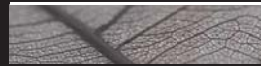


Organisational capability

Chapter 8



The Australian economic and population outlook of sustained economic growth, low unemployment rates and an ageing population present significant workforce planning challenges for APS agencies. These challenges are not new and have been the subject of a number of reports including the MAC report on *Organisational Renewal*¹ in 2003 and previous State of the Service reports. The 2004 MAC report, *Connecting Government*,² concluded that, for the APS to meet the economic, societal and technological challenges in the 21st century, APS organisational capability must be underpinned by a multiskilled, flexible and intellectually agile workforce.

The MAC report on *Managing and Sustaining the APS Workforce*,³ released in October 2005, reinforces these concerns, canvassing the key workforce trends that have emerged since the 1970s, driven by both internal and external developments, and which present significant challenges for the APS. These trends include:

- a declining role in the APS for unskilled or low-skilled employees
- higher entry levels and streamlined classification structures
- the ageing of the APS workforce
- an increasing proportion of the workforce with graduate qualifications
- an increasingly female workforce.

These trends have emerged in the context of an Australian labour market which has grown significantly on both the supply and demand sides in recent years, but which is projected to tighten over the next two decades.

In response to these trends, *Managing and Sustaining the APS Workforce* calls upon agencies to implement a series of initiatives that will help them respond to the challenges identified, including skill shortages, a more mobile and better educated workforce, evolving career expectations, and demands for more flexible working arrangements. Chapter 6 examines learning and development issues in the context of employee engagement and from the perspective of building organisational capability. In particular, the chapter concludes that a strategic approach to learning and development is an important part of improving organisational capability. Chapter 7 looks more specifically at the issue of leadership development and concludes that agency heads need to manage their SES leadership group carefully to ensure its effectiveness.

This chapter looks at a number of issues that are of direct relevance to the challenges identified in *Managing and Sustaining the APS Workforce*, and to ensuring that the APS builds the organisational capability it needs to deliver outcomes for the Australian community, both now and into the future. It begins by looking at the extent to which agencies have embedded formal approaches to workforce planning into their operations, the specific workforce challenges they have identified and how they are responding to these challenges. It then goes on to look at trends in remuneration that could affect the ability of the APS to support and sustain a high quality workforce. The chapter concludes by looking at an area of particular challenge to the organisational effectiveness in the APS, that is, our level of capability in record keeping.

¹ Management Advisory Committee 2003, *Organisational Renewal*, Commonwealth of Australia, Canberra.

² Management Advisory Committee 2004, *Connecting Government: Whole of Government Responses to Australia's Priority Challenges*, Commonwealth of Australia, Canberra.

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

Workforce planning

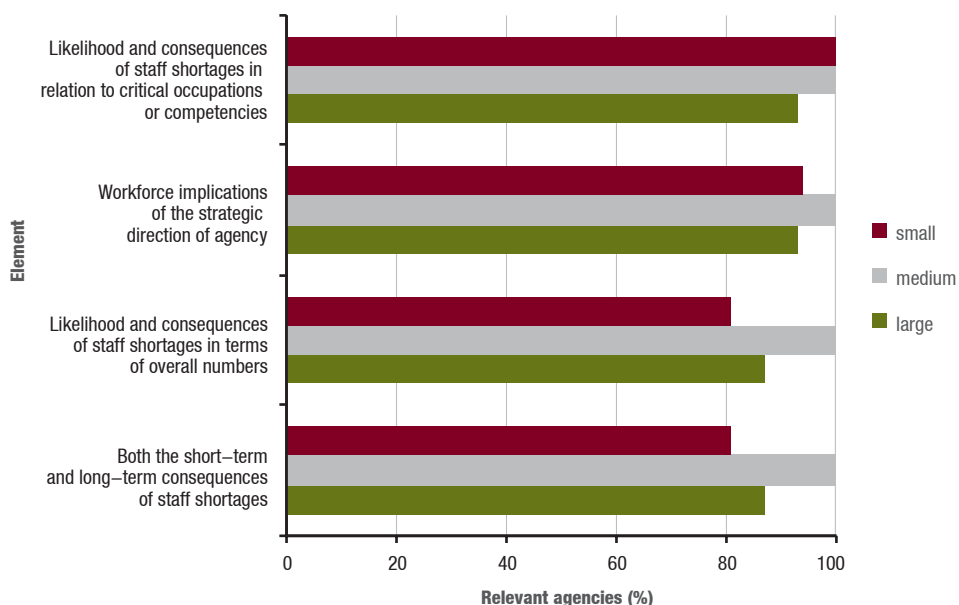
APS agencies are increasingly recognising the importance of workforce planning, with a trend to greater use of formal workforce planning over the last few years. This year, over half of agencies (58%) had in place policies, strategies and/or frameworks that aim to ensure they have the skills and capabilities needed for the next one to five years. Most other agencies (37%) had these strategies in development.

The proportion of agencies with formal strategies in place was substantially higher than in the previous two years (41% of agencies in 2003–04 and 43% in 2004–05), perhaps reflecting a renewed emphasis on workforce planning emerging from *Managing and Sustaining the APS Workforce*. The report calls on all APS agencies to undertake systematic workforce planning to identify emerging issues and challenges in relation to the recruitment, development, advancement and succession of their employees. Large agencies were slightly more likely than medium or small agencies to have these arrangements in place.

Workforce risk assessment in relation to organisational capability was also undertaken by almost half of all agencies (45%). As for formal workforce planning, large agencies were more likely than small or medium agencies to have undertaken such an assessment.

Agencies that had conducted a workforce risk assessment had addressed a range of issues (see Figure 8.1). These included the workforce implications of the strategic direction of the agency, the likelihood and consequences of staff shortages—both in terms of overall staff numbers and in relation to critical occupations or competencies for the agency—and the short-term and long-term consequences of staff shortages. The issue of shortages in critical occupations or competencies had been addressed by all but one agency conducting a workforce risk assessment.

