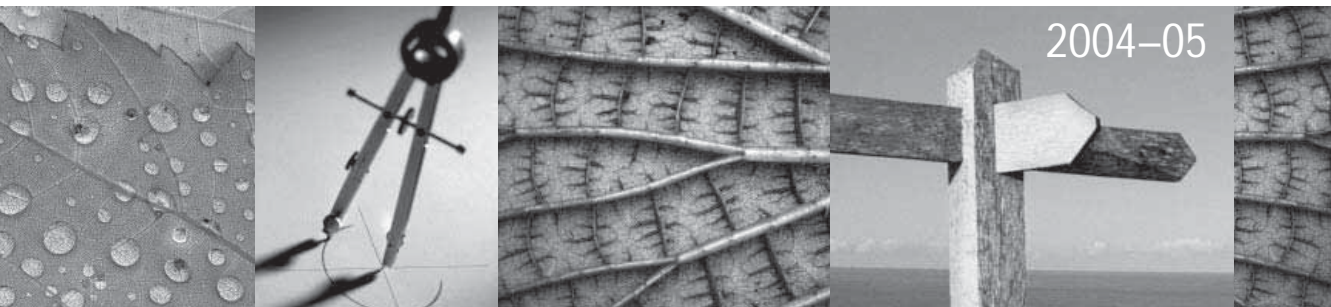




Australian Government
Australian Public Service Commission

State of the Service Report

2004–05



State of the Service Series 2004–05

Overview

As Public Service Commissioner, one of my key roles is to respond to issues of public trust in the bureaucracy. Any such response should include fostering the right kind of leadership, providing credible evaluation and benchmarking to underpin strategic responses, and celebrating public sector achievements.

The public service's identity and its reputation are matters of substance. They affect how public servants feel about working in the APS and about their agencies. They affect the readiness of the community to embrace government programmes and initiatives and to trust that government tax-funded services will be delivered fairly. They affect our international reputation. And, in the long run, they affect our ability to recruit quality people into the public service.

Public servants should take pride in being part of an important national institution that supports Australia's democratic system of government, in which we are bound by a common ethos of public service. The work we do makes a significant contribution to the social and economic health of Australia and to the well-being of the Australian community.

The environment public servants operate in is complex and challenging. Nevertheless, the Government, the Parliament and the Australian people have high expectations of us. They expect that we will do our duty properly, exercise good judgment, and work efficiently and effectively for outcomes that are in the national interest.

In doing so, public servants are supported by the APS Values (the Values) and are required by law to behave at all times in ways that uphold the Values and the integrity and good reputation of the APS. Our Values are fundamental to our identity and to how we are perceived by the community and internationally, and are important in building trust in the APS as an institution.

The annual State of the Service report is part of a process of understanding our identity and of building trust in the APS. The evaluation process is not simply about providing realistic data and analysis concerning the state of the APS: the review process itself

should become part of building public servants' trust in the APS and internalising its values. This is because trust is linked intrinsically to how organisations and people behave—their competence, honesty, whether or not they work in the public interest, act on undertakings, listen to others' views and learn from their mistakes.

It is critical that we all listen to what Government, agencies and other APS employees have to say and consider the implications of the data collected each year. Eighty-two agencies provided responses to our survey in 2004–05, and heads of nearly all of the agencies large enough to participate in the State of the Service employee survey (those with at least 100 employees) actively supported the survey process. Public servants have provided us with a more than credible response rate (59%) to confirm the reliability of our data.

This level of responsiveness across the public service gives us ground to hope that this annual evaluation process itself is becoming part of the larger picture, building commitment to the APS and its goals, ensuring that the goals themselves are clear and widely understood, and that the public service is accountable.

Beyond this, it is important for all of us to increase our understanding of how the APS and individual agencies sit in terms of broader inter-jurisdictional and international benchmarks of organisational performance. This year we have introduced inter-jurisdictional comparisons based on a limited set of shared data items agreed through the Public Service Commissioners' conference. I am hoping that the number of comparable data items will be able to be extended in future.

We have also introduced a practice of referring in the course of our analysis to relevant international developments, in order to present developments in the APS within a broader framework of continuous public administration reform. The intention here is not to suggest that developments either in Australia or overseas should be taken as a template for reform in other jurisdictions. That would be to ignore the different composition of the public services in different jurisdictions, as well as different government philosophies and approaches to public sector management (such as the more devolved and agency-focused arrangements in the APS). Nevertheless, there is value in understanding Australian developments, such as the recent emphasis on whole of government collaboration and e-government, in the context of responses to similar issues by other jurisdictions.

While this is far from being a formal benchmarking exercise, and while Australia is often and fairly judged to be a leader in public sector reform, it is worth observing that we appear to be trailing other jurisdictions in a few areas. There may of course be lags between articulated policy and actual implementation in other jurisdictions, just as there are such lags here, but I suspect that in some areas our progress is simply constrained by the resources available to fund it.

