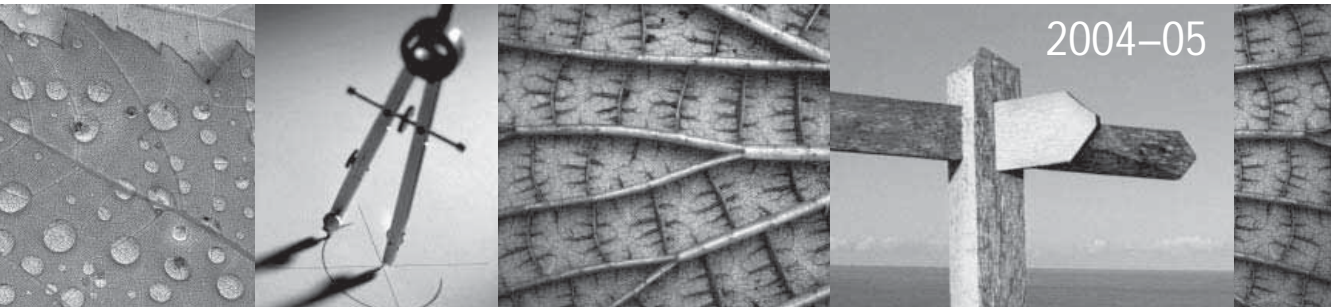




Australian Government
Australian Public Service Commission

State of the Service Report

2004–05



State of the Service Series 2004–05

The Values and workplace relationships

The Values, which provide the framework for effective workplace relationships in the APS, articulate an APS:

- where employment decisions are based on merit
- that provides eligible members of the Australian community with the opportunity to apply for APS employment
- that is free from discrimination and recognises and utilises the diversity of the Australian community it serves
- where workplace relations value communication, consultation, cooperation and input from employees on matters that affect their workplace
- that provides a fair, flexible, safe and rewarding workplace
- that focuses on achieving results and managing performance
- that promotes equity in employment
- that provides a fair system of review of decisions taken in respect of APS employees.

In examining the relationship between the Values and workplace relationships, this chapter draws on both employee perceptions and agency practices. The issues discussed include the application of merit in employment decisions, review mechanisms, the major developments in APS remuneration in 2004–05, consultative mechanisms adopted by agencies and, finally, data from Comcare is presented.

Other important aspects of workplace relationships in the APS—personal behaviour including bullying or harassment, diversity and leadership—are discussed in Chapter 6, 'Personal Behaviour', Chapter 9, 'Workplace Diversity' and Chapter 10, 'Leadership, Learning and Development in the APS'.

Merit and access to APS employment

The principle of merit-based selection is one of the foundations of employment within the APS. Indeed, it remains as vital today as when it was elaborated in the first Annual Report of the Public Service Commissioner in 1904. In that report, Commissioner Duncan McLachlan stated, 'Merit is the foundation of a just and equitable system, excluding all political and other patronage, throwing all appointments open to rich and poor alike'.

The Value requiring that employment decisions be based on merit is complemented by the Value requiring that all eligible members of the Australian community have a reasonable opportunity to apply for APS employment.¹

The practical application of merit in selection for engagement or promotion requires agencies to have in place processes designed to ensure that eligible applicants can apply and that the selection process, determined in advance, is both transparent and fair. The selection decision must be made following an assessment of the relative suitability of candidates for the duties following a competitive selection process. The Act and the Commissioner's Directions specify that the assessment must be based on the relationship between the candidates' work-related qualities and the work-related qualities required for the duties, and must focus on the relative capacity of the candidates to achieve outcomes related to the duties.

Employment decisions that do not involve engagement or promotion must still be based on merit but need not involve a competitive selection process. A selection process, for example, to assign new duties to an employee within an agency at the same classification (i.e. internal transfer), as a minimum, must include an assessment of an employee's work-related qualities against the work-related qualities required for efficient and effective organisational performance. The decision as to whether or not to open such opportunities to competition, rests with the agency and will be determined by its staffing policies and the nature of the opportunity.

SES engagements

Different processes² are adopted for selection processes for promotions or engagements to the SES than are adopted for non-SES selections. This distinction reflects the need to ensure the application of a transparent process to the assessment of applicants for the senior leadership group of the APS, with assessment focusing on the core leadership capabilities required at this level. These processes do not preclude considerable scope for agencies to draw on a range of processes that best suit the needs of their organisation, including executive search, assessment centres and recruitment agencies.

An important aspect of the Commissioner's oversighting responsibilities under the Commissioner's Directions is the endorsement of a promotion or engagement process. Each selection panel must include a Commissioner's representative, whose certification of the selection process must be endorsed by the Commissioner before an engagement or promotion can be effected. The Commissioner has recently advised agency heads that the Commissioner's representative must hold a higher classification

¹ The Act and the *Public Service Commissioner's Directions 1999* (the Commissioner's Directions), Chapters 2 and 4, contain further requirements in relation to engagement and promotion and other employment decisions.

² The Commissioner's Directions, Chapter 6.

than the classification of the employment opportunity being filled. All SES employment opportunities must be notified in the *Public Service Gazette* (the Gazette) and in the press, and applicants are assessed against the five core SES selection criteria that were adopted in 1999.

In December 2004, the Commission relaxed the requirements relating to agencies adding additional job and/or agency-specific selection criteria to the five core SES selection criteria.³ The change, allowing agencies to add one extra criterion without requiring the Commissioner's agreement, recognised that agencies have added additional criteria appropriately. Agencies are still required to seek the Commissioner's agreement where two or more additional criteria are proposed.

In relation to the Commissioner's role in scrutinising SES selection processes, all processes put forward to the Commissioner in 2004–05 were endorsed following the usual full examination of the relevant selection documentation. Leadership issues are discussed in Chapter 10.

Employees' perceptions of merit

The employee survey questions about perceptions of merit distinguished between employment decisions resulting from a competitive selection process and those employment decisions not resulting from, or not requiring, a competitive selection process. This section examines the results of these questions.

The employee survey asked respondents to indicate their level of agreement as to whether, in their experience, their agency routinely applies merit (as defined in the Act) in a number of types of employment decisions. Table 5.1 indicates that employees are most confident that merit is routinely applied in engagement and promotion decisions involving a competitive selection process. A majority of employees (53%) agreed, while 21% disagreed. Employees are less likely to have agreed that their agency routinely applies merit to other employment decisions resulting from competitive selection processes (i.e. transfers from within (38%) and from outside (37%) the agency and temporary assignment of higher duties (37%)). Employees were even less likely to have agreed that merit is routinely applied in these types of employment decisions if a competitive selection process was not involved (30% (transfers within), 23% (transfers outside) and 34% (higher duties), respectively) while higher proportions reported not knowing if merit is routinely applied in these types of decisions. It is interesting to note, however, that the proportion of employees who disagreed that merit is routinely applied to these three types of employment decisions did not vary greatly according to whether or not there had been a competitive selection process.

Consistent with last year's results, employees in large agencies were less likely to agree that merit is routinely applied (across all decision types involving a competitive selection exercise) than were employees in medium and small agencies. An examination of large agency responses suggests that this decline in confidence was fairly evenly spread across all large agencies and without a bias towards one or two large agencies.

³ The additional SES criteria change was announced through Commission Circular 2004/7 of 6 December 2004.

Table 5.1: Employees’ perceptions of merit about various types of employment decisions, 2003–04 and 2004–05

	My agency routinely applies merit (as defined in the Act) in the following types of employment decisions							
	Agree (%)		Neither agree nor disagree (%)		Disagree (%)		Don't know (%)	
	2003–04	2004–05	2003–04	2004–05	2003–04	2004–05	2003–04	2004–05
Engagement and promotion resulting from a CSP*	59	53	18	19	18	21	4	7
Movement at level from another agency from a CSP	42	37	27	27	12	13	19	23
	26	23	33	29	15	16	27	32
Movement at level within my agency from a CSP	44	38	26	28	21	23	10	12
	33	30	30	28	21	24	15	18
Temporary assignment of 'higher duties' from a CSP	42	37	23	24	27	28	8	11
	35	34	28	26	25	24	12	16

Source: Employee survey

Note: * CSP—competitive selection process to assess the relative suitability of applicants for the duties of a job.

The only employment decision where more than 50% of employees were confident that merit is routinely applied was that of ‘engagement and promotion’—the sole decision category requiring a competitive selection process.

Table 5.1 also shows that employee perceptions of whether merit was applied in employment decisions have declined (at statistically significant rates) across all decision types compared to last year—although the overall pattern of responses remains similar. The only exception to this decline in perception of merit was the temporary assignment of higher duties when a competitive selection process is not used—this was not significantly different.

The most significant fall in perception that merit was applied (six percentage points) was in the category of engagement and promotion decisions. The fall in confidence in other decision types ranged from one to five percentage points. While there have been some increases in the percentage of employees disagreeing that merit is applied, the survey showed an increasing proportion of employees (between two and five percentage points for the different employment decisions) who ‘don't know’ whether merit is routinely applied in their agency.

In 2004, the Commission conducted a small study of participants in Commission training courses dealing with the concept of merit to test whether there was any evidence that the varying perceptions of merit across both the competitive and non-competitive processes reflected a lack of awareness of the legislative provisions around the application of merit. Questions were asked both prior to training and after the course.

Almost all of the 164 respondents (98%) were aware that a competitive selection process assessing the relative suitability of candidates was mandatory for promotion and engagement decisions. However, knowledge of the actual merit selection process was much lower, with only 66% of respondents being aware that an interview was optional and only 64% knowing that a referee or delegate can be included on a selection panel.

Although these results are not representative of APS employees, they provide some insight as to why only around half of APS employees agree that merit is applied in their agency for promotion and engagement decisions. In the small study, the percentage of respondents who correctly answered the questions relating to movement at level (i.e. transfers between and within agencies), and temporary assignment of duties at a higher classification ('higher duties'), was 55% and 53% respectively. This outcome mirrors the result of the State of the Service employee survey showing reduced confidence in employment decisions involving movement and temporary assignment.

The results of this study, discussed further below, suggest that knowledge of what the merit Value requires in relation to particular types of decisions (other than basic awareness of the need for a competitive process for engagement and promotion to assess relative suitability) was relatively low amongst those who completed the questionnaire. This study also suggests that training in the concept of merit can improve knowledge of the merit Value, and it should assist employees in determining whether merit is appropriately applied in their agency.

Merit study 2004

In 2004, the Commission undertook a small study of APS employees to collect information on factors affecting perceptions of merit in the APS, including the level of understanding among APS employees of what merit means and how it applies to different employment decisions under the Act.

A questionnaire was developed to examine whether perceptions of merit are linked to levels of understanding of the application of merit under the Act and to help assess the impact of merit-related training on perceptions of merit. Participants attending Commission courses containing content that covered the application of merit to employment decisions were asked to complete the questionnaire.

Prior to commencing the training, participants were asked about their level of confidence that merit was consistently applied in the APS. The respondents were also given six statements covering a number of merit-related scenarios and asked whether each statement was true or false. At the completion of the training, participants were asked whether the training had changed their understanding of the application of merit and their confidence about how consistently merit is applied to selection processes.

Completion of the questionnaire was voluntary and 164 non-SES employees provided a response. Of these respondents:

- 60% were female
- 70% were located outside of Canberra
- 73% were at APS 1–6 or equivalent classifications.

Prior to receiving training, 35% of the respondents who answered the question were highly confident and a further 52% moderately confident, that merit is consistently applied in the APS. There was some difference evident by location, with the respondents outside the ACT (37%) more highly confident than respondents within the ACT (29%).

Almost all respondents (98%) knew that a competitive selection process assessing the relative suitability of candidates must be used in promotion and engagement decisions. However, the responses to the remaining five questions showed a much lower level of awareness of current minimum requirements:

- Two-thirds of respondents knew that an interview is not required for a competitive selection for promotion or engagement.
- Just under two-thirds of respondents knew that an employee providing a referee report on an applicant and/or the delegate who has the authority to decide the outcome may be part of the selection committee.
- Fifty-eight per cent of respondents were aware that factors such as availability within a certain timeframe or refusing to move without the payment of removal costs can be taken into account when deciding to promote or engage a person.
- Fifty-five per cent knew that a competitive selection process is not required for movement at level either within or between agencies.
- Just over half of respondents knew that temporary 'higher duties' need not be given to the most efficient and effective employee—it can be used for developmental purposes.

Of the respondents who answered at least one question, only 13% answered all six questions correctly and a further 23% had five correct. The level of confidence in the application of merit did not necessarily result in correct answers. Forty per cent of respondents reporting high confidence scored five or six compared to 37% of respondents with moderate confidence.

