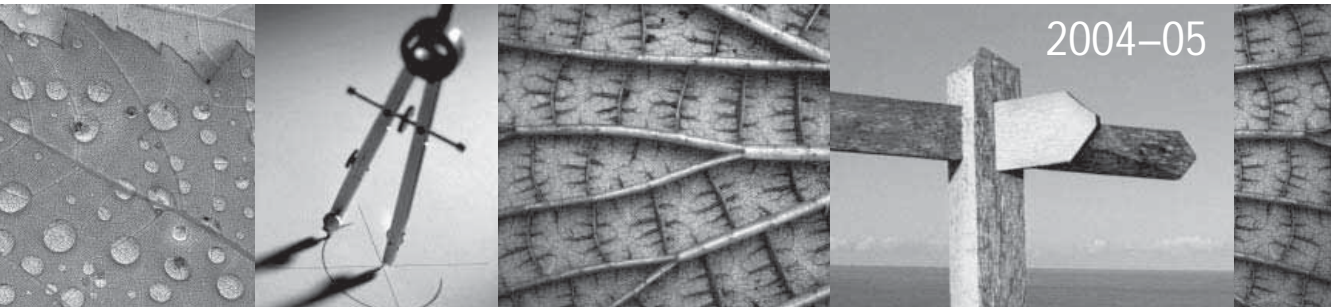




**Australian Government**  
**Australian Public Service Commission**

# State of the Service Report

2004–05



State of the Service Series 2004–05



# Challenges facing the APS

The previous chapter highlighted the many achievements of APS agencies during 2004–05, and overall, this report demonstrates that on many fronts the APS continues to perform strongly. However, the report also identifies areas where we could improve, with the sections below outlining the critical challenges for the APS as a whole as well as challenges for particular agencies.

## Critical challenges for the APS as a whole

The Commission now has the foundations of time series data sets for the agency and employee surveys which are an integral part of identifying trends in the APS. APSED, of course, is an established data set able to establish most significant trends in APS employment.

Last year's data enabled us to identify five critical challenges: embedding the Values and the Code; ensuring effective relationships between the APS and the Government and the Parliament; building and sustaining the capability of the APS; diversity, particularly in relation to Indigenous employment and the employment of people with a disability; and whole of government capacity.

This year's data tells us that these are not going away, although they are being reshaped by changing circumstances.

How we address these critical challenges as the APS matters, because our capabilities, culture and identity are bound up with the willingness of the community to embrace government programmes and initiatives; they affect our international reputation; and they influence our ability to recruit, retain and engage quality people.

The critical challenges for the APS as a whole would appear to be:

## **1. Building trust in the APS**

Building trust in the APS is important for all APS employees but particularly for the leadership group. We know from our data that trust is associated with how employees feel about working in the APS and their agencies, and how productive they feel themselves to be.

The challenge is to make the Values framework work in practice. Senior leaders 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. Data from the Ombudsman indicates that there continues to be a large number of complaints about the lack of information provided about decisions made by agencies or that decisions are flawed, and that this is often compounded by inadequate record keeping. Decision-makers in the APS need to understand the personal responsibility that goes with the authority to make decisions—what the community regards as an official's 'duty'. APS leaders, in particular, members of the SES, must take an active role in promoting a strong common identity across the APS and a confident approach to the duties of public service.

On a related issue, the consistency of the time series data regarding the level of direct contact between APS employees and Ministers' offices reinforces the importance of ensuring that employees clearly understand the application of the Values as they relate to working with the Government and the Parliament, and building further the confidence of APS employees in this interaction.

The quality of service delivery also has implications for trust in the APS, with results from selected agency service user satisfaction surveys showing a majority of satisfaction levels above 80% this year. Here the challenge is to find effective mechanisms for consultation with the community and delivery approaches to meet citizens' growing expectations for better customer service. The challenge also lies in building confidence and trust with those who use services and information, and recognising the importance to all public service providers—public and private—of assessing the success of client service and recognising the stronger links being established to provide a seamless service to customers.