Figure 8.1: Elements of workforce risk assessments (where assessment undertaken), by agency size, 2005–06



Source: Agency survey

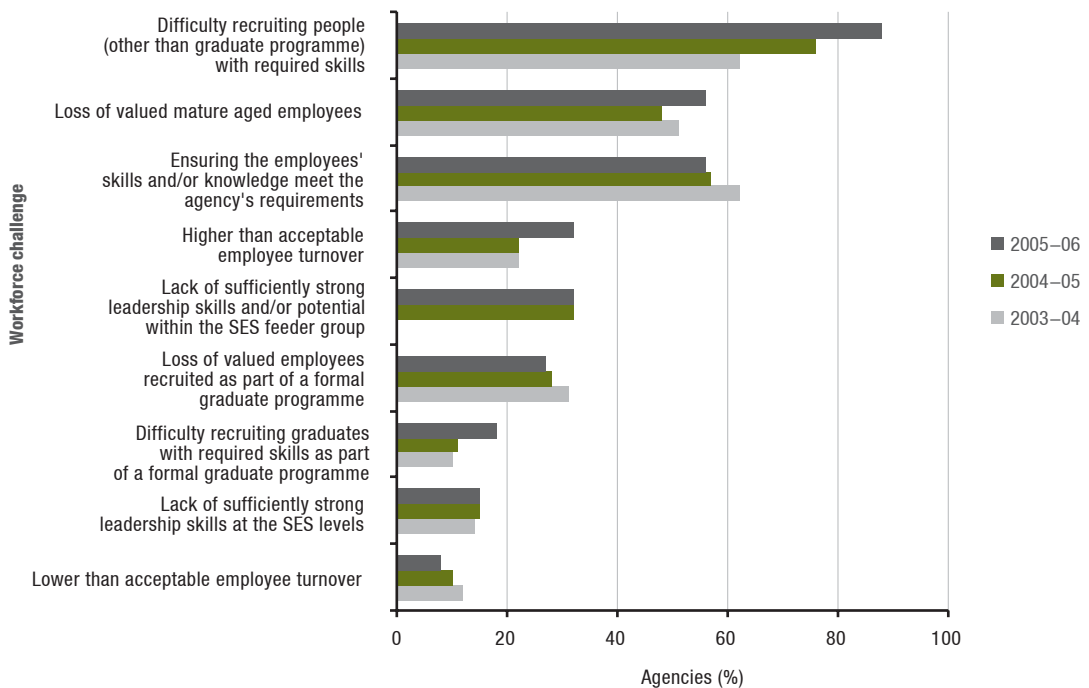
Current workforce challenges

Consistent with the growing emphasis on workforce planning, agencies reported facing a range of workforce challenges (see Figure 8.2). The most common challenge faced by almost all agencies this year was recruiting experienced people with the required skills. The majority of agencies also reported the loss of valued mature-aged employees as a workforce challenge. Agencies were least likely to view the lack of sufficiently strong leadership skills at the SES level, and lower than acceptable employee turnover, as challenges.

There is evidence of increasing skill shortages for agencies over the last three years, with agencies reporting difficulty recruiting people (other than through a graduate programme) with required skills increasing from 62% in 2003–04 to 88% in 2005–06. Challenges with higher than acceptable employee turnover and difficulty recruiting to graduate programmes have also increased substantially, but they are still not widespread. These increases all point towards the effects of a tighter overall job market on the APS this year than in recent years.

Agencies were less likely to report that ensuring employees' skills and/or knowledge meet the agency's requirements was a challenge this year compared to previous years.

Figure 8.2: Workforce challenges faced by agencies, 2003–04 to 2005–06



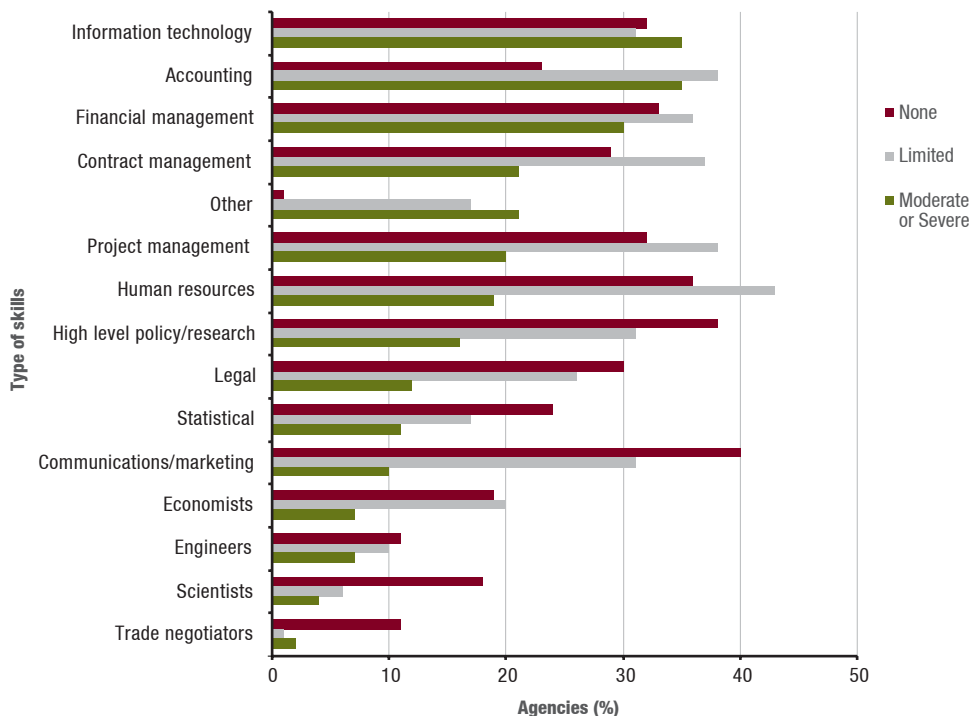
Source: Agency survey⁴

⁴ The item 'Lack of sufficiently strong leadership skills and/or potential within the SES feeder group' was not included in the 2003–04 agency survey.