After the training, 71% of the respondents who answered the question indicated that their understanding of the application of merit to selection processes in the APS had changed. Forty-one per cent of respondents were more confident that merit had been applied to selection processes in the APS following the training programme; 49% noted no change and only 7% of respondents reported less confidence. APS 1–6 respondents and respondents outside of the ACT indicated they were more confident that merit had been applied after the training session than EL and ACT respondents.

While this small study is not representative of APS employees, the results support the view that perceptions of merit are associated with the level of understanding of the processes, and that training can assist employees to understand how merit applies in different situations and to better evaluate the application of merit within agencies.

study

The data examined in the remainder of this section was collected in the employee survey and relates to employees' perceptions of merit regarding engagements and promotions resulting from a competitive selection process. Analysis shows that a number of variables strongly associated with these results are consistent with those noted last year,

although they also reflect the overall decrease in employees' perceptions that merit is routinely applied.

Perceptions of merit continue to vary amongst employees in the 21 large agencies—with 31% to 71% of employees having agreed that merit is routinely applied in their agency. Seven large agencies had agreement rates that were statistically significantly higher than the APS average of 53%: BoM, CRS, DEST, DEWR, Finance, DFAT and DEH. Only three agencies were statistically significantly lower than the APS average—the Australian Securities and Investments Commission (ASIC), ATO and Centrelink.

Employees in large agencies were considerably less likely to agree that merit was applied (51%) than employees in small or medium agencies (both 65%), as were those employees working outside the ACT (49%) compared to those working in the ACT (61%). An employee's classification was also significant, with APS 1–6 employees least likely to agree that merit was applied (48%) compared to EL (69%) and SES (79%) employees.

Again, perceptions of merit were strongly related to employees' job satisfaction levels and their views on the integrity of their immediate supervisor. Employees with the highest level of job satisfaction were more likely to report higher confidence in the application of merit (69%) than were those with the lowest level of job satisfaction (21%).⁴ Employees who agree that their immediate manager acts in accordance with the Values are more likely to agree that merit is applied (56%) than those who disagreed that their immediate manager acts in accordance with the Values (34%). The confidence that merit is applied is also higher (60%) if employees agree that the most senior managers in the agency act in accordance with the Values in their everyday work.

This year's data is also consistent with the finding in 2003–04 that employees who have applied for, and been successful in obtaining, a new position in the last 12 months, are more likely to agree that merit has been applied (68%) compared to employees who have applied and were unsuccessful (45%). Not surprisingly, unsuccessful applicants were over twice as likely to consider that merit was not applied as were successful applicants (30% compared to 13%). There is little difference in the level of agreement that merit is applied between employees who have applied for positions (53%) and those who have not (52%), but those who have applied for a position are more likely to disagree (25%) than those who did not (19%). In 2004–05, 45% of employees had applied for a position, a seven percentage point increase over 2003–04.

On the basis of the most recent employee survey data, the APS does not compare favourably with state jurisdictions on the measure of whether employees consider employment decisions to be fair. The 2005 employee survey indicated only 35% of APS employees agreed that promotion and engagement decisions were fair compared to 53% of WA public sector health and education employees surveyed.⁵ The Victorian Office of Public Employment's *People Matter Survey Report 2004*, noted that 62% of employees agreed with the statement 'selection decisions in this organisation are fair'. Care should be taken when comparing the Victorian result with the APS and WA results as there was a difference in the response options available.⁶

⁴ The highest levels of job satisfaction—scores of nine or higher in the job satisfaction index—are discussed in Chapter 8, 'Managing, Sustaining and Engaging the APS Workforce'. The lowest levels are scores of two or less in the index.

⁵ The data for WA for 2004–05 represents two non-metropolitan Departments of Education and two non-metropolitan Departments of Health.

⁶ While the question was similar to that included in the APS employee survey, the possible responses varied. The Victorian survey used 'don't know' rather than 'neither agree nor disagree' which may not elicit a similar pattern of responses.

It is not evident from the employee survey data why there has been an overall decrease in employees' perceptions that merit is routinely applied. The small merit study results indicate that this may be in part a reflection of employees' knowledge of the practical application of the merit Value. However, the variability of employees' perceptions apparent within the larger agencies, and the strong relationships between perceptions of the immediate managers and more senior managers behaving in accordance with the Values, indicates that agency-specific issues may be influencing these findings. As these agency-specific issues are very difficult to capture in an APS-wide survey, agencies—particularly those with poorer results—need to investigate why employees are less confident in the application of merit in order to address this issue as part of meeting their responsibilities to uphold and promote the Values.

Selection processes used by agencies

In 2004–05, all 82 agencies recruited APS 1–6 and EL employees, although only 53 agencies recruited at least one SES employee.

Subject to the APS recruitment framework, including the Values of merit and reasonable community access, agencies are able to use varying selection processes for employment decisions depending on their individual needs and circumstances.

Sixty-three percent of all agencies reported that they routinely require the use of competitive selection processes for non-SES movements at level from another agency (down from around 75% in 2003–04), although this is not required under the statutory framework. This rate fell to 51% of agencies in relation to processes for movements at level *within* the agency, a slight fall from 55% in 2003–04. Small agencies were more likely to have such requirements for both external and internal transfers⁷ (77% and 57%, respectively), while large agencies had the lowest rates of such requirements for external transfers (52%) and medium agencies for internal transfers (46%).

Just over three-quarters of agencies reported having a routine requirement for competitive selection processes for the assignment of long-term temporary higher duties despite this not being a requirement under the statutory framework. This level is similar to that reported in 2003–04. Again, small agencies were more likely to have such a requirement (83%).

This year's survey asked agencies to indicate whether they had used particular recruitment selection measures from a list of 16 possible measures. Where an agency identified that they had used a particular measure, they were then asked the proportion of selections for which that measure was used (<25%, 25%–50%, 51%–75%, >75%). Agencies were also given the option of indicating that they were unsure because the function was devolved. Not surprisingly, of the relevant agencies, large agencies reported higher rates of uncertainty across the different measures ranging from 5%–33% for APS 1–6 selections and from 5%–33% for EL selections. Where agencies were able to identify the proportion of usage, there was no clear pattern by classification or agency size.

Agencies reported using a variety of selection processes for the engagement, promotion, and movement of employees for the APS 1–6, EL and SES groups. These variations fall mostly into one of two categories—the form of the selection process and the selection

⁷ An 'external transfer' is an assignment to duties associated with movement between agencies at, or below, level. An 'internal transfer' is an assignment of new duties within an agency.

techniques used to assess applicants. The remaining processes involve the extent to which agencies outsource aspects of the selection process. Results from the agency survey show some variation by agency size and classification.

Examining the form of the selection process, almost 90% of agencies report using internal assignment of duties at level and existing orders of merit to fill a vacancy—the two most common selection processes. While all large agencies report using these processes for the APS 1–6 and EL groups, small and medium agencies are more likely to use these processes for APS 1–6 selection than for EL selection. With SES selection, large agencies were more likely to use internal assignment of duties at level (81%) and existing orders of merit (62%) than small agencies (3% and 11%, respectively).

The other methods used by more than half of agencies to select ongoing employees were movements from another agency without a competitive selection process (57%) and use of bulk rounds⁸ at agency or group level (56%). While only 21% of agencies nominated use of Independent Selection Advisory Committees (ISACs), their use was more commonly reported in large agencies, and for APS 1–6 selection exercises.

The most common selection technique remains face-to-face interviews (100% of agencies). In addition, 99% of agencies included on the selection panel at least one member from outside the general work area. These results are consistent with last year's. All medium and large agencies reported using the above processes for APS 1–6 and EL selections and for SES selections (if undertaken) in 2004–05. The pattern varied among smaller agencies depending on classification—two agencies did not use face-to-face interviews for EL selections and one for SES, while four small agencies did not report 'including a panel member from outside the area' for APS 1–6 selections and three did not report doing so for EL selections.

Further examination of the selection techniques used to assess applicants shows that since 2003–04 the use of three types of selection techniques has fallen across all agencies—assessment centres (by eight percentage points to 18%), psychometric testing (by five percentage points to 27%) and other direct testing exercises to assess required workplace skills (by three percentage points to 50%). Conversely, the use of initial telephone screening of applications is now used in nearly one-third of agencies (an increase of 17 percentage points).

The proportion of agencies using assessment centres, psychometric testing and direct testing exercises decreases substantially as the classification of the duties increases (they are used by 8% or fewer agencies for SES selection exercises);⁹ these processes are generally used more by large agencies. Just over three-quarters of large agencies used direct testing to assess required workplace skills in some APS 1–6 selection exercises compared to 37% of small and 46% of medium agencies. The pattern for initial telephone screening is similar, with around half of large agencies and 14% of small agencies reporting use at the APS 1–6 levels.

Examining the remaining processes—the extent to which agencies outsource aspects of the recruitment process—shows that while agencies continue to outsource aspects of the selection process to recruitment agencies, there has been some variation in the degree across agencies. There has been a small reduction in the percentage of agencies using recruitment agencies for assistance with routine administration such as scribing—

⁸ A bulk round is a recruitment exercise that involves the filling of a number of employment opportunities from the one selection exercise.

⁹ While the Career Development Assessment Centre (CDAC) process is widely used by agencies to identify the developmental needs of EL2 employees, it is not a selection method.

from 89% to 84%. At the same time, 56% of agencies report using recruitment agencies for more than routine administration but for less than the entire process (a rise of 16 percentage points). Nearly one in four agencies now use recruitment agencies for the entire process including the recommendation to the delegate (up from 20%).

Agencies of all sizes were more likely to report using recruitment agencies for routine assistance, but small agencies made far less use of more than routine assistance (APS 1–6 (17%) and EL and SES (both 11%), respectively) than medium or large agencies.

The use of recruitment agencies for the entire selection process has remained constant at 11% of all agencies for EL selections and has risen slightly for APS 1–6 selection processes (from around 14% to 17% of agencies). This year small agencies have only used recruitment agencies for SES selections. Their use peaks in large agencies, nearly half of which report using recruitment agencies for the whole process in some APS 1–6 selections and in around a quarter in EL selections.

This year's agency survey asked new questions concerning selection processes that relied only on written applications and those relying on written applications combined with referee reports.

Total reliance on written applications was the lowest reported selection method and was used in only 14 agencies (17%). Total reliance on written applications increased by agency size, with only two small agencies (6%) reporting its use compared to almost half of large agencies (48%). Eight of the 14 agencies used it for both APS 1–6 and EL selections, with a further four using it for APS 1–6 selections only and two for EL selections only—no agency totally relied on written reports for SES selection. For both the APS 1–6 and EL groups, it was most commonly used for movements at level within the agency, followed by promotion. It was least used for movements at level from another agency.

Agencies reporting reliance on written applications combined with referee reports only, for selection, were similar to 2003–04, with 44 agencies (54%) reporting usage in 2004–05. There are differences in patterns of use by agency size, with 37% of small agencies reporting its use compared to 86% of large agencies (medium 50%). Of those 44 agencies, 26 used it for both APS 1–6 and EL selections with a further 16 using it for APS 1–6 only and two for EL selections only. One agency reported its use for SES selection for movement within the agency (internal transfer). Like the use of written applications alone, for both the APS 1–6 and EL groups, written applications combined with referee reports were most commonly used for movements at level within the agency, followed by promotion of employees. They were least used for movements at level from another agency.

Over the last few years, there have been reports in the media indicating that a number of job applicants may be providing false or misleading information during recruitment processes. In the Commission publication, *Ongoing Employment—Recruitment and Selection*, agencies are encouraged to seek relevant information and to undertake appropriate pre-employment checking.

This year agencies were asked whether they had a policy of verifying claims made by applicants as part of the selection process prior to employment. Almost all agencies noted that they had some policies for new recruits, the only exception being two small agencies. The two most common policies or processes in relevant agencies were

character checks such as police checks (93%) and reference checks (88%). Just over half of agencies check qualifications (55%) and claims of prior work experience (60%), with less than one in five checking for prior APS misconduct proceedings. Other processes undertaken by agencies include security clearances, medical or health assessments and citizenship checks.

It is important for agencies to collect and verify relevant information where practical prior to engaging prospective employees. While the Code requires honesty and integrity in the course of employment and specifically prohibits an APS employee from providing false or misleading information in connection with employment, the Code does not apply to prospective employees. The Commission has suggested that APS agencies:

- advise prospective employees that the *Criminal Code Act 1995* creates offences relating to providing false or misleading information or documents
- require new employees to sign a declaration that the statements they made in the course of completing their recruitment and clearance processes (both before and after engagement) were true¹⁰
- impose a condition of engagement stating that employment was subject to a condition that the employee did not provide false or misleading information.¹¹

Agencies with policies for graduate programme recruits (50%) also have policies for verifying claims made by applicants regarding character checks (83%), references (76%), prior work experience (56%) and checking for prior APS misconduct (20%). Not surprisingly, a greater emphasis was placed on verifying claims regarding qualifications in agencies with a graduate programme (80% of agencies). Some agencies also noted policies covering pre-employment checks for other specialist groups (including IP Australia examiners, legal officers, public affairs officers, engineers), for positions needing qualifications, for non-ongoing employees and for the SES. These groups are usually also subject to the other checks undertaken by the employing agency, outlined previously.