Good governance is also fundamental to building public trust. APS-wide governance arrangements have been the subject of ongoing review processes during the year, most particularly as an outcome of the Uhrig report. More generally, if agencies are to retain public confidence and trust, they need to ensure they have connected and rigorous organisational systems, processes and procedures in place to maintain the integrity of their governance arrangements. Such support is essential if agencies are to perform effectively in an increasingly dynamic and complex environment—a point reinforced in the Palmer report.

## **2. Building the right capability for the future**

The MAC report, *Managing and Sustaining the APS Workforce*, is a timely reminder of the workforce challenges facing the APS—many of which centre around the changing skill profile and ageing demographic of the APS workforce, in particular, the need to take

a systematic approach to succession planning and to developing future leaders given the continuing ageing profile of the current APS leadership cadre.

In the tightening labour market and with possible skill shortages, no longer will agencies be assured of being able to attract the right people with the right skills. Agencies will need to make themselves competitive in the labour market and have strategies in place to develop and retain high quality employees. Employee engagement will be vital for agencies in gaining a competitive edge in retaining quality employees and also in improving overall productivity and effectiveness. Given the organisation-specific nature of employee engagement, responsibility rests with all agencies to develop management approaches, systems and a culture that maximise the engagement of the workforce.

### **3. Attracting and retaining Indigenous employees and people with a disability**

In 2004–05, there was a further reduction in the representation and numbers of Indigenous employees and people with a disability—this is despite an increase in ongoing employee numbers. It is essential to act quickly and constructively to turn around this declining trend.

To improve the situation for Indigenous employment, strong recruitment and robust promotional strategies are required. Not only should agencies join with the Commission and draw on the APS Employment and Capability Strategy for Aboriginal and Torres Strait Islanders, but they should also take concerted and strategic action themselves. The aim of the strategy is to stabilise numbers of Indigenous employees over the next two years, and after that to increase their employment in the mainstream APS. More broadly, the aim is to contribute to increased social equity by improving Indigenous people's employment opportunities and income levels in the wider Australian employment market.

A similar approach is also required to address the decline in the number of people with a disability working in the APS. The strategies currently in use have been operating for some time with decreasing success; innovative strategies are required to replace those that have become less effective over time. Furthermore, there are some strategies that have been ostensibly in place for many years which are languishing and need to be revamped. The employment of people with a disability is a key priority for MAC, and will be examined in detail in a 2006 MAC report.

### **4. Ensuring whole of government capability**

The statement issued by MAC to the SES in October 2005, *One APS—One SES*, outlines the vital role APS leaders have in developing whole of government capabilities. Overall, whole of government work means becoming part of a broader process of cultural reform across the APS. Leaders have a crucial role to play in championing the cultural change process and promoting whole of government behaviours—the Palmer report highlights the serious repercussions that can arise when a silo mentality develops.

Another common theme emerging from the MAC reports of the last two years is the challenge of ensuring mobility amongst potential leaders. Substantial benefits are to be derived from potential leaders taking steps to broaden their experience and exposure through working in different environments—not only within the APS, but also in other public, private and non-government organisations. This, to some extent, may assist

in addressing the challenge of not only working productively across agencies but also working productively and with other jurisdictions and non-government organisations (both private and not-for-profit), and of engaging with citizens.

The responsibility for meeting these challenges lies with individual agencies, MAC and coordinating agencies including, in particular, the Commission.

## Challenges for particular agencies

Particular challenges faced by individual agencies will of course vary, on both an agency-to-agency basis and from year to year. A number of these challenges, which were identified in the *State of the Service Report 2003–04*, remain relevant this year. Progress made in relation to these is summarised below, as are ‘new’ challenges that have appeared during the preparation of this report.

