sector and look forward to private employers doing the same.

## THE PACKAGE OF FINANCIAL LEGISLATION

Financial management is being modernised through three pieces of legislation designed to improve the quality and clarity of understanding of the Commonwealth's financial management framework. They sharpen accountability and emphasise performance and propriety. They establish a clear focus on outputs and their links to outcomes and enhance performance reporting.

The *Financial Management and Accountability Act 1997* has resulted in a massive shedding of detailed, prescribed rules. Agency Heads gain greater flexibility and autonomy in their financial management while required to promote the efficient, effective and ethical use of Commonwealth resources.

The *Commonwealth Authorities and Companies Act 1997* replaces the diverse accountability, financial and auditing requirements relating to Commonwealth authorities with a single set of core reporting and auditing requirements for directors of Commonwealth authorities. It will also set standards of conduct for officers. It aims to apply standards and principles applicable to private sector corporations.

The *Auditor-General Act 1997* is greatly streamlined and focuses on audit goals rather than processes.

The aim is:

- unequivocal accountability;
- output and outcomes based budgeting and reporting; and
- knowing the true cost of government.





# The way ahead: Government determined to proceed

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As I said in my opening remarks, international competition is not just about trade, it is also about the quality of governance and the effectiveness of public sectors. The Government will not be deterred from completing its reform of the APS by the short-sighted obstruction of the Opposition and minor parties in the Senate. The effect of this obstruction is simply to frustrate the very many people in the public service who are keen to press ahead with a reform agenda in the development of which they have had an important role, and which they see clearly is essential for building morale and opportunities for the future.

The amendments passed in November 1997 by the Opposition parties in the Senate have been rejected outright by the Government. The Government intends to send back to the Senate next month unchanged its legislation to reform and improve the APS.

In the interim, I have said that the Government will immediately press ahead with implementation of many of the reforms in the Bill through administrative means. Today, I am announcing the actions that the Government intends to take to do this.

The APS Values and a clear Code of Conduct will now be established through new Public Service Regulations. Many of the current inefficiencies are derived from long-standing instructions or notices from the Public Service Board or the Public Service Commissioner. Where the current legislation allows these instructions will now be changed. There will be further delegation of staffing powers by the Public Service Commissioner. The current opportunities for flexibility will get strengthened emphasis.

## **APS VALUES AND CODE OF CONDUCT**

New Regulations will describe and establish the APS Values that are necessary to maintain public confidence in the integrity of the public service and the professionalism of public servants. They will also incorporate a new Code of Conduct which will apply to all staff. Protection for whistleblowers will be provided by a new Regulation which will enable APS staff to raise allegations that the Code of Conduct has been breached. The Regulation will clearly set out the roles and responsibilities of Agency Heads where staff make allegations, and will establish an independent means of investigation.

## **GREATER FLEXIBILITY**

Increased flexibility and more relevant customer service will be accomplished through the removal of central control and prescription to the maximum extent possible without legislation. Areas affected include: the recruitment and selection of permanent and temporary staff; the prescription of qualifications; the management of poor performers; mobility arrangements; and discretionary payments to staff.

## **PUBLIC ACCOUNTABILITY**

The extent of Parliamentary scrutiny will be increased by monitoring whole-of-government public accountability in an annual report on the Service. This will be achieved through the enhancement of the reporting powers of the Public Service Commissioner to present an annual State of the Service Report to the Parliament.

## **WORKPLACE DIVERSITY**

The Government has already moved to the implementation of Workplace Diversity. Workplace Diversity is built around the framework of the Equal Employment Opportunity (EEO) provisions of the *Public Service Act 1922* and encompasses, but goes beyond, the EEO concept of rectifying disadvantage by focusing on the positive contribution that a diverse workforce can make to organisational effectiveness and morale.

The Workplace Diversity guidelines issued by the Public Service Commissioner require agencies to develop and implement Workplace Diversity Programs by August 1998. As well as providing a simplified framework which agencies can use to develop programs to reflect their own particular organisational requirements, the guidelines also emphasise the PSMPC's role in monitoring and reporting upon diversity outcomes.

## **REFORMING THE EMPLOYMENT FRAMEWORK**

Through the new employment framework the APS will be able to provide both better policy advice to the Government and higher quality services to the community. A new culture—one seeking maximum value for public funds rather than minimum risk-taking—will come into existence.

These administrative reforms will contribute significantly to performance improvement.

- they introduce a common set of values;
- they establish a framework of openness and competition by, for example, making APS recruitment more open to all Australians and establishing protection for whistle blowers;

- they increase flexibility and enable more relevant customer service by removing central control and prescription to the maximum possible without legislation; and
- they strengthen the accountability of Agency Heads for performance by more clearly passing responsibility for performance issues, such as dealing with under-performers, to Agency Heads so they can be dealt with in the employee's workplace.





# Australia depends on the quality of its public service

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**T**his Government is also determined to set an example as an employer in taking action to enable its workforce to compete in the twenty-first century. The legislation that we have passed, and the administrative reforms I am launching today, will create changed work environments and increase productivity.

None of us can avoid competing in a global environment. To be successful we need to develop high performing organisations which are adaptable, innovative and worlds' best.

The Government, as employer, has been very active in applying principles of the Workplace Relations Act to its own employees, enhancing the quality of governance and the competitiveness of Australia.

The reforms I am announcing today provide a solid basis for the transformation of public service agencies to become high performance organisations. They promote the values of the APS, enable greater flexibility and make clearer the direction and purpose of the Service.

It is imperative to Australia's future that the APS makes this transition. We will be tested internationally on how the public service gives leadership and responds to change.





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