As merit is one of the key Values, agencies are encouraged to use the flexibilities available under the legislative framework to ensure selection processes identify the right person for the particular employment opportunity in the most efficient way. While the traditional selection techniques such as face-to-face interviews are still effective tools, agencies need to ensure they are assessing the effectiveness of other potential techniques while at the same time considering the most appropriate methods of selection.

The increasing use of some selection techniques or methods may, in part, be contributing to the fall in employee confidence that merit is routinely applied in their agency. The use of initial telephone screening of applicants, for example, can be an effective technique as part of a competitive process. However, if the process is not transparent and prospective employees are either unaware of the criteria against which they are being assessed or are unaware that the telephone call is part of the selection process, then applicants may well consider that merit has not been applied.

¹⁰ Australian Public Service Commission, *Ongoing Employment—Recruitment and Related Issues*, 2005, <<http://www.apsc.gov.au>>

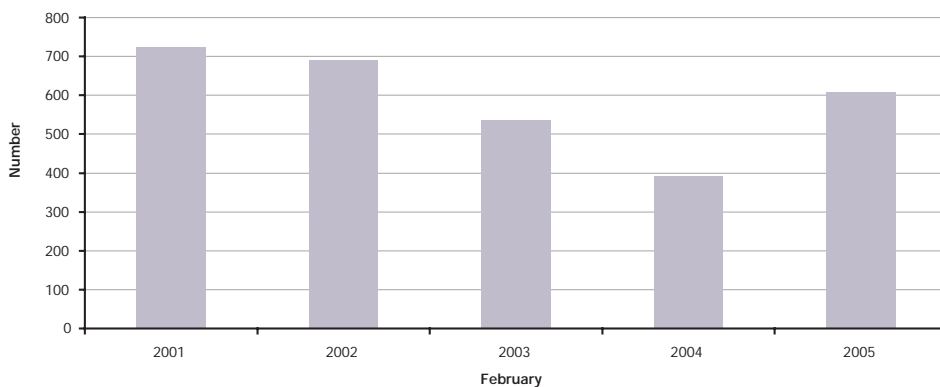
¹¹ Australian Public Service Commission, *Conditions of Engagement*, 2005, <<http://www.apsc.gov.au>>

Community access to APS employment opportunities

Under the Values, agencies are required to provide a reasonable opportunity for community access to employment opportunities.¹² Since 1998, the Commission has undertaken a small annual survey of the selection outcomes of non-SES ongoing employment opportunities notified in a February Gazette aimed at providing a snapshot of access trends. This study was undertaken again in 2005, using the employment opportunities notified in the Gazette of 17 February 2005.

The percentage of ongoing employment opportunities notified in the Gazette of 17 February 2005 as being open to the public was again over the 99% mark recorded in surveys prior to the 2004 survey (when it fell to 98%). As shown in Figure 5.1 below, this year also saw a reversal in the previous decline in the total number of ongoing employment opportunities notified in the February Gazette. The 608 notified opportunities represent a substantial increase over the 2004 figure of 393.

Figure 5.1: Number of employment opportunities notified in the February Gazette, 2001 to 2005



Source: Commission access survey

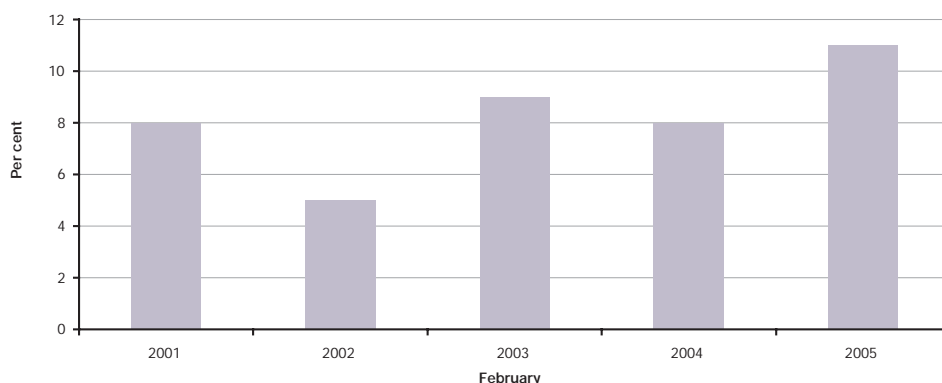
Possible reasons behind the variability of the number of opportunities from year to year include recruitment freezes in large agencies, bulk recruitment practices such as the use of ISACs and use of existing orders of merit to fill opportunities. Agencies are able to draw on an order of merit arising out of a notification in the Gazette to promote or engage people to similar employment opportunities for a period of 12 months from the date of the original Gazette notification.

Information was provided by agencies on subsequent selection action in relation to the 608 ongoing employment opportunities that arose from the 280 Gazette notices.¹³ As shown in Figure 5.2 below, 68 (11%) of selection exercises had not resulted in a selection by early August 2005. Just under half of these incomplete selection exercises had ceased for a variety of reasons, including the selected applicant declining the offer, a reorganisation within an agency, no suitable applicant being identified, or the implementation of a machinery of government change. This represents a slight increase in the number of non-finalised exercises over the previous year.

¹² The Commissioner's Directions elaborate on the scope and application of this Value in Chapter 2 and Chapter 4.

¹³ A Gazette notification may be for a single employment opportunity or for multiple opportunities.

Figure 5.2: Proportion of employment opportunities notified in the February Gazette that did not result in a selection, 2001 to 2005



Source: Commission access survey

Of the finalised positions that were open to eligible members of the community, just over 40% were filled on an ongoing basis by applicants who were external to the APS, down from the high of 51% in 2003. However, this is higher than the average of 34% for the eight years of the survey.

Given that the study draws on only one Gazette a year, it is difficult to be definitive on overall trends. However, as it did last year, the data obtained supports the general observation that agencies:

- are providing reasonable community access to APS employment opportunities
- have measures in place to allow external applicants to compete on merit.

The proportion of lateral engagements, (employment opportunities filled from outside the APS) is also an indicator of community access to APS employment opportunities. The proportion of lateral engagements has increased substantially over the past decade suggesting an opening up of the APS labour market. This issue is discussed further in Chapter 2, 'Statistical Snapshot' and Chapter 8 'Managing, Sustaining and Engaging the APS workforce'.

The recent MAC report, *Managing and Sustaining the APS Workforce* states that, if agencies are to derive maximum benefit from APS-wide efforts to attract more quality potential recruits, they need to ensure their recruitment processes do not discourage outsiders from applying. In reviewing these processes, agencies should remove impenetrable public service jargon, ensure selection criteria are used consistently and sparingly, clearly specify all required written information in applications, and make effective use of e-recruitment and interactive online processes.¹⁴ The MAC report's recommendations on APS capability recruitment are discussed in Chapter 8 of this report.

¹⁴ Management Advisory Committee 2005, *Managing and Sustaining the APS Workforce*, Commonwealth of Australia, Canberra.

Use of clause 4.2A of the Commissioner's Directions—engagement in exceptional circumstances

Clause 4.2A of the Commissioner's Directions permits the Commissioner to authorise an agency head to engage a non-ongoing employee as an ongoing employee without the need for further advertising or merit competition in exceptional cases. In the explanatory statement to the amending Commissioner's Direction, the Commissioner undertook to report annually on the use of this authority.

In 2004–05, the Commissioner exercised this power once, authorising the engagement of a non-ongoing employee as an ongoing employee in the National Oceans Office.

Following a competitive selection process for an ongoing opportunity, the successful applicant was engaged as a non-ongoing employee pending obtaining release from a non-APS agency. As it took more than 12 months for the employee to obtain such a release, the agency head was unable to use the original merit-based selection exercise to engage the employee as an ongoing employee, consistent with the undertakings given to the employee, and sought the assistance of the Commissioner.

In making his decision, the then Commissioner had regard to the following factors:

- the written request by the agency head outlining the suitability of the non-ongoing employee
- evidence of compliance with the Values of merit and reasonable access in the original engagement as a non-ongoing employee—the relevant employment opportunity was notified in the Gazette and followed by a competitive selection process
- the existence of exceptional circumstances that justified an ongoing engagement.

Review of employment actions

One of the Values relevant to the employment relationship is that the APS provides a fair system of review of actions taken in respect of APS employees. The Act, the *Public Service Regulations 1999* (the Regulations) and the Commissioner's Directions establish a review of action framework for the APS. The intent of the framework is to encourage the resolution of employee concerns in the workplace, including the use of alternative dispute resolution methods where appropriate.

Under the Regulations, non-SES employees may seek review of certain actions or decisions that relate to their employment. Subject to some exceptions, the Regulations provide for a primary review by the relevant agency of actions affecting the employee. The Regulations also provide that for cases where employees' concerns are not resolved, employees can apply to the Merit Protection Commissioner for review of the agency action that affected them. Reviews of actions relating to alleged breaches of the Code are dealt with directly by the Merit Protection Commissioner and considered in Chapter 6.

In the case of certain promotion decisions (promotions between APS 2 and APS 6), the decision is reviewable by a Promotion Review Committee (PRC) established by the Merit Protection Commissioner.

In addition to addressing individual employee concerns about employment actions, the centralised review processes can be monitored and used by agency heads as an assurance mechanism to identify areas where Values relating to workplace relationships are not being applied as well as they could be in particular agencies.

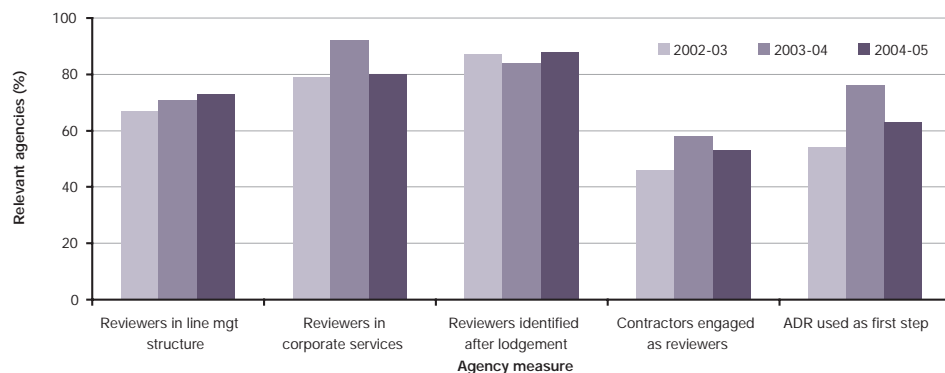
Raising awareness of the availability of review mechanisms and providing appropriate support to employees who choose to seek review can help to develop a relationship of trust between employees and management. This section reports the results of the agency survey on the procedures used in agencies for internal reviews, review applications finalised during the year, and the promotion reviews conducted by PRCs.

Agencies' internal reviews in 2004–05

The agency survey asked about applications for primary review, that is, application for review of employment actions lodged directly with agencies, during 2004–05. Overall, 49% of agencies reported having had at least one such application lodged during the year—this compares to 44% last year.

Of the agencies that had at least one application for review lodged in 2004–05, 63% had in place alternative dispute resolution (ADR) as a first step following lodgement of a review application. The comparable figure in 2003–04 was 76%; in 2002–03, it was 54%. Last year's report suggested that the increase to 76% was a positive development in line with the general policy about the use of ADR methods, where appropriate, in reviews of actions.¹⁵ Conversely, this year's drop to 63% of relevant agencies using ADR as a first step is concerning as ADR methods can often lead to satisfactory outcomes acceptable to all the parties involved without aggravating the situation. However, the three-year trend remains upwards overall and will continue to be monitored. Figure 5.3 shows the variation in agency measures in place to deal with reviews over the last three years.

Figure 5.3: Relevant agency measures for review of employment actions, 2002–03 to 2004–05



Note: Only agencies that had received at least one application for review during the reporting period have been included.

Source: Agency survey

¹⁵ See Regulation 5.1(4).

