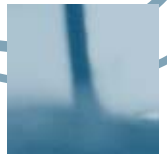




# STATE OF THE SERVICE REPORT 2002-03

STATE OF THE SERVICE SERIES 2002-03



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## CHAPTER 6: THE VALUES AND WORKPLACE RELATIONSHIPS

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

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

### MERIT

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

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

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

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

Both the agency and employee surveys asked questions about perceptions of merit and about the processes used to make employment decisions in the APS. The questions distinguished between employment decisions relating to the engagement, transfer or promotion<sup>1</sup> of staff and decisions regarding the temporary

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

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

### EMPLOYEES' MERIT PERCEPTIONS

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

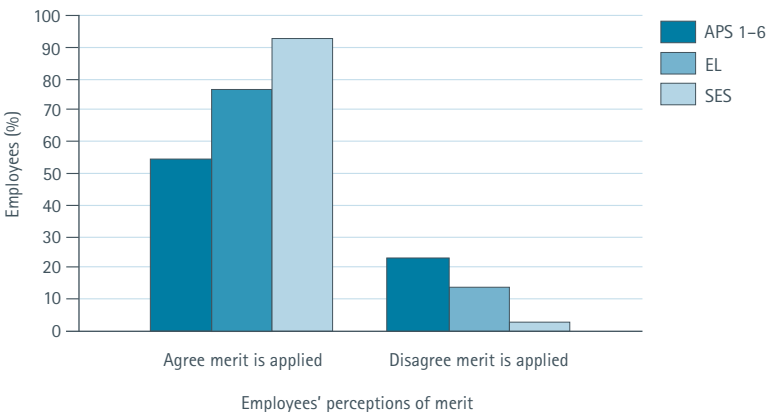
The data examined in the remainder of this section relate to employees’ perceptions of merit regarding engagements/transfers/promotions resulting from a competitive selection process.

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

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

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

Figure 6.1: Employees’ perceptions of merit by classification



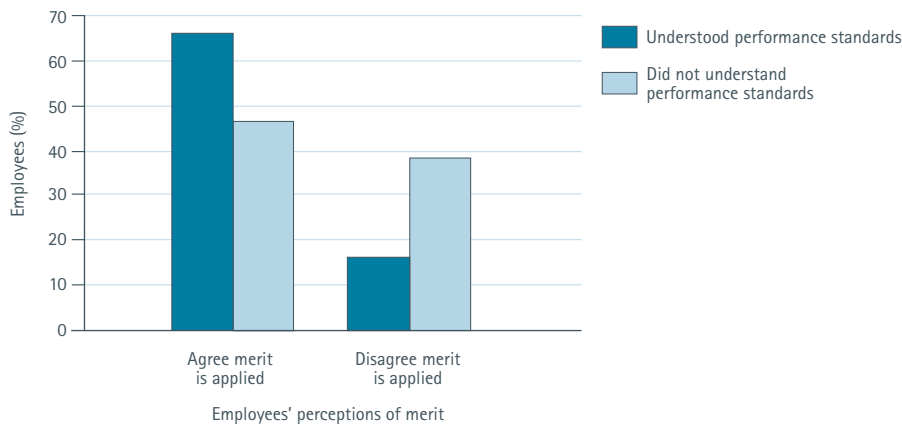
Source: Employee survey

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

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

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

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



Source: Employee survey

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

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

conducted employee censuses in 1999 and 2002.<sup>3</sup> Sixty per cent of employees agreed with a statement that ‘when I was a candidate in competitions in the past three years, I found that the competitions were run in a fair manner’ in 1999, while 30% disagreed. This had improved to 66% agreeing in 2002 and 28% disagreeing. The New Zealand ‘Career Progression and Development Survey’, conducted in 2000 by the State Services Commission, found that 18% of employees said that they had been deterred from seeking a higher-level job because they felt the selection process would not be fair.

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

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

## SELECTION PROCESSES USED BY AGENCIES

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

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

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<sup>3</sup> Public Service of Canada, ‘Public Service Employee Survey’, 2002. Results can be found at [www.survey-sondage.gc.ca/2002/results-resultats/00/result-e.htm](http://www.survey-sondage.gc.ca/2002/results-resultats/00/result-e.htm).