A significant part of building trust—both public trust and trust in ourselves—is that we recognise the achievements of public sector agencies in the State of the Service report. While many people cite the Palmer report, how many Australians know of our achievements? How many Australians know that the Department of Communications, Information Technology and the Arts (DCITA) has driven the development of the world's anti-doping code in sport; that DIMIA delivered the biggest migration programme since the 1980s; that Customs has been involved in some of the largest ever detections of

illicit drugs and prohibited and restricted goods; or that the DVA is the second biggest insurer of medical services in the country?

As part of our State of the Service data collection, we have asked Management Advisory Committee (MAC)¹ member agencies to provide us with their own assessment of their major achievements for 2004–05. A number of these are cited throughout this report as case studies; an overview is provided at Chapter 13, 'Agency Achievements'.

Key findings for 2004–05

Thanks to the annual surveys, we now have the foundations of significant time series data sets for both the employee and agency surveys to consider alongside the Australian Public Service Employment Database (APSED) data on trends in demographic and structural change in APS employment. Read together, the trend data sheds considerable light on critical workforce planning requirements in the public service and how to go about addressing them.

Maintaining and sustaining the APS workforce

It is clear that, following two decades of reform, the nature of APS work has changed. There has been a major reduction in opportunities for low-skilled employment in response to factors such as technological change, corporatisation, outsourcing and the transfer of some functions to other jurisdictions. The APS 1–2 equivalent classifications—52% of the APS workforce in 1980—have fallen to only 5.2% today. The streamlining and broadbanding of classification structures in the APS and the opening-up of APS employment to external competition have seen new recruits to the public service, many with skills and experience in other sectors, typically commencing at the APS 3–4 classifications or higher and advancing fairly rapidly to higher levels.

The APS is now a graduate workplace, with APS employees at all levels increasingly likely to hold tertiary qualifications, regardless of whether they are recruited through graduate entry programmes or general recruitment processes—almost half of our workforce has graduate qualifications, as do around two-thirds of new recruits.²

The skills requirements of APS agencies are growing at a time that the labour force is contracting. Older workers are leaving and there are fewer young workers to replace them. It is not surprising, therefore, that the most common workforce challenge identified by agencies in response to our survey was difficulties in recruiting people with required skills, and the second most common challenge was ensuring that employees' skills and/or knowledge meet agency requirements (see Chapter 8, 'Managing, Sustaining and Engaging the APS Workforce').

While our skills requirements are expanding against a contracting labour market, many agencies are operating within tight resource constraints. The overall productivity gains required to be made by APS agencies by the current funding arrangements are quite

¹ The Management Advisory Committee (MAC) is a forum of Secretaries and Agency Heads established under section 64 of the Act to advise the Australian Government on matters relating to the management of the APS. It is chaired by the Secretary of the Department of the Prime Minister and Cabinet (PM&C), with the Commissioner as executive officer.

² The method used to calculate the proportion of employees with graduate or tertiary qualifications includes those with qualifications at bachelor degree and above. It excludes from the denominator those for whom no data was provided by agencies, and those who chose not to provide details of their highest educational qualification.

substantial (see Chapter 5, 'The Values and Workplace Relationships'). A number of small agencies have raised individual concerns about their capacity to maintain competitive pay rates. We tested these concerns through our agency survey against agency quartile rankings for base salary and total reward, and found that while small agencies are consistently at the lower end of the salary scale for most classifications, the pattern is not clear-cut. Nevertheless, it is reasonable to assume that in a tightening labour market small agencies may begin to experience difficulties in matching the market rates for the skills they need.

These constraints mean that agencies will have to be more strategic about the measures they adopt to attract and retain the skills they require. We know from a range of sources that agency progress towards systematic and long-term workforce planning has so far been patchy. In its most recent report, *Managing and Sustaining the APS Workforce*, MAC called for agencies to focus more urgently on the work they have been doing to establish processes for systematic workforce planning—including identifying new skill requirements for policy and programme development—and how they intend to respond to their longer-term resource requirements.

Agencies should also be paying attention to how they are going with the employment of those groups now shrinking as a proportion of the APS workforce—younger people without post-school qualifications, Indigenous people and people with a disability. Where it would be of use, agencies should be exploring base-level recruitment pathways such as apprenticeships, traineeships and/or other recruitment strategies targeted at increasing our recruitment of these groups, including looking at how we can improve the diversity of our workforce—especially Indigenous people and people with a disability.

However, this is not just about individual agencies. MAC has established an agenda that will engage a number of agencies and the Commission working in their areas of expertise to map out recruitment, retention and development strategies for use by all APS agencies.³ MAC itself will monitor agency progress in implementing effective workforce planning and strategic resourcing initiatives.