Figure 5.3 shows a steady upwards trend among relevant agencies towards the use of reviewers from within line management structures (from 67% in 2002–03 to 73% in 2004–05). The results of the other four measures are somewhat less stable. The use of corporate services employees as reviewers (down to 80%) and of reviewers identified after lodgement (up marginally to 88%) appears to have stabilised to 2002–03 levels after variations last year. Although the use of contractors as reviewers dropped to 53% from 58% in 2003–04, the three-year trend is still upwards. These fluctuations may reflect the nature of applications in a particular year and agency decisions to choose the most appropriate approach to deal with particular matters. The trends will continue to be monitored and more data may assist in determining overall trends and other relationships.

In order to assist agencies in calculating their responses, and to improve data quality, this year's survey targeted in-depth questions on this topic to applications for primary review of employment actions (other than decisions about breaches of the Code and matters that went to a PRC that were *finalised* during 2004–05). As a result this year's figures are not comparable with those from previous years. Overall, 43% of agencies reported having finalised at least one application for primary review of an employment action. A total of 358 primary review applications were finalised during the year across the APS, leading to 123 applications being upheld (i.e. the original decision was varied or overturned). Fifty-five of these 358 finalised applications became the subject of external review by the Merit Protection Commissioner.

Four large agencies (Centrelink, ATO, Defence, and DFAT) accounted for three-quarters of all applications for primary reviews of actions finalised in the APS during the past year. The highest number of primary applications finalised in one agency was 110 (Centrelink).

The rate of finalised applications per thousand non-SES employees in 2004–05 varied widely among large agencies, with the highest being about nine per thousand at DFAT. Finance, DVA and CRS did not finalise any applications.

The role of the Merit Protection Commissioner

Both the 2003 and 2004 employee surveys collected data on employees' awareness of the role of the Merit Protection Commissioner and the survey results were discussed in last year's State of the Service report. Questions seeking this data were not included in the 2005 survey but will be asked again in future years.

Last year's report stated that progress had been made towards settlement of a number of threshold issues relating to the review function, and noted that a number of activities associated with promoting the Merit Protection Commissioner's role and services were tied to the settlement of these issues. These matters were resolved during the year and, as a consequence, the Merit Protection Commissioner expects to be able to focus on a number of awareness raising activities in 2005–06. In that context, the Merit Protection Commissioner will continue to promote his role and functions through activities such as speeches and presentations. He also intends to develop new, simplified material on the review process, ensuring that information is provided in the ways which best meet the needs of both employees and agencies. The Merit Protection Commissioner's priorities for 2005–06 also include contributing to the review of the Act.

Review of promotion decisions

The ability of APS employees to apply to the Merit Protection Commissioner for the review of promotion decisions to the APS 2–6 classifications is one of the assurance mechanisms that protect merit as the basis for the promotion of employees. Promotion decisions at these classifications can be reviewed on the ground of merit. The Merit Protection Commissioner appoints an independent three-person PRC to consider such applications. A decision by a PRC is binding on the agency head.

Table 5.2 details the total number of promotion decisions considered by PRCs (or Promotion Appeal Committees (PACs) under the former legislation), and the number and percentage of promotion decisions that have been varied during the past seven years. During 2004–05, 658 individual applications for review by a PRC were considered relating to 99 cases reviewed. This compared with 443 individual applications in 2003–04 relating to 73 cases reviewed.

By way of background the following information should assist in interpreting this data and the data contained in Table 5.2. A case is defined as an application by one or more APS employees for a review by a PRC of a decision or decisions arising from a discrete agency selection exercise. This year's data records 658 applications for review in relation to 99 cases and each application may seek review of more than one promotion decision. Thus, the 658 applications for review led to 840 promotion decisions being reviewed (as per Table 5.2). Bulk recruitment exercises in Customs and ATO that resulted in high numbers of promotions to reviewable classifications contributed significantly to the number of applications for review lodged and the number of promotion decisions reviewed during the reporting period. No applications for review by a PRC were received this financial year in relation to the engagement in the APS of a Parliamentary Service employee.

Table 5.2: Promotion decisions reviewed and varied, 1998–99 to 2004–05

	1998–99 (a)	1999–00 (b)	2000–01	2001–02	2002–03	2003–04	2004–05
Number of promotion decisions reviewed	NA(c)	1047	717	277	1071	404	840
Number of decisions varied	NA(c)	29	26	15	30	24	42
Proportion of decisions varied (%)	8.8	2.8	3.6	5.4	2.8	5.9	5.0

Notes: (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 1984 (Cwlth)* or the transitional regulations under the *Public Employment (Consequential and Transitional) Amendment Act 1999 (Cwlth)* (PECTA). PACs established under the Merit Protection Act considered 233 promotions, varying the decision in 10 or 4.3% of cases. PACs established under the PECTA provisions considered 329 promotions, varying the decision in six or 1.8% of cases. (c) Historical information is not available in this format.

Source: APS Commission

The number of PRCs established increased this financial year compared with 2003–04 (99 established in 2004–05 compared with 73 established in 2003–04, an increase of 26 or 36%). The number of PRCs has fluctuated over recent financial years. This appears to some extent to be a reflection of volatility in recruitment patterns. The increase in the

number of PRCs this financial year, for example, coincides with an increase of about 25% in the number of reviewable promotions and engagements gazetted, compared with the number last financial year.

Remuneration

Since 1997, the wages and conditions of employees in the APS have been negotiated and determined at the agency level. After almost a decade of agency level bargaining, the proportion of ongoing employees covered by individual Australian workplace agreements (AWAs) continues to trend upwards to about 10% (compared with 8.5% last year and 6.7% in 2002–03), while around 90% of employees are covered by certified agreements (CAs).

In negotiating wages and conditions, agencies have flexibility subject to consistency with the Government's *Policy Parameters for Agreement Making in the APS*.¹⁶ These policy parameters require CAs and AWAs to be consistent with the Government's workplace relations policy but also cover a range of other matters, including 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. To further encourage consistency with Government policy, in 2002 the policy parameters were adjusted to require CAs to contain clauses allowing for comprehensive AWAs to be made with employees. In December 2003, the policy parameters were expanded further to include a new parameter requiring agencies to include in their agreements leave policies and employment practices that support the release of Defence Reservists for peacetime training and deployment.

After examining agreement types in more detail, this section will examine remuneration data on salary increases in 2004, compare total remuneration packages in the APS with the private sector, offer an AWA and CA wage comparison and then examine performance pay bonuses.

The section then moves from the provision of micro remuneration data to the broader, macro remuneration issues that have been canvassed in previous State of the Service reports. Agencies' remuneration policies are discussed and the importance of robust remuneration policies is considered; the extent of overlapping salary ranges using the 2004 data is then presented followed by a discussion of funding arrangements.

Certified agreements

Agreement-making in the APS is now well established, with some agencies having entered into their fifth agency-level agreement. Data provided by DEWR indicates that at 30 June 2005, there were 103 CAs operating in the APS. Thirty-four agreements were made during the year to 30 June 2005 (compared with 38 agreements made in the previous 12 months). Overall, the 103 agreements cover around 95% of ongoing APS 1–6 employees and just under 80% of ongoing EL employees but few, if any, SES employees.

¹⁶ <<http://www.workplace.gov.au/workplace/Organisation/Government/Federal/AgreementMaking/APS-PolicyParametersforAgreementMakingintheAustralianPublicServiceDecember2003.htm>>

Almost 70% of operating agreements have been made with one or more trade unions under section 170LJ of the *Workplace Relations Act 1996 (Cwlth)*, while 30% have been made directly with employees under section 170LK. These proportions have been much the same over the past three years. The number of operating CAs that are stand-alone agreements which completely displace the *Australian Public Service Award 1998* has remained steady for the past two years, at 98% (it was 94% at the end of 2002–03 and 60% in 1998–99).

The average annualised wage increase (AAWI) for all APS agreements certified in the 12 months to 30 June 2005 was 4.2% (the same as for 2003–04, compared with 4.9% at the end of 2002–03). When calculated from the nominal expiry date (NED) of an agreement to the NED of that agreement's replacement, the AAWI was 4.0% for the 12 months to 30 June 2005 (the same as for the previous 12 months). The spread of NED to NED AAWI in APS CAs in the 12 months to 30 June 2005 narrowed over the year, ranging from 2.7% to 4.7% (last year the comparable data was 2.1% to 5.0%).

Table 5.3: Comparisons of wages growth, 1997–98 to 2004–05

	APS AAWI ^(a) (%)	APS NED to NED AAWI ^(b) (%)	Private sector AAWI ^(c) (%)	Comparable sectors' AAWI ^(d) (%)	ABS wage cost index ^(e) (%)
1997–98	2.6 (f)	NA	4.0	4.1	
1998–99	2.6 (f)	NA	3.9	4.1	3.2
1999–00	3.3	3.0	3.6	3.6	2.9
2000–01	4.8	3.5	3.7	3.9	3.4
2001–02	4.1	3.9	3.7	4.0	3.3
2002–03	4.9	3.9	3.6	4.1	3.4
2003–04	4.2	4.0	3.7	4.3	3.6
2004–05	4.2	4.0	3.8	4.4	3.8

Notes:

- (a) Average annual wage increases in current APS certified agreements. Provided by DEWR.
- (b) The NED to NED AAWI measures the average annual pay increase from the nominal expiry date (NED) of the previous agreement to the NED of the current agreement. The NED to NED AAWI allows for particular comparisons of annual wage increases across APS agency agreements and should only be used in this context.
- (c) Average annual wage increase in current private sector certified agreements.
- (d) Average annual wage increase in industry sectors with more than half their employees having post-school qualifications. ABS data shows that there were six industry sectors with more than 50% of their employees with post-school qualifications—Electricity, Gas and Water (65%), Construction (55%), Property and Business Services (56%), Government Administration and Defence (54%), Education (77%), and Health and Community Services (61%). There were 13 industry sectors with half or less than half of their employees with tertiary qualifications. This data is sourced from the ABS *2007 Census of Population and Housing*. The data on AAWI by industry sector was provided by DEWR.
- (e) ABS Cat. No. 6345.0 *Labour Price Indexes, Australia*. Average annual index—ordinary time hourly rates of pay excluding bonuses. It is a broad measure of wage growth in both the federal and state jurisdictions covering all employees.
- (f) These numbers are estimates based on a DEWR publication *Pay Increases in APS Agencies—April 2001 Report* which calculated that the AAWI since 1996 to the end of 2000 was 2.6 per cent per annum.

Measuring and comparing remuneration increases is difficult, given the 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.¹⁷ Comparisons with the private sector are more difficult as comparable NED to NED AAWI data is not available. Using AAWIs as the basis for comparison, as shown in Table 5.3 below, the private sector AAWI at 30 June 2005 was 3.8%. On an AAWI basis, the average APS wage increase in CAs has been above the average for the private sector over the past five years. While on the face of it this may be of some concern, Table 5.3 shows that further comparison based on comparable skill levels in the private sector, suggests that over the past eight years the APS is broadly matching equivalent private sector increases but not leading them. This issue is considered later in the chapter and a comparison between APS and private sector total remuneration packages based on the Mercer remuneration survey data is provided.

Australian Workplace Agreements

Data collected by DEWR from agencies indicates that the number of operative AWAs in the APS over the 12 months to the end of June 2005 increased by around 14% to 11,823. This figure is comprised of 1937 AWAs covering the SES (1870 last year), 5966 covering EL employees (5506 last year) and 3837 covering APS 1–6 employees (2986 last year). The rate of growth for AWA coverage of APS 1–6 employees continued to be strong (over 28%) but this increase is from a very low base. The APS 1–6 classification group still has the lowest coverage level (around 3% of all ongoing employees) compared with around 21% for EL employees and essentially all the SES.

The last three employee surveys 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 the SES and 23% of EL employees (a similar proportion to the past three years) responded that their salary was set out in an AWA. However, 9% of APS 1–6 employees indicated they were covered by an AWA (similar to the 10% last year), three times the coverage indicated by the DEWR data. As suggested in last year's report, the most likely explanation for this discrepancy between the DEWR data and the employee survey data is that some survey respondents in this classification group are unaware of the distinction between AWAs and CAs.

Salary and performance pay

Data on salary increases, salary levels and performance pay (including who is eligible and the amounts actually paid) by classification for those on AWAs and CAs is available from the results of an agency survey of SES and non-SES remuneration conducted annually for DEWR by Mercer Human Resource Consulting (the Mercer remuneration survey) each December.¹⁸ As participation in the Mercer remuneration survey is voluntary there are limitations surrounding the generalisability of the data collected from the 47 participating agencies in 2004 to the whole of the APS. That said, as the survey includes remuneration data for approximately 55% of the APS employees, it does provide a reasonably sound guide to remuneration in the APS.

¹⁷ See note (b) to Table 5.3.