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

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

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

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

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

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

A range of evidence over recent years, including two ANAO reports<sup>4</sup>, has suggested that line managers in agencies have not been feeling confident that the selection processes they are using are resulting in effective

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

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

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

## MERIT AND DECISIONS FOR ASSIGNING TEMPORARY 'HIGHER DUTIES'

Employees' perceptions of how consistently their agency applied merit in employment decisions relating to the temporary assignment of duties to a higher classification<sup>5</sup> were less positive compared with their perceptions about those decisions involving engagements/transfers/promotions resulting from a competitive selection process. Employees were less likely to agree that merit had been consistently applied in the former type of decisions (44%) compared with the latter type of decisions (59%), and were more likely to disagree that merit had been consistently applied (29% compared with 21%).

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

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

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

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

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

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

## **COMMUNITY ACCESS TO APS EMPLOYMENT OPPORTUNITIES**

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

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

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

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

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

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

## **REVIEW OF EMPLOYMENT DECISIONS**

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

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

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

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

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

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

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

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

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

## **REVIEW OF PROMOTION DECISIONS**

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

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

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

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

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

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

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

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

(c) Historical information not available in this format.

Source: APS Commission data

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

## **REMUNERATION**

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

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

## CERTIFIED AGREEMENTS

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

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

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

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

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

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

## AUSTRALIAN WORKPLACE AGREEMENTS

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

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

## CHANGES IN SALARY AND PERFORMANCE PAY

Data on the amount of salary and performance pay for those on AWAs and CAs can be gleaned from the results of an agency survey of SES and non-SES remuneration conducted for DEWR by Mercer Human Resource Consulting in 2002.<sup>7</sup>

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

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

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

Table 6.2: Median base salary comparison—CAs and AWAs

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

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

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

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

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

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

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

Generally, the possible range of performance bonuses varies significantly between agencies from a high of 25% of base salary to 1% in 2003. On average, the size of performance bonuses increases with classification level from 1.6% of base salary at the graduate level, around 3% at the APS 3–6 level, 5.1% at the EL 2 level and 7.4% at the SES 3 level in 2002.<sup>9</sup>

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

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

## OVERLAPPING SALARY RANGES

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

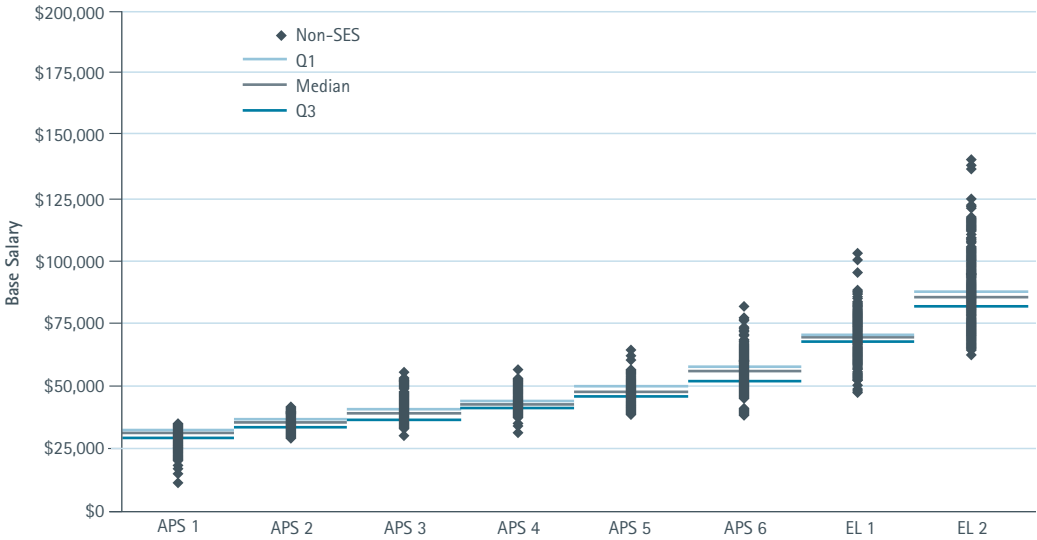
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<sup>8</sup> Mercer Human Resource Consulting ‘APS Non-SES Remuneration Survey’ conducted for DEWR, June 2003, Table 14, p.15.