A substantial minority of agencies are reporting that skill shortages are having a moderate to severe impact on organisational capability. Figure 8.3 shows the types of skills shortages reported by agencies and their impact on capability in 2005–06. Approximately one third of agencies reported that shortages in information technology, accounting, and financial management professionals were having a moderate or severe impact on their agency’s organisational capability. Skills shortages in the ‘other’ category that some agencies reported as having a severe impact on capability included medical specialists, technical, auditors, forensic auditors, investigators/compliance officers, social workers, and oil and gas safety professionals.

Agencies need to consider the best way to attract applicants from areas of skill shortage. This may include proactive recruitment strategies, developing individualised remuneration and employment conditions packages and marketing the advantages of an APS career. Agencies may also benefit by participating in the APS Communities of Accountants and Statisticians being developed by Finance and the ABS and the ICT Professional and Skills Development Group being developed by AGIMO to promote learning and development and career planning for professionals in these disciplines. The establishment of these communities flowed from the MAC publication *Managing and Sustaining the APS Workforce*. As a result of this report, the Commission is also redeveloping the online gazette as an APS employment and recruitment portal which will provide a more effective mechanism for marketing vacancies to potential applicants.

Figure 8.3: Skills shortages and their impact on agency capability, 2005–06



Source: Agency survey

Managing and Sustaining the APS Workforce identified particular concerns about the breadth and depth of experience in potential APS leaders in management, policy development and whole of government processes. It called on all APS agencies to invest in identifying and developing the future leaders of the APS.

A substantial minority of agencies reported that they were currently experiencing at least one leadership skill set gap among their existing SES (36%). The most common skill set gap was in the area of people management (24% of agencies). This was followed by the capacity to think strategically (14%), the capacity to steer and implement change, and effective communication skills (both 13%). Agencies expressed fewer concerns about the ability of their SES to motivate, inspire and generate commitment to agency goals (12%), the capacity to work collaboratively across agency and jurisdictional boundaries (10%) and expertise in delivering outcomes (9%). Skill set gaps in the area of people management and the capacity to think strategically were more commonly identified by large agencies.

Skill set gaps were more common in the SES feeder group, with more than half of agencies (55%) reporting at least one gap. The relative incidence of the different skill set gaps was similar to the SES group, with agencies most likely to identify people management skills (40% of agencies), followed by the capacity to think strategically (35%). The relatively high incidence of skill set gaps for this group supports the emphasis that MAC has placed on encouraging agencies to invest in developing future APS leaders.

Workforce planning challenges

Given the growing emphasis on workforce planning, agencies need to ensure that they have the internal capability that allows them to plan strategically for their future workforce needs. In this regard, it is significant that the majority of agencies (65%) report experiencing at least one workforce planning challenge.

The most common workforce planning challenge for agencies during 2005–06 was gaining adequate information to enable their agency to evaluate the effectiveness of learning and development (48%). This was followed by:

- the ability to plan for changes that are likely to impact on their agency's business (e.g. technological change, greater cross collaboration with other agencies) (42%)
- adequate information on their agency's workforce skills sets (e.g. qualifications) (38%)
- identifying the capabilities required to deliver future workforce needs (36%).

Only a relatively small proportion of agencies indicated that adequate information on their agency's workforce demographics and characteristics was a workplace planning challenge (12%).

The proportion of agencies that identified workforce planning challenges increased with agency size. This is likely to reflect the increasing complexity of workforce challenges in larger agencies.

Although workforce planning is still an area where agencies need to develop more capability, there is some evidence of improvement. In particular, almost all challenges were less frequent in 2006, than they had been in 2005.

Measures to deal with workforce challenges

Reflecting the growing use of strategic processes for workplace planning, agencies have a broad range of measures in place to deal with workforce challenges and there has been an increasing focus on these measures since 2004. Such measures were used by almost all agencies in 2006, including those who had not yet developed formal workforce plans—95% of agencies had at least one measure in place.

Table 8.1 shows the agency measures in place to deal with workforce challenges, ordered by the most common measures used in 2005–06.

Table 8.1: Agency measures in place to deal with workforce challenges, 2003–04 to 2005–06

Measure	2003–04 %	2004–05 %	2005–06 %
Performance management systems aligned with identified workforce requirements	71	78	83
Measures to attract and retain people with critical skills (e.g. enhanced and/or more flexible pay and conditions, development opportunities)	69	76	81
Learning and development strategies aligned with identified workforce requirements	59	65	79
Recruitment strategies aligned with identified workforce requirements	60	63	68
Succession management strategy link to future workforce needs	22	24	24

Source: Agency survey

Performance management systems aligned with identified workforce requirements, measures to attract and retain people with critical skills, learning and development strategies aligned with identified workforce requirements, and recruitment strategies aligned with identified workforce requirements were all widely used. Reflecting the growing focus on workforce planning, the use of the first three measures has increased over the last three years. The use of recruitment strategies has not increased as dramatically, but a number of agencies have this measure in development.

The only measure not used by the majority of agencies was a succession management strategy linked to future workforce needs. This is of some concern, given that MAC has called on all APS agencies to invest in identifying and developing future leaders, albeit that almost half of agencies (48%) reported that they are currently developing formal succession management strategies and many other agencies appear to be adopting an informal approach to this issue.