¹⁸ Mercer Human Resource Consulting, 2004 APS Remuneration survey conducted for DEWR, in 2001, 2002, 2003 and 2004. Since 2002 the Mercer surveys present a snapshot of data as at 31 December each year. For additional information see <<http://www.workplace.gov.au/workplace/Category/ResearchStats/Agreement/2004APSRemunerationSurvey.htm>>

Salary increases in 2004

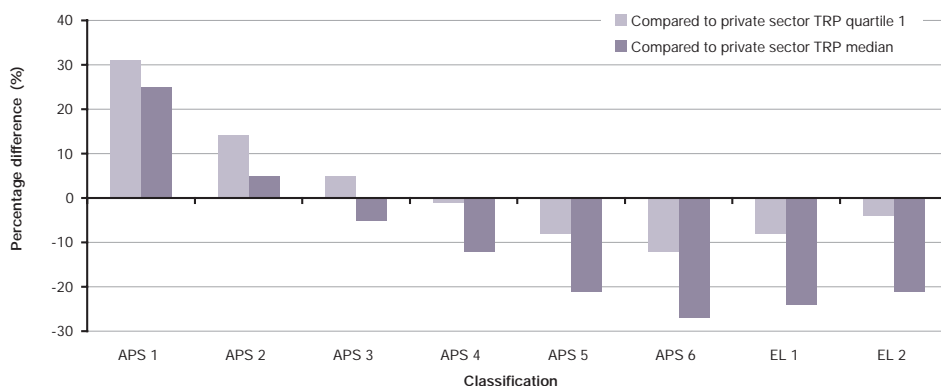
For non-SES employees, the 2004 Mercer remuneration survey found that the median Total Remuneration Package¹⁹ (TRP) increased by 4.2% in 2004 compared to 5.3% between 2002 and 2003. There were wide variations across classifications with APS 3 and 6 employees recording the highest median movement (5.2%) and APS 1 employees (2.7%) the lowest. The comparable median TRP annual increase for the private sector provided by Mercer is 2.9% for equivalent non-SES classifications. However, the AAWI in CAs from comparable industry sectors is slightly higher (at 4.4%) than the non-SES TRP median increase (4.2%). The AAWI increases in CAs are discussed above.

For SES levels, the 2004 Mercer remuneration survey found that median SES TRP increased by 7.1% for SES Band 1, 8.2% for SES Band 2, and 9.4% for SES Band 3. The overall median across the SES Bands being 8.2%. Although these increases are significantly higher than the overall private sector equivalent increases of 4.1%, the SES TRP still lags behind private sector equivalents, as discussed below.

Comparing TRP to private sector

An important aspect of the Mercer survey is to allow agencies to benchmark the remuneration of their employees with private sector equivalents. This is important, given the increasing levels of lateral recruitment discussed in Chapter 8. From the APS-wide perspective, as shown in Figure 5.4 below, TRP for the APS 1–3 levels is fairly competitive with the private sector. The TRP then falls progressively below the private sector for APS 4 and above until the EL classifications. Both TRP and median base salary for non-SES employees on AWAs is generally higher where agencies use both AWAs and CAs.

Figure 5.4: TRP Quartile 1 and median comparison between APS and private sector (by classifications APS 1 to EL 2), 2004

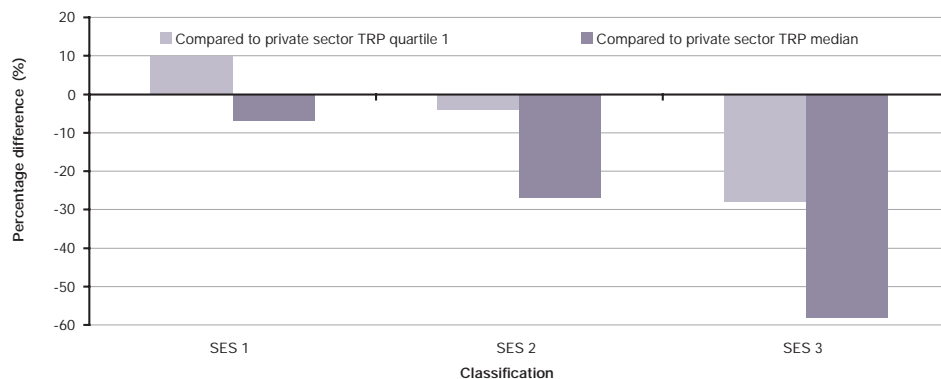


Source: Mercer 2004 APS Non-SES Remuneration Survey

¹⁹ Total Remuneration Package (TRP) represents the total of: Base salary; superannuation (including employer productivity superannuation contribution amounts); annual remuneration value of motor vehicles (including parking and FBT); and other fixed benefit items. Base Salary represents full-time equivalent annualised PAYG salary. It includes post-tax employee superannuation contributions and any additional post-tax sacrifice amount. It excludes all other cash components including bonuses and allowances.

While the median SES TRP increases discussed above exceeded the equivalent private sector increases in 2004, as shown in Figure 5.5 the Mercer surveys confirmed that the SES median TRP remains between 7% (for SES 1) and 58% (for SES 3) below private sector TRP for comparable employees.

Figure 5.5: TRP Quartile 1 and median comparison between APS and private sector (by classifications SES 1 to SES 3), 2004



Source: Mercer 2004 APS SES Remuneration Survey

AWA/CA comparison

The past few State of the Service reports have provided an analysis of differences in salaries paid under AWAs and CAs based on the results of all relevant data in the Non-SES Mercer Remuneration Survey. Drawing on the Mercer time series data,²⁰ Table 5.4 below shows that, for non-SES median base salaries, employees on AWAs received higher salaries during 2001, 2002 and 2003 at all classification levels except for APS 4s in 2003. In 2004, APS 2s and APS 4s covered by CAs had a higher median base salary than those covered by AWAs.

Table 5.4: Median base salary comparison—CAs and AWAs, 2001 to 2004

APS Classification	2001		2002		2003		2004	
	CA	AWA	CA	AWA	CA	AWA	CA	AWA
APS 2	32540	34000	34536	35841	36216	36980	38141	36898
APS 3	36360	36700	37675	40827	40545	41000	42042	43015
APS 4	40600	41900	42241	44262	45688	45071	47387	46900
APS 5	44870	45000	46527	49074	49850	50000	52008	52535
APS 6	51650	53020	53581	56790	56457	58494	59693	61357
EL 1	63760	65100	68096	69984	71338	72172	74425	75059
EL 2	78880	80040	82839	85691	86797	88699	90751	93247

Source: Mercer 2004 APS Non-SES Remuneration Survey

Note: The bolded figures highlight highest salary for a particular classification in each year.

²⁰ Graduates have not been included as changing definitions makes time series comparisons problematic and the APS 1 classification has been omitted as data was incomplete, both between agencies and over the time period.

Examining the gap difference between the two groups of employees provides a more thorough understanding of median base salary trends over time. Between 2001 and 2002 the gap grew substantially in favour of AWAs for all classifications with the exception of APS 2s where it fell marginally. However, 2002 represented the high-water mark for differentials between AWA and CA median base salaries and in 2003 the gap reduced considerably for all classifications consistent with the higher AAWI data for CAs for 2002–03. By 2004, not only was the gap further reduced, CAs provided a higher median base salary for APS 2s and APS 4s.

Consistent with last year's findings, Table 5.5 shows that percentage increases in median base salary varied widely between those on CAs and AWAs and between classifications. The variability in actual outcomes reflects a number of different factors, including that 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 movements in base salary) varies between classifications. It may also reflect remuneration policies deliberately targeting higher increases at particular classification levels or the retention of employees with particular skills and experience.

Table 5.5: Median base salary comparison—CAs and AWAs, 2003, 2004

APS Classification	CA			AWA			Percentage difference between base salary in AWAs and CAs %	
	2003 \$	2004 \$	% increase	2003 \$	2004 \$	% increase	Dec 2003	Dec 2004
APS 2	36216	38141	5.3	36980	36898	- 0.2	2.1	- 3.3
APS 3	40545	42042	3.7	41000	43015	4.9	1.1	2.3
APS 4	45688	47387	3.7	45071	46900	4.1	- 1.4	- 1.0
APS 5	49850	52008	4.3	50000	52535	5.1	0.3	1.0
APS 6	56457	59693	5.7	58494	61357	4.9	3.6	2.8
EL 1	71338	74425	4.3	72172	75059	4.0	1.2	0.9
EL 2	86797	90751	4.6	88699	93247	5.1	2.2	2.8

Source: Mercer, 2003 APS Non-SES Remuneration Survey, revised version released October 2004; 2004 APS Non-SES Remuneration Survey.

The above comparisons between AWA and CA remuneration include all data from the Non-SES Mercer Remuneration Survey. In the 2004 APS Non-SES Remuneration Survey Mercer suggests that a more useful comparison would involve an agency-by-agency approach that focused on agency policy regarding the particular employment instrument, while factoring out the impact of differing agency pay policies, in terms of remuneration competitiveness (captured in the above data). This is achieved by limiting the analysis to agencies that use both AWAs and CAs at each of the classification levels.

Adopting this approach, the Mercer data shows that, where agencies offer both AWAs and CAs, most agencies have higher median base salaries and median TRP under their AWAs than CAs across all non-SES classifications. Table 5.6 sets out the Mercer agency-by-agency analysis for TRP.

Table 5.6: Comparison of median TRP in 2004 (in agencies that used both AWAs and CAs to cover employees at the same level) (number of agencies)

APS Classification	Equal Median	Higher AWA Median	Higher CA Median
APS 2		7	
APS 3		7	2
APS 4		14	5
APS 5		21	2
APS 6		24	8
EL 1	6	29	3
EL 2	1	37	3

Source: Mercer 2004 APS Non-SES Remuneration Survey.

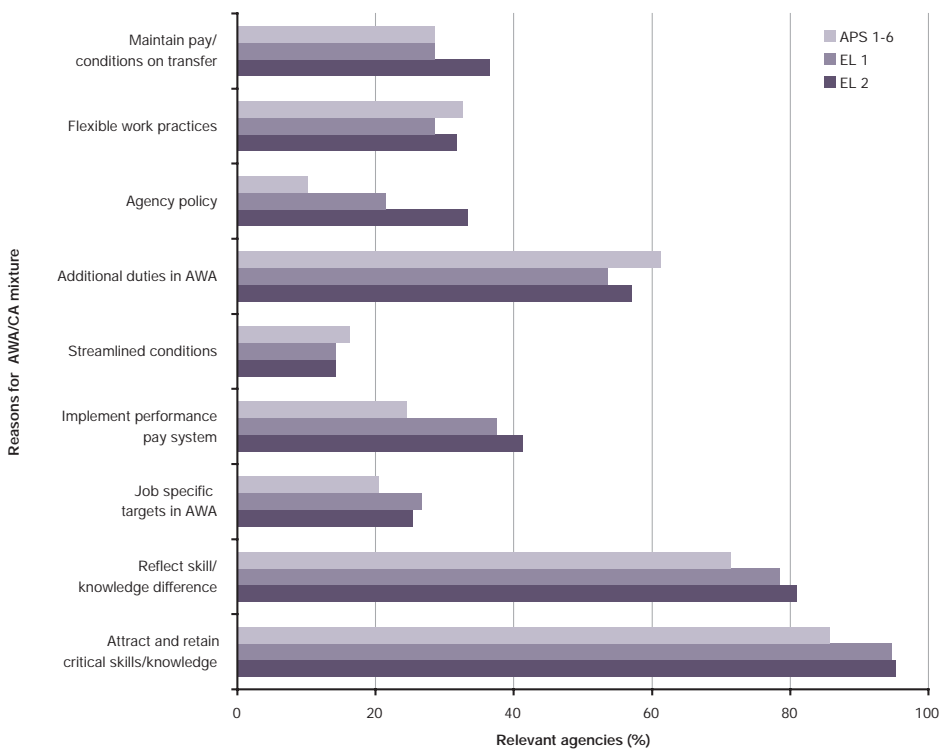
However, Mercer notes that it is not uncommon for agencies to report that median base salary was equal for AWAs and CAs. This suggests that, at least in agencies reporting similar median base salaries, many agencies offering both types of agreements use AWAs as a means of topping-up salaries. This is also reflected in agencies' responses (discussed below) as to why they have employees at the same classification on AWAs and CAs.

Agencies' remuneration policies and their use of AWAs/CAs for non-SES employees

Consistent with last year's results, nearly all agencies (95%) reported having some non-SES employees covered by an AWA. For 89% of relevant agencies, this meant employing non-SES employees at the same classification level on a mix of AWAs and the agency's CA (i.e. some employees at the same level are on AWAs while others are covered by the CA). Approximately three-quarters of agencies reported that this occurred for EL 2 employees, just over two-thirds of agencies for EL 1 employees and 60% of all agencies for APS 1–6 employees.