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

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

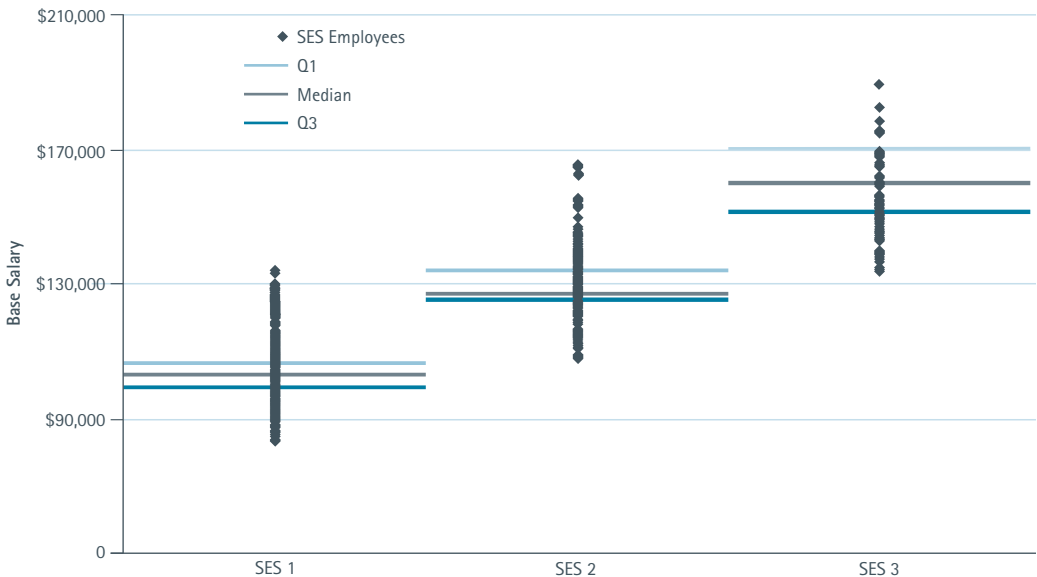
**Figure 6.3:** Base salary distribution for APS and EL classifications 2002