Agencies that indicated they use measures to attract and retain people with critical skills did this in a variety of ways. Most commonly they used a higher base salary (90% of relevant agencies), followed by a performance-related bonus (68%), development opportunities (e.g. study awards, fellowships, secondments) (66%), recruitment/retention allowance/bonus (53%); work placements/rotation (47%), car parking space (40%) and enhanced conditions (e.g. leave, reunion fares) (40%).

Remuneration

Remuneration should be seen as an essential element of agencies' strategic approach to workforce planning and human resource management. As noted above, many agencies are already using a combination of salary, bonuses and enhanced employment conditions to attract and retain people with critical skills.

For most APS agencies the overarching legislative framework against which agency heads manage an organisation's business, including agency remuneration, consists of the *Financial Management and Accountability Act 1997* (FMA Act), the *Workplace Relations Act 1996* (WR Act) and the *Public Service Act 1999* (the Act).⁵ Within the established accountability framework, agency heads are required to ensure that agency annual reports contain details of their agency's remuneration arrangements including

⁵ A number of APS agencies continue to be covered by the *Commonwealth Authorities and Companies Act 1997*.

coverage information on collective agreements⁶ and AWAs, salary ranges by classification and a description of any non-salary benefits. An annual report must also provide information on the number of employees receiving performance pay by classification, aggregate amount by classification and for the whole agency, the average bonus payment and the range of such payments by classification.

Since the last State of the Service report the *Workplace Relations Act 1996* (WR Act) was substantially amended by the *Workplace Relations Amendment (WorkChoices) Act 2005*, which introduced changes to the workplace relations framework including agreement making provisions.⁷ In response to these changes, DEWR, which has an advising and oversighting role for the implementation of Government policy for agreement making in the APS, recently revised the *Workplace Relations Policy Parameters for Agreement Making in the Australian Public Service* (April 2006).⁸ These parameters ensure that agreements:

- are consistent with the Government's workplace relations policy, including that AWAs are available to all staff
- link improvements in pay and conditions to improvements in organisational productivity and performance
- provide improvements in pay and conditions that can be funded from within agency budgets
- include compulsory redeployment, reduction and retrenchment provisions, with any changes not to enhance existing redundancy arrangements
- facilitate mobility across the APS
- have leave and employment practices that support the release of Defence Reservists for peacetime training and deployment.

The policy parameters operate in conjunction with resourcing arrangements overseen by Finance which also affect the way in which agencies address labour market pressures. Other factors affecting agency remuneration strategies include legislated obligations in relation to public accountability, organisational performance and outcomes considerations, and managing individual behaviours such as supporting the APS Code of Conduct, the APS Values and agencies' performance management schemes.

This section examines key trends in APS agencies' remuneration in 2005–06. It covers agreement coverage, salary and performance pay issues. It also makes some comments on current funding arrangements and potential difficulties facing the APS in an increasingly tight labour market environment.

Agreement coverage in APS

Agreement making in the APS has progressed since the early 1990s and the data suggests that a mature bargaining relationship between employers, employees and unions has become well established. Data provided by DEWR indicates that at 30 June 2006 there were 100 collective agreements operating in the APS. Seventeen of these were third-round agreements and 49 were fourth-round agreements with 16 agencies having negotiated a fifth-round agreement and 2 agencies being in their sixth round (the remaining sixteen agreements were first or second-round agreements). Forty agreements were made during the year to 30 June 2006 (compared with 34 agreements made in the previous 12 months). The 100 operating agreements cover around 95% of ongoing APS 1–6 employees and just under 80% of ongoing EL employees. It has been Government policy for some time that all SES employees are to be employed on AWAs.

⁶ In this report the term 'collective agreement' refers to either collective agreements made under the new sections 327 or 328 of the *Workplace Relations Act 1996* (WR Act), as introduced in the WorkChoices amendments, or to Certified Agreements (CAs) made under previous sections 170 LK or 170 LJ of the WR Act.

⁷ For a discussion of these changes see Bills Digest at <<http://www.aph.gov.au/library/pubs/bd/2005-06/06bd066.pdf>>, 2 December 2005, no.66, 2005–06>.

⁸ DEWR, <<http://www.workplace.gov.au/workplace/Organisation/Government/Federal/AgreementMaking/APS-WorkplaceRelation-PolicyParametersforAgreementMakingintheAustralianPublicServiceApril2006.htm>>

Over two-thirds of operating agreements have been made with one or more trade unions (under either old section 170LJ or new section 328 of the WR Act), while over 30% have been made directly with employees (under either old section 170LK or new section 327 of the WR Act). These proportions have been much the same over the past four years and almost all agreements totally replace the award.

As shown in Table 8.2, the average annualised wage increase (AAWI) for all APS collective agreements entered into during the 12 months to 30 June 2006 was 4.2% (the same as for 2004–05 and 2003–04). When calculated from the nominal expiry date (NED) of an agreement to the NED of that agreement's replacement, the AAWI was 3.9% for the 12 months to 30 June 2006 (compared to 4.0% for the previous 12 months). The spread of NED to NED AAWI in APS collective agreements in the 12 months to 30 June 2006 ranged from 3.1% to 5.0% (last year the comparable data was 2.7% to 4.7%).

Table 8.2: 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	Na
1998–99	2.6 (f)	Na	3.9	4.1	3.2
1999–00	3.3	3.0	3.5	3.6	2.9
2000–01	4.8	3.5	3.9	3.9	3.4
2001–02	4.1	3.9	3.6	4.0	3.3
2002–03	4.9	3.9	3.8	4.1	3.4
2003–04	4.2	4.0	3.9	4.3	3.6
2004–05	4.2	4.0	3.8	4.4	3.8
2005–06	4.2	3.9	4.1	4.4	4.1

Notes:

- ^(a) Average annual wage increases in APS collective agreements entered into during the 12 months to 30 June 2006. 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 collective agreement. Note that some figures in this column have been revised since last year's report.
- ^(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%). This data is sourced from the ABS 2001 Census of Population and Housing. The data on AAWI by industry sector was collected 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.