As shown in Figure 5.6, the two most common reasons for having employees at the same classification level on a mix of AWA coverage and CA coverage were the same for EL 2, EL 1 and APS 1–6 employees, namely, to attract and retain people with critical skills and knowledge and to reflect differences in skill and/or knowledge. Most of these employees, of course, have also been able to choose whether to be on a CA or their existing AWA. These practices are consistent with last year's findings.

Figure 5.6: Reasons for having employees at same level on mix of AWAs and CAs, 2005



Source: Agency survey

In 2004–05, a higher proportion of agencies reported using AWAs to attract and retain critical skills or knowledge at the EL classifications compared to last year. These changes occurred in an environment where EL employee mobility increased at a rate higher than the APS average, suggesting the possibility that agencies are using AWAs to enhance wages and conditions for employees with critical skills and knowledge rather than simply maintaining previous arrangements following movement between agencies. These trends will continue to be monitored. For more information on mobility issues generally see Chapter 2, and for a discussion of mobility and classification issues see Chapter 8.

In 2004–05, more agencies reported using AWAs to implement performance pay systems for APS 1–6 employees. As agencies have been required to have performance pay systems in place for a number of years this finding may reflect changes to agency performance pay systems designed to accommodate broader changes in the labour market or other agency-specific priorities.

Despite the use of AWAs for almost 8% of non-SES APS employees across 95% of agencies, only 36% (compared to 26% in 2003 and 37% in 2004)²¹ of agencies employing non-SES employees on AWAs reported having a written remuneration policy

²¹ The survey question asking about a written remuneration policy covering non-SES employees has changed slightly over the past three years but the data remains comparable as the response captured remained essentially the same.

dealing with employees covered by AWAs.²² Another 19% of relevant agencies reported that they were currently developing such a policy. These APS wide figures are similar to those reported last year but changes did occur within large agencies. Although large agencies remain more likely to have a written remuneration policy that deals with employees covered by AWAs, this figure is down to 57% from 67% last year whereas medium and small agencies remained relatively stable at 42% and 21% respectively.

The previous two State of the Service reports have commented that the availability of flexibility for agencies in relation to remuneration has reinforced the desirability of clear remuneration policies that set out the criteria for determining remuneration for employees. The progress in this area that was commented on last year appears to have reached a plateau and it remains apparent that there are a substantial number of agencies that should undertake the development of robust remuneration policies that make clear the links between skills, performance and pay. Moreover, these policies should be transparent and available to all employees. This is important from an accountability perspective as well as for building and maintaining employee confidence in, and support for, individually based approaches to remuneration that are consistent with merit-based employment and a fair workplace (as required by the Values). Both workforce planning and skills deficit issues confronted by agencies, as discussed in Chapter 8, make it clear that remuneration policies should also incorporate a strategic approach for dealing with longer term agency capability issues to address current and future labour market characteristics.

An indicator of remuneration policy effectiveness is employee attitudes toward performance pay and these are examined in Chapter 8.

Overlapping salary ranges

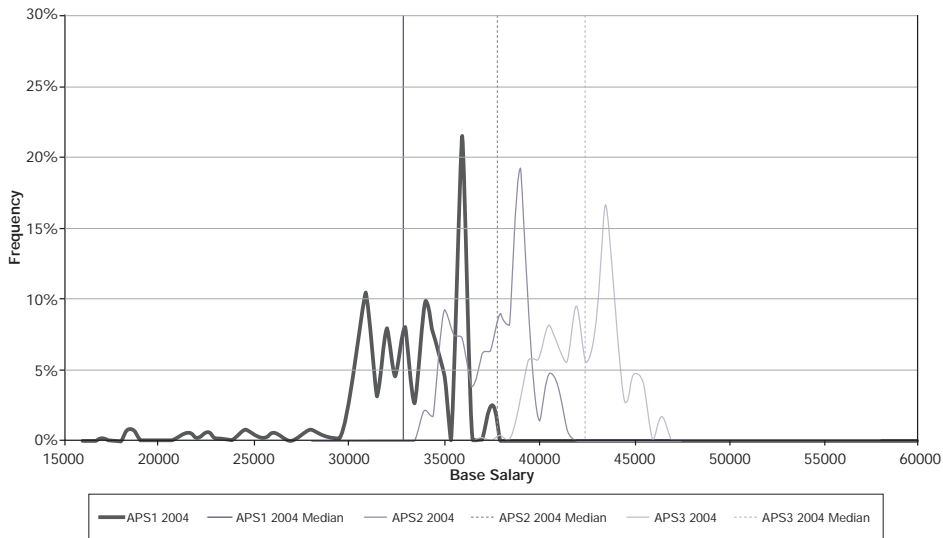
The last two State of the Service reports commented on the increasing salary overlap between classifications across the APS. It was found that salary overlaps within agencies were confined to a relatively small number of agencies and affected only very small numbers of employees with particular skills or particular duties, moderating to a large extent concerns about undermining the merit principle.²³

Figures 5.7 and 5.8 present data from the Mercer APS Non-SES Remuneration Survey on the extent of APS-wide overlaps in 2004. Figures 5.7 and 5.8 indicate that for the APS 1–3 levels and Graduate and APS 4–6 levels, respectively, there continues to be considerable overlap between classifications. Indeed, some APS 1 employees earn more than the median APS 2 salary and some APS 5 employees earn more than the median APS 6 salary. However, the 50% of employees paid around the median (i.e. in the second and third quartiles) do not overlap between any of these classifications. This is consistent with last year's findings.

²² There continues to be an apparent discrepancy between the results of the agency survey and the Mercer survey. The 2004 Mercer survey reported that 82% of the 47 responding agencies stated that they had a *formal non-SES remuneration strategy* that is communicated to non-SES employees (up from 76% of 49 agencies in 2003). The question in the State of the Service agency survey asked agencies the more specific question as to whether agencies had 'a **written** remuneration policy that deals with how to set and adjust the remuneration of non-SES employees on AWAs?' It may be that the 'strategies' referred to in the Mercer survey relates to broader documents, such as an agency's CA, in some of the responding agencies.

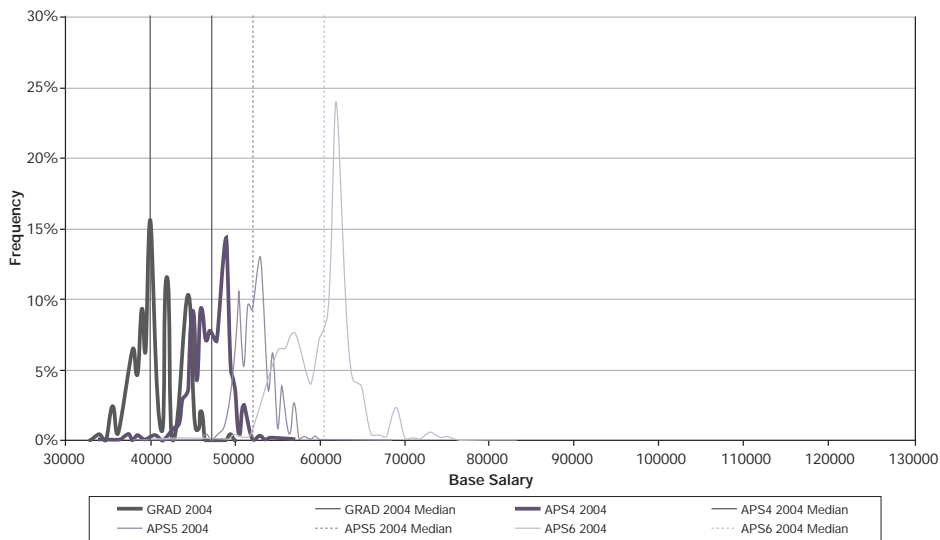
²³ Australian Public Service Commission, *State of the Service Report 2002–03*, 2003 p. 87 <<http://www.apsc.gov.au>>

Figure 5.7: Base salary distribution in 2004 for APS 1–3 employees, 2004



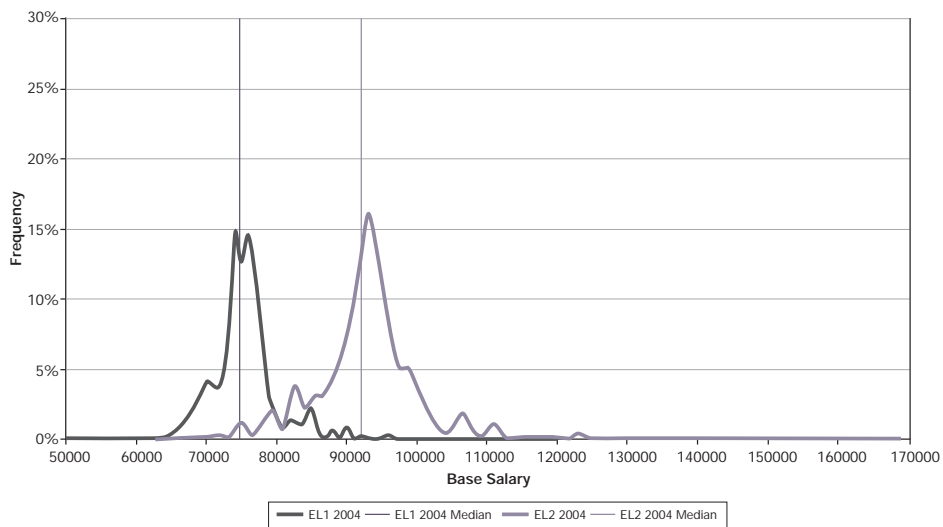
Source: Mercer 2004 APS Non-SES Remuneration Survey

Figure 5.8: Base salary distribution for Graduate and APS 4–6 employees, 2004



Source: Mercer 2004 APS Non-SES Remuneration Survey

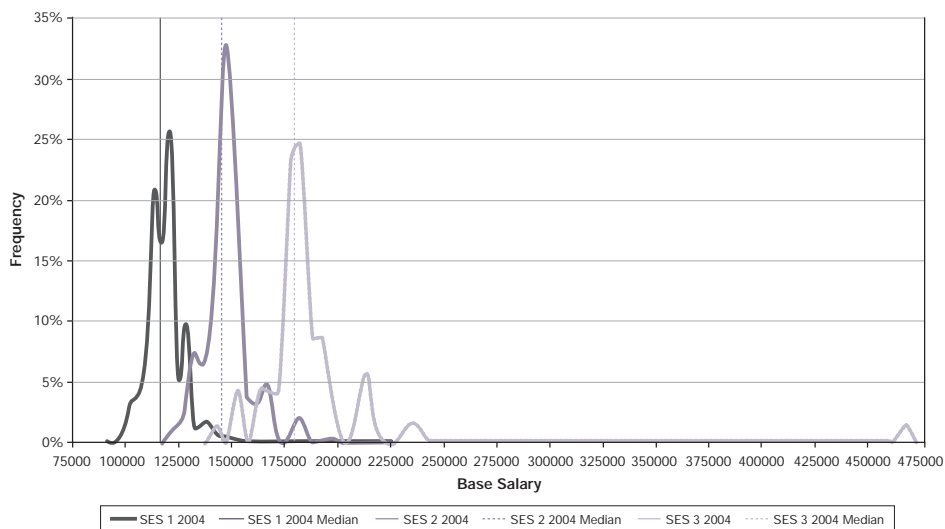
Figure 5.9: Base salary distribution for EL 1–2 employees, 2004



Source: Mercer 2004 APS Non-SES Remuneration Survey

Figure 5.9 illustrates that salary overlaps also occur at the EL classifications with some EL 1 employees earning more than the median EL 2 salary and some EL 2 employees earning less than the EL 1 median. However, consistent with the Graduate and APS 1–6 experience, the 50% of employees paid around the median do not overlap between the EL 1 and EL 2 classifications or between the EL 2 and the SES Band 1 classifications. Figure 5.10 provides the salary overlaps for the three SES bands and the findings are the same as for the EL classifications discussed above.

Figure 5.10: Base salary distribution for SES employees, 2004



Source: Mercer 2004 APS SES Remuneration Survey

The Commission is currently conducting an evaluation exercise into APS agencies' remuneration policies, including the longer-term strategic aspects of using AWAs to deal with APS capability issues, and the intersection of the devolved responsibilities for establishing salary ranges and classification structures. The findings of the Evaluation exercise will be reported next year.

Performance pay bonuses

Results from the 2004 Mercer remuneration survey indicated that, overall, 27% of non-SES employees and 85% of SES employees are eligible for bonuses. Eligibility varies by classification with Graduates and APS 1–6 employees averaging 21% and ELs averaging 48% eligibility. The Mercer figures are slightly higher than those collected in the State of the Service employee survey that found 18% of relevant APS 1–6 employees, 42% of relevant EL employees and 78% of relevant SES employees were eligible for a bonus.