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

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

**Figure 6.4:** Base salary distribution for SES employees



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

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

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

**Table 6.3: APS-wide salary overlaps**

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

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

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

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

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

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

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

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

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

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

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

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

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

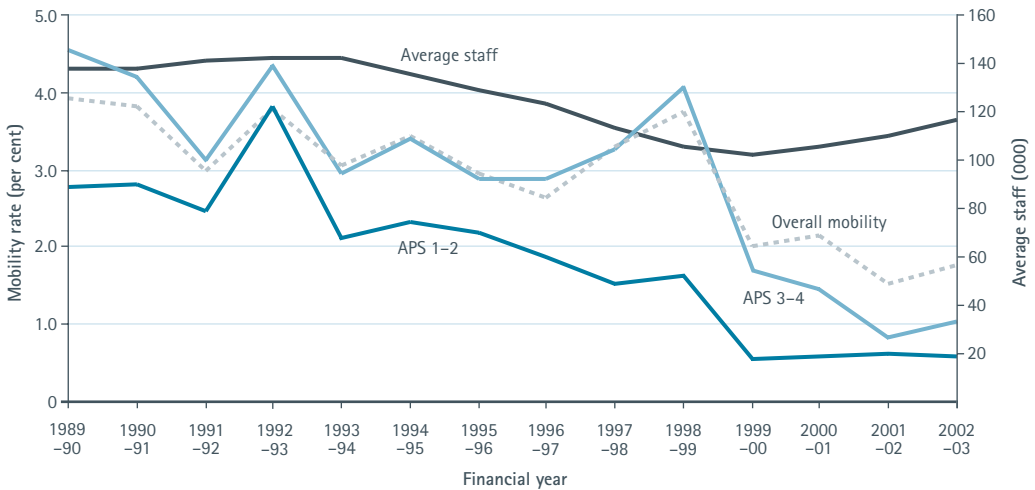
## MOBILITY

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

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

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

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



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

Source: APSED

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

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

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

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

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

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

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

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

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

## **BROADBANDING**

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

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

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

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

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

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

## **WORKPLACE CONSULTATION**

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

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

## **EMPLOYEES' PERCEPTIONS OF CONSULTATION**

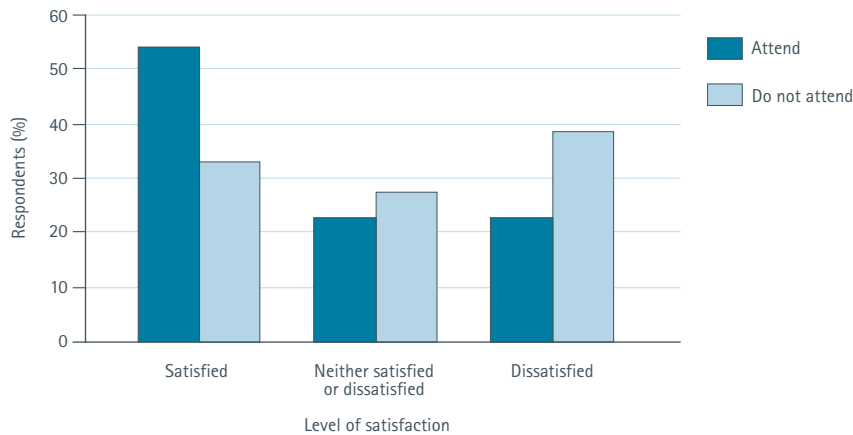
While meetings can be the bane of bureaucracies, they are also an essential part of the consultation process and, if properly managed, can support genuine and constructive staff engagement. The employee survey results suggest that the most common practice amongst agencies is to conduct regular meetings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

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

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

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

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



Source: Employee survey

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

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

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

## AGENCIES' POLICIES ON WORKPLACE CONSULTATION

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

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

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

## SAFE WORKPLACES

While the Commonwealth's workers compensation scheme is arguably one of the best performing in Australia<sup>11</sup>, for 2003–04, APS agencies will pay around \$101m to Comcare in premium fees. The overall premium rate for all agencies increased from 1.0% of payroll in 2001–02 to 1.13% of payroll for 2002–03 and to 1.43% for 2003–04, representing a 43% growth in premium rates in two years. This was due primarily to deterioration in claim performance and, in particular:

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

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

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

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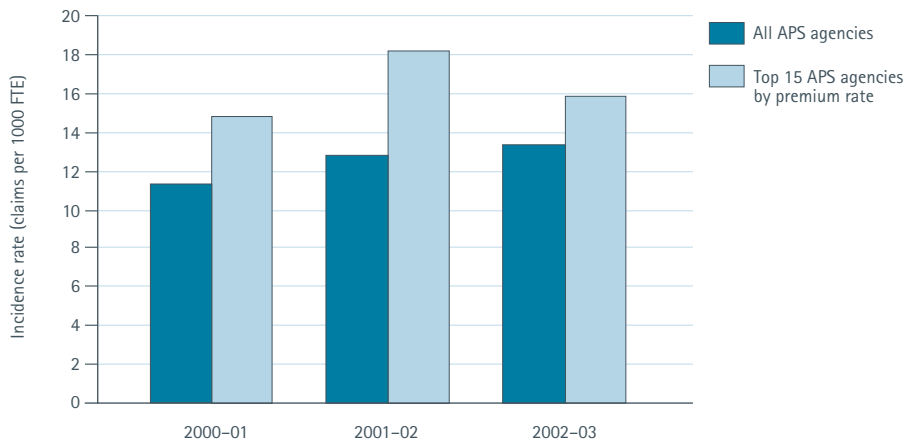
<sup>11</sup> It has one of the lowest rates of compensated workplace injury, the lowest average premium rate and provides amongst the highest benefits of all schemes across Australia. The Comparative Performance Monitoring report provides details of the scheme and allows for comparison between other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