### Relations with the Government and the Parliament (Chapter 3)

This year’s employee survey confirms previous findings that a significant proportion of employees have direct contact with Ministers and/or their advisers on a wide range of issues and overwhelmingly in relation to matters of substance. Employees’ levels of confidence in balancing the Values of being apolitical, professional and responsive in managing those interactions are also unchanged.

However, consistent with last year’s evaluation of agencies’ protocols guiding employees’ interactions with ministerial offices, it is concerning to report for the second year in a row that substantial numbers of employees involved with Ministers and their advisers are not aware of their agency’s protocols—and they should be. The large variation between agencies in this respect is also of concern. While each agency will face its own requirements, agencies should have policies and written protocols in place which are accessible to employees. Employees likely to interact with Ministers or advisers should be assured of ready and reliable support from those around them and have confidence that their immediate and most senior managers act in accordance with the Values. This is very much a leadership responsibility, requiring open engagement with employees down the line about the judgments being made by both leaders and others in the agency. Further guidance can be found in the Commission’s publications, ‘Supporting Ministers, Upholding the Values’ (to be released shortly) which also incorporates key material from *APS Values and Code of Conduct in Practice: Guide to Official Conduct for APS Employees and Agency Heads*.

Previous State of the Service reports suggested that agencies have not been giving sufficient attention to training their SES employees in parliamentary accountability. This year’s evidence points to a slight improvement in the overall focus on training by agencies and a stable, positive response from employees who had appeared before parliamentary committees, that they felt well-equipped to perform before the committee. Future reports will monitor whether this upwards trend continues.

Previous reports suggested that some agencies required a more strategic approach to improving record management systems, while others needed to focus on the implementation of their record keeping policies. This year’s surveys also found mixed

results. Although the record keeping capability of the APS continues to improve in relation to interactions with ministerial offices (as agencies place a higher priority on record keeping systems, protocols, awareness and training), from a more holistic perspective, the employee survey results for this year indicate a slight decline in the broader record keeping capability of the APS.

#### **Relationships with the public (Chapter 4)**

As outlined above, improving service delivery is a challenge for the APS as a whole. This year's report noted that Australian Government agencies are continuing to be innovative and are developing practical ways of applying new technology, including identifying priority areas for service improvement, where better linkages can bring a tangible benefit to a citizen's experience of electronic government services.

#### **Workplace relationships (Chapter 5)**

The positive news on APS employees' perceptions of merit reported in last year's report has modulated somewhat during the course of 2004–05. Employee survey results show that employees' perceptions of merit have deteriorated, particularly in large agencies. Consistent with last year's findings agency-specific issues continue to influence employee perceptions of merit. Agencies need to adopt strategies that explore the factors underlying their employees' perceptions, including the provision of training to improve their employees' knowledge and understanding of how merit is applied in selection processes.

Agency-based approaches to agreement-making continue to work effectively and are now well-established. At the same time, consistent with last year's report, the funding arrangements for remuneration increases in APS agencies continue to present a challenge in some situations. More generally, the pressures on some agencies may heighten as they experience difficulties.

Looking ahead, the APS is likely to face increasing wages and conditions pressures with a contracting labour market, as evidenced in the MAC work on managing and sustaining the workforce of the future. Some agencies may achieve productivity gains through genuine efficiency gains or by sensible reconsideration of priorities. Nevertheless, there is the real possibility that for some agencies funding pay increases means cutting the number of their activities and/or employees and that it can also mean reduced capacity to absorb new initiatives.

This year's survey results on workplace consultation were very similar to last year's with regard to attendance at staff meetings. However, compared to last year's results, employees reported being significantly less satisfied that the meetings they attended provided a forum in which to contribute their views on issues that impact on their work and with the overall say they have in decisions impacting on their work. Those agencies with low levels of employee satisfaction with their say in workplace decisions, particularly where regular meetings are held, need to consider devoting more effort to the development of consultation skills among supervisory staff and within the workplace generally.