It is critically important to ensure that we are developing the next generation of leaders to replace the large number of baby boomers who are leaving the public service and will continue to do so over the next two decades. People are getting to senior public service positions much sooner than they once did, and may not necessarily have had the experience and development opportunities that their predecessors did. I am particularly concerned by the relatively low proportion of public servants who felt able to rate their supervisor highly in the area of 'shapes strategic thinking' (47% of APS, 52% of Executive Level (EL)1s and 58% of EL2s and above—overall, 48% in 2004–05, similar to the 2003–04 result) (see Chapter 10, 'Leadership, Learning and Development in the APS'). This is an area on which agencies, members of the Senior Executive Service (SES) and those who want to enter the SES should focus, through, for example, more concentrated policy development work and training.

I am worried by our declining rates of interagency mobility. APS-wide workforce data shows that the new generation of public servants at the executive level contains more and more people who have either come straight into the APS from somewhere else,

³ Management Advisory Committee 2005, *Managing and Sustaining the APS Workforce*, Commonwealth of Australia, Canberra. See Chapter 6.

or who have spent 5–10 years working in only one agency. These people often will not have achieved the depth and breadth of understanding of the Values and the Cabinet, judicial, legislative, finance and parliamentary processes, agency-specific cultures, styles of working, people management and other arrangements that make for effective whole of government collaboration. How can they fully appreciate the work demands, issues and requirements of other agencies? Again, I would exhort both agencies and relevant individuals to attend closely to the mobility initiatives being sponsored as part of the MAC strategy.

Employee engagement data

It is also important to look inwardly as well as outwardly in order to ensure that we are making the best use of the people we have and those we are looking to recruit.

Time series data suggests that there has been a slight downward trend in employee data in a number of indicators that cluster around workplace relationships. Compared to 2003–04, public servants were somewhat less likely to feel that merit processes have been applied; less satisfied with the consultative mechanisms in their workplaces; less satisfied with their overall say in decisions that impacted on their work; and less likely to agree with most of the effectiveness indicators describing the impact of their agency's performance pay system.

Situations outside the control of agencies may also have influenced these results, for example machinery of government changes following the election, and the public debate on relationships between the public service and Executive government on several fronts.

However, these remain important indicators because, real or otherwise, perceptions have an impact on the level of our employees' engagement with their work and, through that, with their longer-term productivity.

Employee engagement gives us a good understanding of employees' commitment to their agency, and is an indicator of how hard they work and how long they will stay with their organisation. Overseas research as well as our own State of the Service data suggests that organisational culture and leadership have a much greater impact on employee engagement and productivity than do other factors.

This year we introduced a series of questions aimed at establishing employees' commitment to working in their agencies and for the APS. Most APS employees (60%) identified themselves primarily with their agencies and 40% with the APS as a whole. Most (two-thirds) agreed that they were proud to work in their current agency and significantly more were proud to work in the APS. This is a good result.

Not surprisingly, we found that APS employees' pride in their agency was positively correlated with their views on whether the agency itself had achieved its stated objectives over the last 12 months, and overall, two-thirds agreed that it had. Importantly, the meeting of agency objectives and growth in personal productivity were also positively correlated: those APS employees who thought their productivity had increased markedly or somewhat over the last year were also more likely to agree that their agency had achieved its stated objectives.

Those employees who indicated that their productivity had increased in the last 12 months also identified the five key factors that increased their productivity. Most indicated that they had been helped by increased experience on the job. Good working relationships were also very important to them (this result is confirmed in the job satisfaction results). Beyond these two factors, employee data suggests that the manager is a critical conduit in the process of engaging and retaining employees and increasing productivity. APS employees pointed to good working relationships with their managers; access to the information, resources and/or technology they needed to do their jobs; and working to realistic performance expectations—all managerial responsibilities—and to having a manager who encourages and manages innovation. Conversely, poor management was among the top reasons that employees intended to leave the APS.

One of the more interesting findings in the area of employee engagement is that only 4% of employees who felt their productivity had improved, rated access to performance-related pay as one of the top five factors that helped to bring about that improvement. Combined with the other results, this result indicates that there are other more important factors than pay motivating APS staff. International research (summarised in Chapter 8) has reproduced this finding though it is important to point out that the research also found financial incentives to be linked to the attraction and retention of employees.

A number of critical indicators of employee engagement that have been identified and defined through research are considered at length in different parts of this report, including:

- communication
- a reputation for integrity
- equity and recognition
- diversity
- access to learning and development.⁴

As noted above, our data has indicated that there has been a small, but statistically significant, fall in some of these measures. Each of the measures is closely linked to one or more of the Values. I intend to continue to focus on these areas in future reports.