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

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

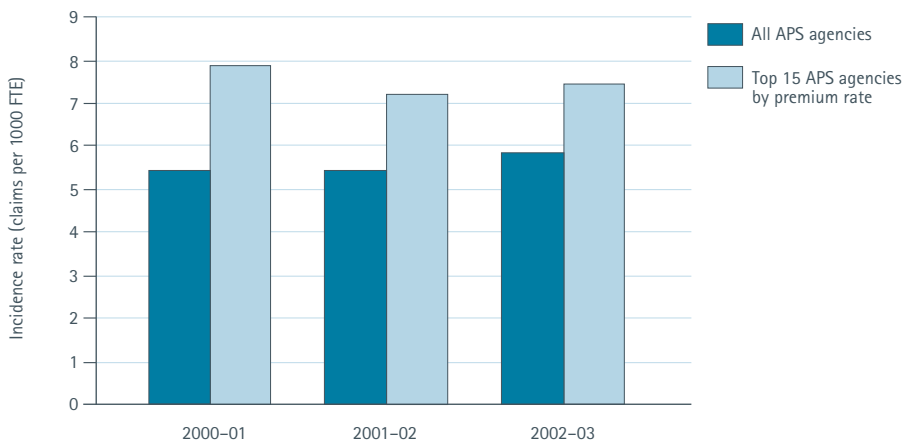
As Figures 6.8 and 6.9 show, the average performance of all APS agencies deteriorated against the 30-day (or ‘duration of incapacity’) indicator for 2002–03, and remained stable in relation to the 60-day indicator. The performance of the 15 agencies paying the highest premium rates deteriorated slightly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

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



Source: Comcare

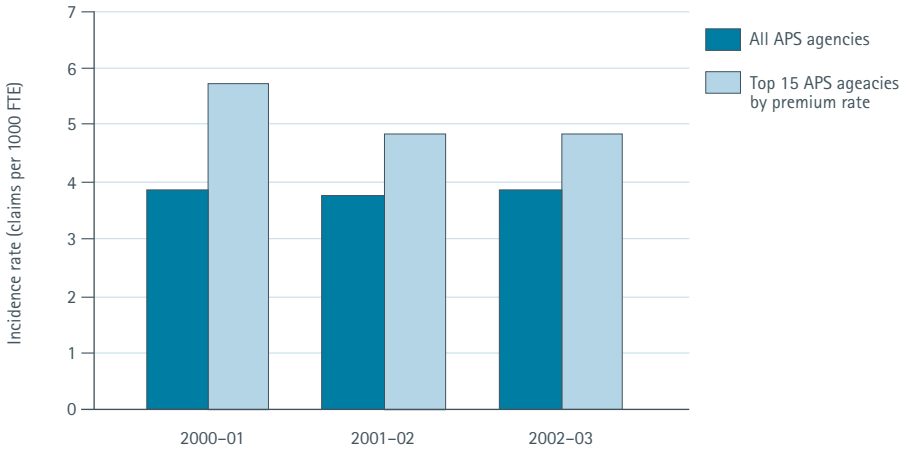
**Figure 6.8: Incidence of injuries resulting in a duration of 30 days of incapacity**



Source: Comcare

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

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



Source: Comcare

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

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

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

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

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

## WORK–LIFE BALANCE

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

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

## **CARER RESPONSIBILITIES**

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

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

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

**Table 6.4: Carer responsibilities and unscheduled absences**

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

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

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

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

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

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

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

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

The following comments from the employee survey illustrate the issue:

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

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

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

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

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

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

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

## **SATISFACTION WITH SUPERVISOR SUPPORT FOR THE USE OF FLEXIBLE WORK PRACTICES**

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

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

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

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

## **AVERAGE HOURS WORKED IN THE LAST SIX MONTHS**

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

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

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

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

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

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

## **JOB SATISFACTION**

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

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

<sup>18</sup> *Ibid.*

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

**Table 6.5: Job Satisfaction—top five workplace factors**

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

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

Source: Employee survey

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

The following comments made in the employee survey are illustrative:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## CONCLUSIONS

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

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

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

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

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

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<sup>20</sup> The Office of Public Employment (2000) 'Applying Merit 2000' Victorian Public Sector.