As shown in Table 8.2, salary increases contained in APS collective agreements (4.2%) were slightly higher than the private sector AAWI at 30 June 2006, which was 4.1%. On an AAWI basis, the average APS wage increases in collective agreements has been above the average for the whole of the private sector over the past six years. However, this wage increase difference has narrowed over the past three years and was only 0.1 percentage point at 30 June 2006.

A more accurate method of comparing APS wage increases to that of the private sector limits the comparison to those industry sectors where employees have tertiary qualifications similar to the APS.⁹ As shown in Table 8.2, the AAWI in collective agreements current at end-June 2006 for industry sectors with more than half of their employees having tertiary qualifications remained stable at 4.4% compared to the APS figure of 4.2%. This is the third consecutive year that the APS AAWI has been below that for private sector industries with comparable levels of educational qualifications. Results from the 2005 Mercer APS remuneration survey comparing the APS to the private sector are discussed below.

With regard to AWAs in the APS, coverage continued to grow over the past year. Data collected by DEWR from agencies indicates that the number of operative AWAs in the APS over the 12 months to 30 June 2006 increased to around 10% of all APS employees—14,800 AWAs compared to 11,823 AWAs last year. This figure comprises 2167 covering the SES (1937 last year), 7141 covering EL staff (5966 last year) and 5492 covering APS 1–6 employees (3837 last year).

The growth in AWA coverage of APS 1–6 employees continued to be very strong—up 43% from last year. This classification group, however, still has the lowest coverage level (around 5% of all APS 1–6 employees) compared with around 22% for EL staff.

Salary and performance pay

Data on salary increases, salary levels and performance pay by classification for those on AWAs and collective agreements is available from the results of an agency survey of SES and non-SES remuneration commissioned by DEWR and conducted by Mercer Human Resource Consulting (the APS remuneration survey) each December.¹⁰

As participation in the APS remuneration survey is voluntary, there are limitations concerning the generalisability of the data collected from the 55 participating agencies (in 2005) to the whole APS. In particular, self-selection into the survey has resulted in a higher proportion of larger APS agencies, than medium and small agencies, participating in the survey. Additionally, the APS Remuneration survey adopts a four-band size scale as opposed to the three-band size scale used elsewhere in this report. Caution is therefore recommended when comparing Mercer collected data to other data in this report where agency size is included in the analysis. Nevertheless, the APS remuneration survey offers a unique perspective on wage movements in the APS and has proven to be a reliable guide to remuneration trends in the APS.

Salary increases in 2005

APS remuneration survey data generally supports the finding that salary increases are consistent with those in the comparable private sector industries but that actual salary levels are generally lower than

⁹ 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. It should be noted that other differences between sectors may also drive remuneration results.

¹⁰ Mercer Human Resource Consulting, APS Remuneration survey, commissioned by DEWR, in 2001, 2002, 2003, 2004 and 2005. Since 2002 the Mercer surveys present a snapshot of data as at 31 December each year. In previous reports this survey was referred to as the APS remuneration survey. For additional information see: <<http://www.workplace.gov.au/workplace/Organisation/Government/Federal/Reports/2005APSRemunerationSurvey.htm>>

those in the comparable private sector. The 2005 APS remuneration survey reported that the median base salary¹¹ increases across all non-SES classifications (3.7%) was equal to the private sector base salary increases at quartile one.¹² EL 2 employees recorded the highest median movement (4.3%) while Graduates recorded the lowest (2.5%). The median base salary in the private sector, in contrast, was higher across all non-SES classifications, with the exception of APS 1 and APS 2, but the competitive position of the APS compared to the private sector remained stable between 2004 and 2005.

For SES employees, the APS remuneration survey data indicates that their relative remuneration position compared to private sector equivalents remained virtually unchanged. The 2005 APS remuneration survey found an overall SES median base salary increase of 4.3% (3.5% last year) with increases across classifications being 4.7% for SES Band 1, 4.0% for SES Band 2 and 4.2% for SES Band 3. The remuneration gap between the SES and their private sector equivalents identified in last year's report continued but remained relatively stable.¹³

The 2005 APS remuneration survey data show no consistent trends when wage increases or actual remuneration is analysed by agency size. There were also no consistent trends in the pay rises provided to employees covered by collective agreements and AWAs.

The use of AWAs/collective agreements for non-SES employees

Consistent with the results from last year's State of the Service agency survey, nearly all agencies (94%) reported having some non-SES employees covered by an AWA. For most of these agencies (95%), this meant employing non-SES employees at the same classification level on a mix of AWAs and the agency's collective agreement (i.e. some employees at the same level are on AWAs while others are covered by the collective agreement). Ninety-two percent of these agencies reported that this occurred for EL 2 employees, 87% of these agencies for EL 1 employees and 81% of these agencies for APS 1–6 employees.

There has been little change in the most common reasons for having employees at the same classification level on a mix of AWA and collective agreement coverage. Of the changes that did occur, more agencies reported adopting this mixed coverage approach to implement a performance pay system, to provide flexible work practices and to maintain an employee's pay and conditions upon moving from another agency. These increases applied across APS 1–6, EL 1 and EL 2 classifications. More agencies also reported additional duties/responsibilities of EL 2 employees on AWAs/individual agreements, relative to other positions at the same classification level, as a reason for having mixed coverage.