Consistent with last year's data, responses to the Mercer survey indicated that employees on an AWA were more likely to be eligible for a bonus and more likely to receive a bonus than those on a CA (for employees at the APS 1–2 levels the reverse was true). The more widespread access to performance bonuses for those employees on AWAs serves to increase the remuneration gap between those on CAs and those on AWAs. Table 5.8 below provides an agency-by-agency analysis of median total remuneration (TR) from the Mercer survey which shows that, when bonuses are included, the differential between AWAs and CAs is even more widespread than for TRP.

Table 5.8: Comparison of median TR in 2004 (in agencies that used both AWAs and CAs to cover employees at the same level) (number of agencies)

APS Classification	Equal Median	Higher AWA Median	Higher CA Median
APS 2		7	
APS 3		7	2
APS 4		16	3
APS 5		22	1
APS 6		28	4
EL 1		35	3
EL 2	1	38	2

Source: Mercer 2004 APS Non-SES Remuneration Survey

In agencies participating in the Mercer remuneration survey, 67% of EL 1s on an AWA were eligible for a bonus compared to only 18% covered by the CA, and 68% of AWA-covered EL 2s were eligible for a bonus compared to 26% on the CA. This differential is further reinforced by the fact that, for those employees who received a performance bonus, those on AWAs consistently receive higher bonuses at all classification levels. Of those who received a bonus at the EL 1 classification, for example, the average performance bonus received by those on AWAs was \$4174, while for those on CAs the average was \$1475. The comparable figures for the EL 2 classification, were an AWA bonus of \$4625 and a CA bonus of \$3083. In a 2004 audit of performance management

in the APS, the ANAO found that across all classifications AWA employees received 127% more in bonuses than did CA employees.²⁴ Employee perceptions from the employee survey on the operation of performance pay are discussed in Chapter 8.

The ANAO audit also found that many employees believed that the distribution of performance pay in their agency was unfair in that bias and favouritism was exhibited in performance reward decisions.²⁵ The different level of bonuses associated with AWAs and CAs should not, however, be interpreted as firm evidence of unfairness or discrimination. Many agencies report making strategic use of AWAs to attract and retain key employees, and some high performing employees may be particularly attracted to the opportunity to gain performance bonuses. Moreover, higher performance bonuses at higher classification levels also represent more pay at risk. Nevertheless, the data does reinforce the importance of agencies having clear remuneration policies, and of consulting employees about them, to limit the risk of a perception (as well as the reality) of unfairness.

Funding arrangements

Last year's report touched on the matter of pay increases in the APS and their funding. The policy parameter that requires the ongoing funding of remuneration increases for CAs and AWAs from productivity improvements within agency budgets had not, at least at the average level, appeared to have prevented APS employees from achieving salary increases in excess of the average of the private sector.

However, the comparison with the average increase for the total private sector is somewhat misleading in that the APS workforce is, on average, a more highly qualified workforce than the general Australian labour force. The results of the 2005 State of the Service employee survey indicated that 66% of APS employees had a tertiary qualification²⁶ (similar to the 64% last year); comparative data for the broader employed Australian labour force is 47% with tertiary qualifications according to the 2001 ABS *Census of Population and Housing*.

A comparison with industry sectors which have relevant proportions of employees with tertiary qualifications reverses the gap between average increases in the APS and other sectors in 2005. The AAWI in certified agreements current at the end of June 2005 for industry sectors in which more than half of employees have tertiary qualifications was 4.4% (up from 4.2% last year); in industry sectors where half or less than half of their employees have tertiary qualifications the AAWI remained stable at 3.7%.²⁷ So, on average, at June 2005, pay increases in the APS for CAs (an AAWI of 4.2%—the same as last year's) are not increasing more quickly than in comparable areas of the private sector, though they are not lagging behind by much. This limited evidence also tends to

²⁴ ANAO, *Performance Management in the Australian Public Service*, Performance Audit Report No. 6, August 2004, <www.anao.gov.au>

²⁵ *ibid.*

²⁶ For comparability purposes the ABS definition of tertiary education is adopted, that is, formal education beyond secondary education, including higher education, vocational education and training, or other specialist post-secondary education or training. The qualification categories contained in the employee survey question included under this definition of tertiary education are: vocational qualification; associate diploma; undergraduate diploma; bachelor degree; postgraduate diploma; masters; and doctorate.

²⁷ There were six ABS industry sectors in which more than 50% of employees had tertiary qualifications—Electricity, Gas and Water (65%), Construction (55%), Property and Business Services (56%), Government Administration and Defence (54%), Education (77%) and Health and Community Services (61%). There were 13 other industry sectors with half or less than half of their employees with tertiary qualifications. This data is sourced from the ABS 2001 *Census of Population and Housing*. The data on AAWI by sector was provided by DEWR.

suggest that there is little 'bidding up' of pay amongst APS agencies beyond what the broader labour market demands, at least for employees covered by CAs. However, if demographic changes in Australia impact on labour markets as predicted (see Chapter 8) the pay differentials between the public and private sectors discussed earlier could make attraction to public sector employment more difficult, particularly at the higher classifications.

The 2002–03 State of the Service report advised that there was no evidence that levels of base salary had fallen behind in small agencies, and that the average salary paid in very large agencies (greater than 5000 employees) was more consistently at the lower end of the range. The 2003 Mercer Non-SES Remuneration Survey indicated that very small agencies (with fewer than 100 employees) consistently had the lowest level of average base salary paid for all classifications from APS 2 through to the SES Band 1 classification.²⁸ Although the 2004 Mercer data does not duplicate this pattern, the broad trend is similar to that reported last year, with small agencies towards the lower end of the salary scale for most classifications.

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, given current funding arrangements. This issue will require continued monitoring informed by data on agency resourcing to establish whether there are potential longer-term issues.

The overall productivity gains required to be made by APS agencies by the current funding arrangements are quite substantial. In addition to the ongoing efficiency dividend, the wage cost index used for the indexation of expenses also incorporates an assumption of productivity gains by agencies to finance wage increases, in line with Government policy. The wage cost indexes developed by Finance are used for the indexation of departmental expenses and various other Commonwealth outlays, including certain specific purpose payments. The wage cost indexes are weighted averages of measures of wage and non-wage growth. The wage component excludes wages growth that should be offset by productivity gains and is typically adjusted by not much more than half the movement in the CPI. The non-wage component reflects movements in the consumer price index (CPI). The indexes are designed to reflect the reasonable expectation across the economy that wage movements should reflect genuine productivity gains, at least above some modest inflationary factor. For the APS, in order to fund pay increases of around 4%, the index requires agencies to find productivity gains of around 2%, which is broadly in line with productivity gains across the economy as a whole over the period from 2001–02 to 2004–05. A further 1.25% is required to fund the efficiency dividend.

Agencies may achieve these gains by genuine efficiency gains or by sensible reconsideration of priorities. Notwithstanding this, there is the real possibility that for some agencies funding pay increases means cutting activities and/or employees, and that it can also mean reduced capacity to absorb new initiatives. Looking ahead, there may be some problems, particularly amongst smaller agencies, in maintaining competitive pay rates. As evidenced in the MAC report on *Managing and Sustaining the APS Workforce*,²⁹ the APS is likely to face increasing wages and conditions pressures with a tightening labour market.

²⁸ Mercer Human Resource Consulting, 2003 APS Remuneration Survey.

²⁹ Management Advisory Committee, *Managing and Sustaining the APS Workforce*.

Workplace Consultation

The Values include the establishment of workplace relationships in the APS that value communication, consultation, cooperation and input from employees on matters that affect their workplace. These consultative arrangements are critical to achieving good quality results and underpinning productive working relationships. Consultation practices amongst agencies can be expected to vary given differences in agencies' size and the nature of their business.

Employees' perceptions of consultation

Regular staff meetings, if well run and focused, can be an effective part of the consultation process and support genuine and constructive employee engagement. The employee survey asked employees how often they attended meetings at their section/unit/team (team/section) level and how often they attended meetings at the broader level (i.e. branch, group, division or office level). The results from this year's survey were very similar to last year's results—the most common experience of employees is attendance at regular meetings at the team/section level, with fewer employees attending regular meetings at broader levels.

Sixty per cent of employees reported attending team/section level meetings fortnightly or more often and almost three-quarters of employees reported attending this level of meetings on a monthly, or a more frequent basis. Only 3% reported that they never attended such staff meetings and a further 22% indicated that they attended these meetings on an ad hoc basis. Attendance at team/section meetings on a monthly or more frequent basis increases with classification level—70% of APS 1–6 employees, 82% of EL employees and 87% of SES employees reported this level of attendance. These figures are consistent with last year's.

Of the agency-specific results available for 21 large agencies, the variation in results was again considerable. The percentage of employees reporting that they never attended meetings at their team/section level or only did so on an ad hoc basis, for example, varied from a high of 44% to a low of 9%. Conversely, the percentage of employees who reported attending team/section meetings fortnightly or more often across all large agencies was 44%, with a range from 31% to 76%. The large agencies with significantly higher percentages of employees reporting attendance at regular meetings at the team/section level than the APS average were Finance, CSA and the FaCS; the two large agencies with the lowest percentages were BoM and DIMIA.

Eighteen per cent of employees reported attending meetings at the broader level fortnightly or more often, and just over one-third reported attending this level of meetings monthly or more often. Another 5% reported this type of meeting as being 'not applicable' to their circumstances. Twenty per cent of employees indicated that they did not attend this type of meeting and a further 39% indicated that they attended these meetings on an ad hoc basis.

The employment status of employees affects attendance at consultative meetings at both the team/section level and the broader level. Full-time employees, for example, are more likely to attend team/section meetings on a fortnightly or more frequent basis than

are part-time employees (62% compared to 49%); they are also more likely to attend broader level meetings on a monthly or more frequent basis (37% compared to 26%). Similarly, ongoing employees are more likely to attend team/section meetings weekly or fortnightly (61%) than are non-ongoing employees (49%); they are also more likely to attend broader level meetings on a monthly or more frequent basis (36% compared to 28%).

The employee survey asked respondents if they were satisfied that the meetings they attended provided a forum in which to contribute their views on issues that impact on their work. It also asked about their satisfaction level with the overall say they have in decisions impacting on their work. Compared to last year's results employees reported being significantly less satisfied in response to both questions. Forty-eight per cent of employees, for example, reported being satisfied that the meetings they attended provided an adequate forum to contribute their views, down from 58% last year. The percentage of employees dissatisfied rose from 17% to 21% in 2004–05. Similarly, 45% of employees were satisfied with their overall say in decisions that impact on their work this year compared to 49% last year. The percentage of employees reporting that they were dissatisfied rose from 25% to 29% in 2004–05.

Consistent with last year's survey results employee satisfaction with overall say in decisions was related to a number of factors, including:

- attendance at regular staff meetings at both the team/section level and the broader workplace level (for example, 57% of employees who attended a weekly meeting at the team/section level are satisfied with their overall say in decisions compared to only 13% of employees who report never attending such meetings)
- 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 (there is a very strong relationship between employees satisfied with their overall say in decisions and them having a high overall job satisfaction rating and vice versa).

Agencies' policies on workplace consultation

The agency survey asked agencies about whether they had policies in place requiring regular staff meetings in their agency (at the team/section level and the broader level). The percentage of agencies with policies requiring team/section meetings has steadily increased over the past three years (from 49% in 2002–03 to 54% last year and again to 56% in 2004–05). The percentage of agencies requiring broader level meetings increased from around 64% over the past two years to 74% this year, whereas those requiring an agency consultative body remained stable at around 86%.

The increasing trend in the proportion of agencies requiring staff meetings appears to run contrary to the decrease in employee satisfaction with their overall say in decisions that impact on their work, as discussed above. This contradiction can be partially explained by the substantial drop in the proportion of employees who were satisfied that the meetings they attended provided an adequate forum in which to contribute their

views. Of course, having a policy requiring a meeting does not necessarily mean that a meeting is held or, if it is, that it provides employees with the opportunity to contribute their views in a considered manner.

This year's figures confirmed the previous observation that large agencies are least likely to have policies requiring meetings compared to small and medium agencies—which is the opposite of what might be expected given the greater difficulties of communication sometimes experienced in larger agencies. Of the large agencies reporting that they did not have policies requiring regular staff meetings at the team/section and broader work levels, 60% (two-thirds last year) had less than half of their employees satisfied with their overall say in work decisions.