## **Personal Behaviour (Chapter 6)**

The two previous reports have suggested that greater effort could be devoted to raising awareness about the application of the Code and procedures for raising suspected breaches. In particular, agencies may like to carefully evaluate specific survey results such as the decrease in the number of employees reporting that the Code is highly relevant to their work and the lack of improvement in the number of employees reporting a suspected breach of the Code. Where required, agencies may need to examine existing policies and methods used to promote awareness of the Code and the development of an environment and culture in which employees feel confident in raising their suspicions.

The forthcoming good practice guide on managing breaches of the Code will assist agencies to review and improve their procedures for reporting and dealing with suspected breaches.

Last year's report identified that agencies had implemented a variety of measures to deal with conflict of interest, although there remained room for improvement in a number of areas, particularly in relation to written assessments of interests for SES employees and the regulation of post-separation employment.

## **Embedding the Values and the Code (Chapter 7)**

The great majority of employees continue to report being familiar with the Values and the Code, and almost all employees consider the Values and the Code at least moderately relevant to their daily work. However, time series data continues to show the significantly lower level of confidence among staff that the most senior managers in their agency act in accordance with the Values, when compared to their other managers. This is of particular concern as it can be expected that employees' perceptions of the leadership group's active engagement with the Values and the Code will influence perceptions and behaviours throughout the APS.

The statement issued by MAC to the SES in October this year, *One APS—One SES*, highlighted the imperative need to entrench individual integrity and professional and ethical behaviour as part of the common identity of APS leaders. The key role of the SES in modelling core ethics and promoting the Values in their agencies and more broadly across the APS is outlined in the Act.

## **Managing, sustaining and engaging (Chapter 8)**

As discussed in previous State of the Service reports and in the earlier MAC report, *Organisational Renewal*, APS workforce planning centres on the demographic challenge of the ageing and changing skill requirements of the APS workforce combined with the projected tightening of the labour market. Last year's report provided evidence that agencies were increasingly focusing on the need to meet these challenges through both formal planning and informal measures. However, the overall finding was that there was considerable potential for agencies to improve their efforts in this area.

The 2005 survey findings confirm that, although improvement is continuing, there is an urgent need for the adoption of a more strategic and longer-term approach to workforce and succession planning processes. Following the recent MAC report, *Managing and Sustaining the APS Workforce*, agencies will receive better practice guidance and

demographic support from the Commission for workforce planning, and now report progress directly to MAC.

Despite substantial work over the past two years, including better integration with corporate management structures, performance management continues to be problematic. In particular, the credibility of agencies' performance pay systems and the handling of underperformance remains a cause for concern. The Commission is preparing a guide to assist agencies to reflect upon, review and refine their performance management approaches and systems. Future reports will monitor activity on this topic.

Last year's report referred to the issue of staff motivation and organisational performance improvements through improved employee alignment with their work and organisational objectives and improvements to managers' people skills. This year's report extends this analysis by exploring the concept of employee engagement and its role in positively influencing productivity. Employee assessments, real or perceived, of the quality of management, of the effectiveness of communication, and their input into decision-making, and of the organisation's support for integrity, merit and diversity, are critical to their level of engagement. The 2005 employee survey results show that there is considerable room for improvement as employee perceptions across a range of areas are either stable at less than ideal levels, or worse still, are in decline. Future State of the Service reports will examine employee engagement in more detail.

### **Workplace Diversity (Chapter 9)**

Diversity is an important part of organisational capability. Agencies need to actively foster the diversity of their workforces: race, gender, age, religion, marital status, carer status, education, and cultural background can all increase an agency's capacity to develop good policy or deliver services well. The most pressing priorities for agencies in 2005–06 are to stabilise and then increase their numbers of Indigenous employees and people with a disability.

Last year's report suggested that agencies should take action to ensure that their workplace diversity programmes are reviewed and remain current. The Commission's rolling evaluation of written workplace diversity programmes in 2004–05 found that most agencies had addressed this concern and taken substantial and positive steps towards meeting the requirements of workplace diversity programmes. However, the evaluation also identified scope in some agency plans to strengthen links to corporate documentation, better articulate performance indicators, and improve reporting of diversity outcomes.