Overlapping salary ranges

There appears to be some increase in the extent of overlapping salary ranges between classifications this year. Consistent with the findings of the previous two APS remuneration surveys, the approximately 50% of employees paid around the median (i.e. in the second and third quartiles) do not overlap between any of the non-SES classifications. However, across all these classifications, some employees in a particular classification can earn more than the median base salary for the classification above. For example, some APS 2 employees are paid more than the median base salary for an APS 3 and this pattern applies through all classifications to EL 2. The 2005 salary overlap pattern is similar to that provided in the 2004 APS remuneration survey.

¹¹ The 2005 APS remuneration survey uses three salary classifications in its analysis. 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. 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. Total Reward (TR) represents TRP plus bonus payments.

¹² The Average Annual Wage Increase (AAWI) in Collective agreements from comparable industry sectors remains slightly higher (at 4.4%) than the non-SES TRP median reported by Mercer in the 2005 APS remuneration survey.

¹³ Methodological changes made to the 2004 APS remuneration survey inflated the percentage increases.

These findings are consistent with the devolved agreement making arrangements where each agency can, subject to budgetary constraints, tailor their recruitment and remuneration policies to reflect the requirements of their agency. Base salary overlaps across all non-SES classifications are also consistent with the earlier finding that agencies are using AWAs to maintain an employee's pay and conditions upon moving from another agency. Where this is being driven by demand for widely-used specialist skills, there could be some potential for agencies to create a bidding war that unnecessarily increases pay levels. One way of avoiding the worst aspects of bidding wars for scarce skills and knowledge is through effective workforce planning strategies which place greater emphasis on developing specialist skills and experience internally.

Evaluation of APS Agencies' Remuneration Policies

This evaluation, conducted in 2005, examined agencies' written remuneration policies as they relate to AWAs for non-SES employees, and assessed the efficacy of the interaction of these policies with other strategic corporate policy associated with workforce planning.

In the APS, tailored remuneration arrangements are predominately managed through AWAs and are generally linked to a performance bonus scheme that identifies agency outcomes, and individual contributions to those outcomes. An effective performance pay scheme can deliver several key outcomes including flexibility in remuneration levels and improved employee attitudes, behaviours and commitment.

Employee acceptance of remuneration arrangements is crucial for an individualised pay system to meet management objectives. This turns on perceptions of fairness, direct application to the individual and consistent application across an agency. The evaluation found that transparency in these processes is paramount in gaining employee acceptance, and that a written remuneration policy was critical to gaining this support. However, the 2006 agency survey found only 37% of APS agencies had written remuneration policies in place (23% of small, 38% of medium, and 57% of large agencies) for non-SES employees on AWAs.

An examination of agency-written remuneration policies showed that:

- larger agencies were more likely to offer lower level staff AWAs
- the collective agreement salary established the minimum base salary of commencement of an AWA
- regardless of agreement type, there was a direct relationship between ratings from performance assessment and reward
- remuneration policies dealt primarily with pecuniary issues of base salary and/or performance related pay arrangements with no reference to an employee's scope to vary conditions of employment.

A benefit of longer term strategic planning identified by the evaluation was that it increased an agency's capacity to meet skills requirements through planned skills development linked (where appropriate) to planned succession management. The more long term an agency's strategic planning, the greater the scope to address skills requirements through less reactive approaches than the simple offer of a higher salary or bonus.

A likely inhibitor on the development of agency remuneration policies identified in the evaluation was that for many agencies, longer term, strategic corporate objectives remain unclear. As a consequence remuneration policies in these agencies tended to be reactive and process oriented, or undocumented altogether.

Performance bonuses

Performance bonuses are an important element in managing workplace performance in the APS and can add considerably to remuneration for those employees who receive them. The 2005 APS remuneration survey data shows that although 36% of non-SES APS employees are eligible for bonuses, employees covered by AWAs were considerably more likely to be eligible than their collective agreement-covered colleagues.

The 2005 APS remuneration survey found that non-SES bonuses are overwhelmingly focussed on performance. Receiving performance bonus payments is commonly associated with employees meeting high performance objectives. However, the APS remuneration survey found that, in some cases, they are also used to provide a performance incentive to those employees already at the top salary point in their classification.

A substantial minority of non-SES employees are eligible for performance bonuses. The 2005 APS remuneration survey reported that 36% of non-SES APS employees are eligible (27% last year) with APS 1–6 classifications averaging 20% eligibility. More than half of EL employees are eligible (52%). The average actual bonuses paid to staff generally increased with classification ranging from 1.7% of base salary for an APS 1 to 4.9% of base salary for EL 2s. As with the 2004 results, the 2005 APS remuneration survey found average bonuses for AWA-covered employees were considerably higher than the average bonuses paid to collective agreement-covered employees. Moreover, the difference at the top end of the non-SES classifications was larger when compared to last year, primarily due to a higher proportion of eligible collective agreement employees not being paid a bonus.

Almost all SES employees are eligible for a bonus. The 2005 APS remuneration survey reported that 87% of SES were eligible (compared to 85% last year) and, of those, 84% actually received a bonus payment (85% in 2004). The percentage increase in bonus payments from 2004 to 2005 for SES Band 1 was 2.9%, for SES Band 2, 1.7% and for SES Band 3, 6.8%.

The 2005 APS remuneration survey also found that an increasing number of SES AWAs contain provisions that provide for salary increases to be taken in the form of a bonus payment—from 5% of SES Band 1 AWAs in 2004 to 19% in 2005, from 12% of SES Band 2 AWAs in 2004 to 24% in 2005 and 10% of SES Band 3 AWAs in 2004 to 29% in 2005. This could suggest that, at the SES levels, employees are becoming more confident in the processes and outcomes associated with performance pay. See Chapter 7 for a discussion on overall employee views on performance bonuses.