The survey results show that the extent to which agencies regularly consult with their employees on workplace issues continues to vary widely, but that an upwards trend in policies requiring meetings has begun to emerge. However, the increase in the proportion of agencies requiring team/section and broader level meetings on a regular basis may, of itself, not be enough as attested to by the decrease in employees' satisfaction levels with consultative mechanisms. Those agencies with low levels of employee satisfaction with their say in workplace decisions, particularly those that require regular meetings, should be devoting more effort to developing consultation skills among supervisory staff and within the workplace generally.

Safe Workplaces

The Values require safe, as well as fair, flexible and rewarding workplaces. APS employers also have responsibilities under the *Occupational Health and Safety (Commonwealth Employment) Act 1991* to take all reasonably practicable steps to protect the health and safety of their employees at work. This general duty of care extends to the provision and maintenance of a safe working environment and systems of work, including adequate facilities for employees' welfare. APS employees are required to cooperate with their employer in ensuring that they do not create a risk, or increase an existing risk, to their own health and safety, or that of other persons.

While the primary focus should be on injury prevention, under the *Safety, Rehabilitation and Compensation Act 1988* responsibility extends to APS employers and injured employees to work together to ensure timely and durable return to work is achieved.

Safety is everyone's responsibility and sustained effort is required to minimise both the human and financial cost of workplace injury and disease throughout APS employment.

The Australian Government's workers' compensation scheme provides fair and generous benefits and compares favourably against other state and/or territory schemes on premium rates. However, increases in premiums over recent years indicate that APS agencies need to improve both their injury prevention and their return to work strategies.

For 2005–06, Australian Government agencies will pay around \$187 million in workers' compensation premiums, with APS agencies contributing around \$147 million. The overall premium rate for Australian Government agencies increased from 1% of payroll

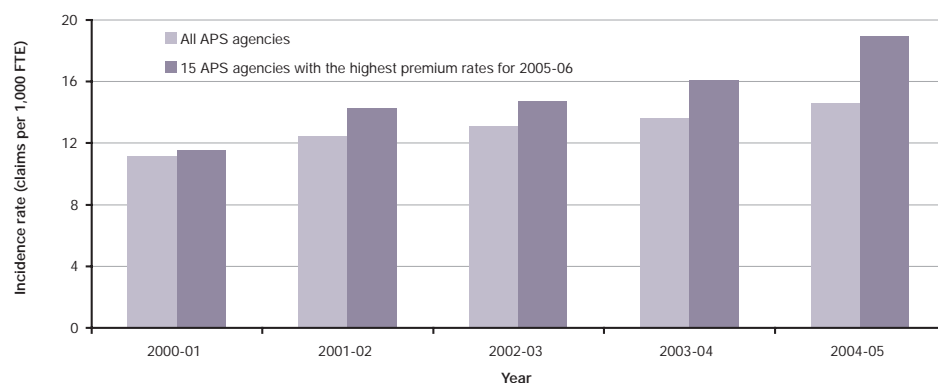
for 2001–02 to 1.77% for 2005–06, which translates to \$1116 per full-time equivalent (FTE) employee. This represents a 6% increase in the last year and a 77% growth in premium rates over the last four years.

Figures 5.11, 5.12 and 5.13 show the average performance of all APS agencies from 2000–01 to 2004–05 against three key performance indicators. They also show the average performance of the 15 APS agencies with the highest premium rates for 2005–06 against the same three indicators. The performance indicators used are:

- the incidence rate (number of claims per 1000 FTE employees) for compensated workplace injuries that resulted in five or more days off work
- the incidence rate for compensated workplace injuries that accumulated 30 days and 60 or more days off work (which are good indicators of return to work performance).

Figure 5.11 shows that the performance of all APS agencies and the 15 APS agencies paying the highest premium rates for 2005–06 has continued to deteriorate against the first indicator (five or more days off work).

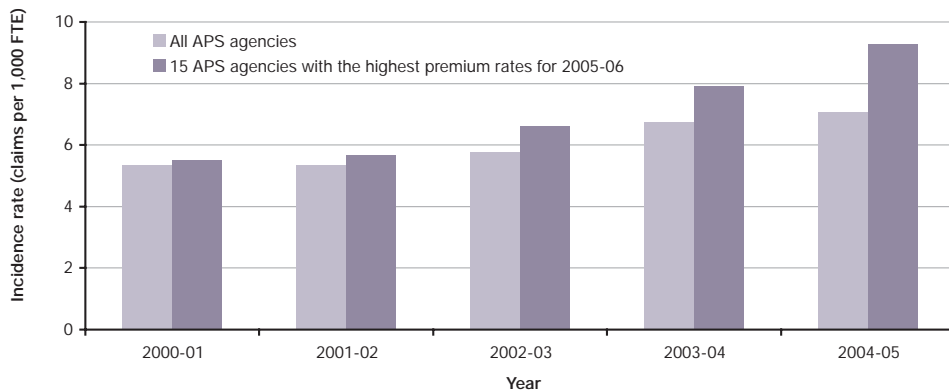
Figure 5.11: Incidence of injuries resulting in five or more days off work, 2000–01 to 2004–05



Source: Comcare

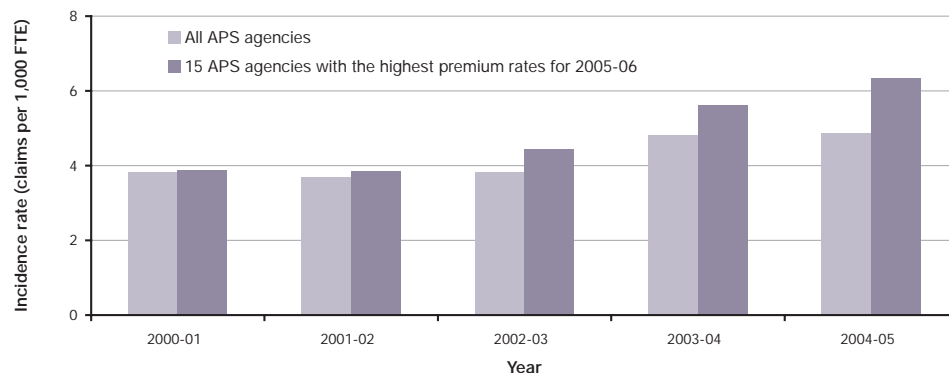
As Figures 5.12 and 5.13 show, the incidence of injuries that resulted in 30 and 60 or more days off work has also continued to deteriorate. Again, the deterioration in performance was more significant for those 15 agencies with the highest premium rates. This deterioration largely reflects the increased numbers of complex claims for conditions such as psychological injury, and the increased time off work per claim.

Figure 5.12: Incidence of injuries resulting in 30 or more days off work, 2000–01 to 2004–05



Source: Comcare

Figure 5.13: Incidence of injuries resulting in 60 or more days off work, 2000–01 to 2004–05



Source: Comcare

In 2002, the Workplace Relations Ministers’ Council endorsed the *National Occupational Health and Safety Strategy 2002–2012*. As part of that strategy, Ministers stated their commitment to achieving national targets to:

- sustain a significant and continual reduction in the incidence of work-related fatalities with a reduction of at least 20% by 30 June 2012 (with a 10% reduction by 30 June 2007)
- reduce the incidence of workplace injury by at least 40% by 30 June 2012 (with a 20% reduction by 30 June 2007).

The Safety, Rehabilitation and Compensation Commission adopted the National Occupational Health and Safety (OHS) Strategy targets, but went further by setting a zero target for workplace fatalities for the Commonwealth jurisdiction. 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. The Commission also extended the workplace injury target to include disease and commuting injuries. Performance against the targets will be reported in 2007, once the first milestone is reached.

In addition to these targets, Australian Government premium paying agencies have been asked to adopt a further two targets to improve return to work and injury management by:

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

In June 2003, large premium paying agencies (with 1000 or more employees) were invited to sign a 'statement of commitment' towards achieving these four targets. This initiative was extended in February 2004 to medium premium paying agencies (with between 500 and 999 employees) and to small premium paying agencies in November 2004.

As at 30 June 2005, 23 current APS agencies (listed in the table below) had signed a 'statement of commitment'. Based on FTE employee data, this group of agencies covers more than three-quarters of the workforce employed by APS agencies. The Family Court of Australia (the Family Court) has determined a signing date with Comcare for early 2005-06.

In implementing target setting, agencies have been encouraged to monitor their performance using Comcare's Customer Information System (CIS) and to report on their own performance in their annual reports. Workshops have also been held to assist agencies to develop strategies to improve performance against the targets.

List of APS agencies that have signed a 'statement of commitment' as at 30 June 2005

Aboriginal Hostels Limited

Australian Bureau of Statistics

Australian Customs Service

Australian Electoral Commission

Australian Institute of Aboriginal and Torres Strait Islander Studies

Australian Public Service Commission

Australian Research Council

Australian Securities and Investments Commission

Australian Taxation Office

Centrelink

Comcare

Defence Housing Authority

Department of Agriculture, Fisheries and Forestry

Department of Defence

Department of Education, Science and Training

Department of Employment and Workplace Relations

Department of Finance and Administration

Department of Foreign Affairs and Trade

Department of Health and Ageing

Department of Industry, Tourism and Resources

Department of Veterans' Affairs

Great Barrier Reef Marine Park Authority

Professional Services Review

Key chapter findings

This chapter has explored employee perceptions of how merit is routinely applied in employment decisions and the processes agencies use to make such decisions. The positive news about APS employees' perceptions of merit reported in the 2003–04 report has weakened somewhat during the course of 2004–05. When evaluated against both employee survey results from previous years and against public sector employees in state jurisdictions, APS employees' perceptions of merit have deteriorated; this is particularly true of employees in large agencies. Consistent with last year's findings, agency-specific issues continue to influence employee perceptions, and agencies wishing to improve in this area should be taking actions to explore the factors underlying their employees' perceptions. Factors examined in this chapter that may assist in improving perceptions of merit include constructive and accurate feedback provided systematically at least to unsuccessful internal candidates for positions, and improving employees' knowledge and understanding of how merit is applied in their selection processes through training.

Agencies reported using a wide range of selection processes for the engagement, promotion and movement of employees. The two most common forms of selection process used to fill a vacancy (90% of agencies) were internal assignment of duties and existing orders of merit. The most common selection technique remained face-to-face interviews (100% of agencies). In addition, 99% of agencies also included on the selection panel at least one member from outside the general work area. Agencies have continued to outsource aspects of the recruitment process at similar levels to last year, but when engaged, these recruitment agencies appear to be responsible for more than routine tasks (for example, scribing).

With regard to remuneration issues the chapter found that the Mercer surveys reported that median APS TRP wage increases across all classifications exceeded equivalents in the private sector. However, with the exception of the lower APS classifications, TRP in the APS continued to be substantially lower than the private sector. When comparing AAWI contained in APS CAs with those in equivalent private sector industries, it was found that, although APS pay increases at 30 June 2005 are not increasing more quickly, they are not lagging behind by much. An examination of agreement types covering APS employees highlighted that AWA coverage continued to expand and the growth rate for APS 1–6 employees was over 28%, albeit from a low base. Where agencies cover employees at the same level under both AWAs and CAs, most agencies have higher median base salaries and median TRP under their AWAs than CAs across all non-SES classifications. Using TR calculations (which include bonuses) the remuneration gap between those on AWAs and those on CAs increases.

The issue of remuneration policy was also examined. Consistent with last year's finding, while 95% of agencies reported having some non-SES employees covered by AWAs, only 38% of those agencies also reported having a written policy dealing with employees covered by AWAs. After a promising increase the previous year, the number of agencies with written remuneration policies has stabilised, and it is apparent that a significant number of agencies should be developing robust remuneration policies that

make clear links between skills, performance and pay, are transparent and available to all employees, and incorporate a strategic approach to dealing with longer-term agency capability.

The funding arrangements for remuneration increases in APS agencies continue to present a challenge in some situations. There is a clear case for the Government to require ongoing productivity gains to help finance wage increases, and most agencies have been able to provide for wage increases in line with those in their labour market, notwithstanding the funding constraints. More generally, the pressure on some agencies may heighten as they experience difficulties in recruiting required skills in a contracting labour market.

This year's survey results on workplace consultation were very similar to last year's, with 60% of employees reporting attending team/section level meetings fortnightly or more often, and almost three-quarters of employees reported attending this level of meetings on monthly or a more frequent basis. Part-time and non-ongoing employees were less likely to attend regular meetings than were full-time and ongoing employees. There is an increasing trend in the proportion of agencies having policies requiring team/section 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.

The requirement that agencies hold team/section and broader level meetings on a regular basis may, of itself, not be enough, as attested to by the decrease in employees' satisfaction levels with consultative mechanisms. Those agencies with low levels of employee satisfaction with their say in workplace decisions, particularly those that require regular meetings, should be devoting more effort to developing consultation skills among supervisory staff and within the workplace generally.