Developments in 2004–05

The 2004–05 financial year has been mixed. The Palmer Inquiry into the circumstances of the immigration detention of Cornelia Rau,⁵ which was conducted during the period covered by this report and which reported in July 2005, raised a number of serious concerns about the integrity of systems and processes in use in one APS agency. The Comrie Inquiry into the circumstances of the Vivian Alvarez matter,⁶ which reported in October 2005, opened further issues related to decision-making processes in the application of regulations and after the discovery of errors.

⁴ The Corporate Leadership Council surveyed 50,000 employees worldwide (including in Centrelink) to identify the cultural traits that have the maximum impact on employees' engagement with their organisations (see Chapter 8).

⁵ M.J. Palmer, *Inquiry into the Circumstances of the Immigration Detention of Cornelia Rau: Report*, July 2005, <<http://www.minister.immi.gov.au>>

⁶ Commonwealth Ombudsman, *Inquiry into the Circumstances of the Vivian Alvarez Matter*, (Report by the Commonwealth Ombudsman of an inquiry undertaken by Mr Neil Comrie), September 2005, <<http://www.ombudsman.gov.au>>

It would be a mistake to quarantine the lessons coming out of these reports to a single agency. There are lessons for all of us.

We know from the findings of the Palmer report that to establish a culture of integrity and accountability organisations need sound systems and effective processes. This includes administrative systems around information and communications technology (ICT) and finances, but also extends to governance arrangements and human resources (HR) management systems and processes. It is important that these are designed to avoid a silo mentality, that agencies establish meaningful consultation mechanisms, draw on comprehensive and reliable employee surveys, and emphasise performance management arrangements that link back to the business goals in their corporate plans. Where agencies or parts of agencies are turned in on themselves, it is easy to miss a change in the external environment or an opportunity to collaborate for an improved outcome.

The findings of the Comrie report take us directly to the dilemma inherent in all regulation. The exercise of regulatory authority has to balance the burdens regulation imposes (taxation, censorship, the denial of liberty, opportunity costs) and the policy outcome sought, and it has to do this within the broader framework of our national institutions. It is one thing to give officials the authority to make decisions that affect peoples' lives—in Centrelink, ATO and DIMIA, to name a few—but those officials also have to understand the nature of their authority: the broad legislative and constitutional framework from which it derives, its limits, the scope of any discretion and how to exercise it. We are far more likely to get the balance right, especially in hard cases, if individual decision-makers are working within a coherent system of regulatory oversight.

Decision-makers in the APS also need to think seriously about the personal responsibility that goes with the authority to make decisions; what the community regards as a public servant's 'duty'. What is duty? It is more than just exercising regulatory authority systematically. Duty is about the judgments and actions of individual public servants as they apply their decision-making to individual people. This means that it is a public servant's duty to alert people in authority, including politicians, if something goes wrong. It is also a public servant's duty to seek to correct errors and to undo wrong decisions as soon as possible.

Senior managers have a vital role to play in establishing a supportive and professional culture and showing decision-makers how to balance Values like fairness and effectiveness, impartiality and courtesy, responsiveness and apolitical professionalism. We know from our data that public servants who believe that senior managers act in accordance with the Values and lead by example in ethical behaviour, report higher overall levels of job satisfaction and higher levels of pride in working for their agency and for the APS.

It is imperative that all of us in the APS, and especially its senior leadership, pay attention to what the data in this report and from other sources is telling us, that we recognise that there are complex relationships between seemingly unconnected aspects of our business, and that we work together to achieve the best outcomes that we can for the Government and for the Australian community.

I am keen to ensure that our leadership, and in particular the SES, understand their role in promoting a strong common identity across the APS and a confident approach to the

duties of public service. To this end, the MAC has recently released a statement for the SES called *One APS—One SES*.⁷

I am giving priority to redeveloping our leadership, learning and development programmes. I will be unveiling a new suite of leadership programmes for the SES over the next few months. In 2005–06 the Commission will reinvigorate its EL programmes, focusing on the public service's core business areas of programme management, regulatory activity, service delivery and policy development.

While there have been disappointments this year, with inevitable room for improvement, this report demonstrates that on many fronts the APS is continuing to strengthen its performance. I believe that, as a sector, we need to be reminded of our strengths. In 2004, the APS received a United Nations award for Improvement of the Quality of Public Service Process in the Asia-Pacific region, in recognition of the reforms and achievements of the public service in recent years.

We have an enviable record of policy development and service delivery and in minimising corruption. We are innovative and reforming—and we need to keep vigilantly to that. We remain a significant national asset, in both economic and social terms.

As we go forward, we need to build on these strengths—to keep challenging ourselves to make further improvements to our organisations, our relationships and our collaborative skills—if we are to remain a world leader in public sector reform.

⁷ Management Advisory Committee 2005, *Senior Executive Service of the Australian Public Service: One APS—One SES*, Australian Government, Canberra.