Funding arrangements

The last two State of the Service reports touched on the matter of pay increases in the APS and their funding. Those reports suggested that the policy parameter that requires the ongoing funding of remuneration increases for collective agreements and AWAs largely 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. This trend continued during 2005–06, with the gap between APS and the private sector average wage increases continuing to close over the past four years.

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 2006 State of the Service employee survey indicated that 67% of APS employees (66% last year) had a tertiary qualification (including all post-secondary school qualifications)¹⁴; comparative data for the broader Australian labour force is 47% with tertiary qualifications according to the 2001 *ABS Census of Population and Housing*. When wage increases in the APS are compared to industry sectors with a similar educational qualification profile, APS collective agreements have recorded lower wage increases over the past three years, and the level of wage rates continues to be behind comparable sectors at a range of classifications. This limited evidence tends to suggest that there is little if any ‘bidding up’ of pay amongst APS agencies beyond what the broader labour market demands, at least for employees covered by collective agreements.

¹⁴ 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.

In an increasingly tight labour market wage pressures appear set to continue and, while the flexible wage-setting mechanisms in the APS have allowed agencies to successfully compete in the current labour market climate, our continued success into the future is not guaranteed. The generational change creating labour market supply shortages causes particular problems for the APS given our skill requirements, the concentration of the APS workforce in Canberra, the generally lower APS remuneration compared to private sector equivalents and the nature of our funding arrangements.

To help address the challenges thrown up by tight labour market conditions, agencies need to draw on the many positive features of working in the APS, including the nature of its work in strategic policy development and service delivery to the public, its unique development opportunities and its values-framework, to position the APS as an 'employer of choice'. Agencies need to demonstrate a 21st century approach to work-life balance—an approach that caters for more mobile career patterns among younger workers, flexible work options for older workers that encourage continued participation in the workforce, and working arrangements that allow all employees to balance their work and non-work lives. Chapter 5 indicated that this is already an area of relative strength for the APS. Additionally, new technologies and more efficient work practices are likely to enable a more sophisticated APS workforce to continue to increase its productivity and to lead to a reduction in workforce numbers in some areas.

Regardless of how successful the APS is in recruiting and developing quality staff, however, individual agencies will need to confront the budgetary pressures created by these workforce challenges, including higher remuneration and increased investment in both technology and staff training and development.

The *State of the Service Report 2004–05* discussed the current funding arrangements and the substantial overall productivity gains required to be made by APS agencies. The report made the reasonable assumption that, in a tightening labour market, agencies and, in particular, small agencies may experience difficulties in matching the market rates for the skills they require under the current funding arrangements. At face value, the 2005 APS remuneration survey suggests that small agencies are competing effectively. However, having a 'small agency' size band that includes agencies with up to 499 employees may serve to mask problems being experienced by smaller agencies.

Although some agencies may achieve the required efficiencies through genuine efficiency gains or sensible re-prioritising, others may have no choice but to fund pay increases by cutting worthwhile activities and/or reducing numbers of employees. This in turn could lead to a reduced capacity to absorb new initiatives and to deliver on core responsibilities.

To meet increasing wage and condition pressures without cutting activities and/or employees, new approaches to meeting these budgetary challenges may need to be considered. The current arrangements are likely to hinder APS agencies, particularly small agencies, competing for high quality staff in an ever-tightening labour market. Consideration of a 'safety valve' for agencies in stress may be warranted.

Record keeping

The maintenance of effective record keeping systems is a key part of overall organisational capability, as well as an important component in an agency's governance arrangements. Effective record keeping assists agencies in achieving their business goals by ensuring the accessibility of required information and allowing employees to meet their obligations of accountability to the Government and the community. It allows agencies to demonstrate that due process has been followed in actions and decisions.

Record keeping has attracted substantial attention in recent years. Although there has been an increase in the transparency of record keeping, a number of reports have raised concerns about its quantity and quality, notably from the ANAO. Record keeping has also been raised in the context of specific cases of concern such as the Magnetic Resonance Imaging Services case¹⁵ and A Certain Maritime Incident.¹⁶ In part, this increased attention has arisen because record keeping in the APS has been affected by greater public scrutiny through administrative law reform and parliamentary oversight over the past few decades. However, it also reflects a greater emphasis on achieving results.

Last year's State of the Service report noted that although administrative law reforms such as the *Freedom of Information Act 1982*, have generally led to improvements in public administration, there is a risk that these reforms may inhibit formal record keeping. The Ombudsman has undertaken a review of departments' handling of freedom of information applications this year, with the results reported in Chapter 11. The Commission's publication, *Supporting Ministers, Upholding the Values*, released in March 2006, provides a range of good practice suggestions as to how record keeping should be handled in public servants' dealings with Ministers' offices.¹⁷

Technology has also had a major impact on record keeping practices. The ANAO has previously identified limited controls over electronic records as a significant risk in the non-capture and unauthorised disposal of records.¹⁸ Electronic records that need to be captured effectively include important email messages, databases containing case records with long-term value, and records of online business.¹⁹ The ANAO recently published its third audit of record keeping, *Recordkeeping including the Management of Electronic Records*.²⁰ The findings of the audit, which focused on record keeping practices in three major agencies, were similar to its previous two audits. The audit noted that electronic environments pose particular problems for adequate record keeping, but that this should not impinge upon the obligation of the APS to effectively maintain records. The report indicated that work was required in each of the agencies examined to enable them to fully meet their record keeping responsibilities.

Based upon the findings of all three audits, the ANAO provided the following recommendations to assist organisations to meet their record keeping responsibilities: recognise record keeping as an integral part of 'doing business'; undertake a record keeping needs analysis; develop medium to long term strategies to deal with increasing volumes of electronic records; ensure that policies address all systems, both paper-based and electronic; determine the information that needs to be created within each major area of activity; and supplement strategic and policy frameworks with ongoing training and advice to employees.