The two previous reports have highlighted that many agencies needed to refocus on the prevention of discrimination, bullying and harassment, and create effective systems to address it, despite some improvements in agency support structures reported last year. Unfortunately, the 2005 employee survey results indicate that the proportion of employees who believed themselves to have experienced bullying or harassment has increased slightly since last year. Further, these negative experiences appear to be much higher among the more vulnerable EEO groups and this could well be associated with the recruitment and retention difficulties among Indigenous people and people with a disability discussed above.

This year there was further growth in the representation of women and people from a NESB1 in the APS. While the proportion of women employed at senior levels continues to increase steadily, the concern remains that the proportions of women at these levels are still well below that for men.

### **Leadership, learning and development (Chapter 10)**

The *State of the Service Report 2002–03* first highlighted the need for collecting information on learning and development expenditure at the agency level as an important first step towards an evidence-based approach to evaluation in the area of learning and development. It is pleasing to report an increase this year in the proportion of agencies that could estimate their investment in off-the-job learning and development—up from around 60% in previous years to just over 75%. The data suggests that, while the proportion of agency operating expenses dedicated to formal off-the-job learning and development by large agencies is commendable, employees in smaller agencies may not have the same degree of access to formal off-the-job learning opportunities available to employees working in larger agencies. However, it should also be noted that the differences reported may reflect different strategies being used by these agencies to invest in the development of their employees in response to their differing business needs and circumstances. Additionally, measuring the cost of on-the-job learning and development remains a challenge for almost all agencies.

In 2004–05, agencies continued to develop a strategic focus on learning and development and to focus substantially on evaluating the content of programmes and the effectiveness of their delivery. While the proportion of agencies evaluating the degree of capability acquired by the individual has improved, there remains a need for an increased focus on the difficult issue of evaluating the benefits of learning and development to both individual and agency performance. However, it should be recognised that the approaches taken by agencies may need to vary, depending on the nature and business of the agency, including its size.

This year's employee survey results confirm those from previous years which indicated low levels of satisfaction in relation to leadership development opportunities. Whilst SES employee satisfaction levels are higher than those for other classifications, the decline in SES employee satisfaction levels is a cause for concern.

### **Whole of Government (Chapter 11)**

This report has commented on the considerable progress made on a range of whole of government activities. Many agencies have adopted a positive approach towards collaborative activities and the employee survey provides positive indicators of employees' willingness to embrace a whole of government approach. Again this year, there was considerable variation between agencies in staff perceptions of their agency's cultural bias towards whole of government work. This remains a concern and there is still scope for upward movement in this indicator. Similarly, the employee survey also found that rewarding collaborative activity remains an outstanding issue that agencies need to address as part of their review of performance management arrangements.

The 2005 employee survey shows that employees who had been involved in structured whole of government activities passed mixed judgments on how collaborative and how well supported those structures had been in practice. The effectiveness of collaborative

structures could be enhanced by increased clarity and specificity in the upfront setting of shared outcomes and objectives, and a careful articulation of what this means in practical, implementation terms.

In supporting capability building in whole of government work, the Commission is developing broad-based SES training to cover whole of government working, and a number of agencies have redesigned or refocused training objectives specifically to improve employees' capability in building whole of government activities. As discussed under leadership development above, mobility is also critical to capability-building in the whole of government context and MAC has called upon agencies to participate in strategies to support internal and interdepartmental movement.

### **Outsourcing (Chapter 12)**

Results of the agency survey show that agencies are continuing to outsource corporate services and functions, particularly ICT and HR services. Nevertheless, it is evident that in some agencies there is still insufficient capability to manage outsourcing effectively, and the 2005 agency survey found that this is an increasing problem in relevant medium and small agencies.