Another influence on record keeping, identified by the National Archives of Australia, is an increasing reliance on outsourcing, and contractors or consultants. This can have implications for corporate memory and mean that the organisation must depend more heavily on recorded information.²¹

¹⁵ ANAO, *Magnetic Resonance Imaging Services—Effectiveness and Probity of the Policy Development Process and Implementation*, Performance Audit No. 42, May 2000, <<http://www.anao.gov.au>>

¹⁶ Senate Select Committee on a Certain Maritime Incident, *A Certain Maritime Incident*, October 2002, <<http://www.senate.aph.gov.au>>

¹⁷ Australian Public Service Commission, *Supporting Ministers, Upholding the Values: a good practice guide*, Commonwealth of Australia, Canberra, <<http://www.apsc.gov.au/publications06/supportingministers.pdf>>

¹⁸ ANAO, *Recordkeeping in Large Commonwealth Organisations*, Report No.7, September 2003, <<http://www.anao.gov.au>>

¹⁹ NAA, *Recordkeeping: a new approach*, <http://www.naa.gov.au/recordkeeping/overview/new_approach.html>

²⁰ ANAO, *Recordkeeping including the Management of Electronic Records*, Audit Report No. 6, October 2006. <<http://www.anao.gov.au>> This audit was published late in the production cycle of the *State of the Service Report 2005–06* and will be discussed in further detail in next year's report.

²¹ NAA, *Recordkeeping: a new approach*, <http://www.naa.gov.au/recordkeeping/overview/new_approach.html>

Poor record keeping is also routinely raised by the Ombudsman as an impediment to the proper handling of complaints by members of the public (see Chapter 11 and previous State of the Service reports).

Last year, the Palmer Inquiry²² and the Comrie Inquiry²³ raised concerns about the integrity of the then DIMIA's systems and processes, including systems for record keeping.

In response to the issues raised by Palmer and Comrie, DIMIA sought the NAA's assistance in reviewing its record management training and practices. The NAA's report, *Recordkeeping in DIMIA: A Strategic Review*,²⁴ recommended that the department build systematic record keeping into business processes and systems. DIMIA's response to the NAA's recommendations was outlined, among other initiatives, in *12 Months after Palmer: On the Move to Improve*.²⁵ *The DIMIA Plan 2006–07*²⁶ also has a focus on improving information management.

DIMIA's experience, although based on its own particular circumstances, demonstrates what can go wrong when record keeping fails within agencies. It is likely that the issues raised are experienced to a greater or lesser degree across the APS, particularly as they relate to managing records in an electronic environment.

The importance of effective information management was highlighted in work prepared by the Commission for the Public Service Commissioners' Conference, which drew together views across jurisdictions and from the relevant literature on the early detection of unhealthy symptoms in underperforming agencies. The review highlighted effective information management and good record keeping as one of the signs of a healthy agency. Conversely ineffective information management could be an early warning sign of an underperforming agency.

Agency measures to improve record keeping

Based on both the State of the Service surveys, it appears that many agencies are making record keeping a high priority. Almost all APS agencies took some measures to improve record keeping during 2005–06 (90%). The level of activity increased with agency size, with all large agencies having adopted at least one measure.

The most common measure was a review or implementation of systems to support record keeping (see Figure 8.4). Measures involving staff training and reviews of record keeping policies and procedures were also common.

The review of record keeping capability of line-of-business systems and the introduction of a best practice guide to record keeping were less common, but were being developed in a substantial proportion of agencies.

²² M.J. Palmer, *Inquiry into the Circumstances of the Immigration Detention of Cornelia Rau: Report*, July 2005, <<http://www.minister.immi.gov.au>>

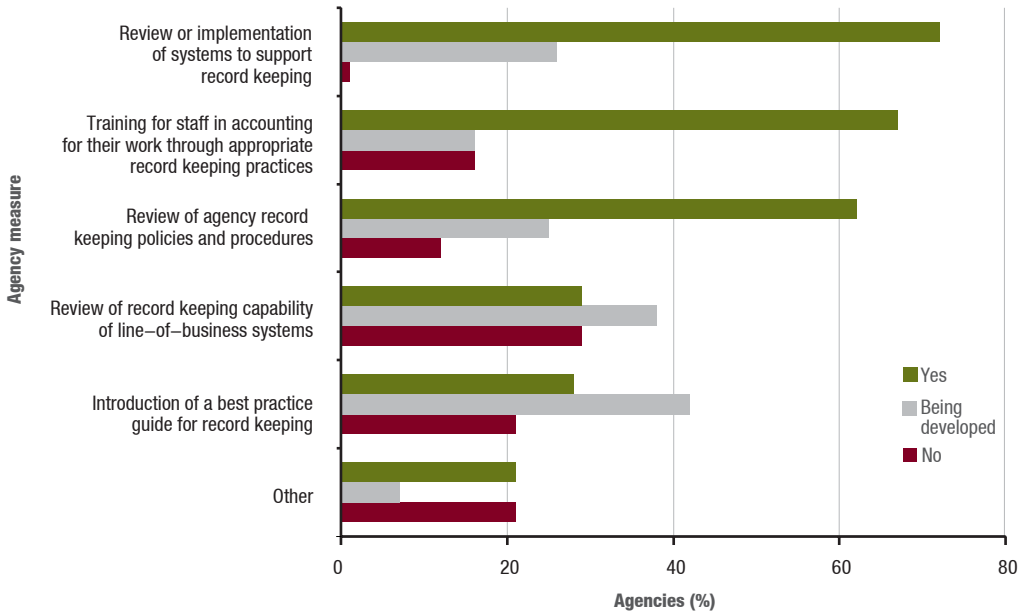
²³ Commonwealth Ombudsman, *Inquiry into the Circumstances of the Vivian Alvarez Matter*, (Report by the Commonwealth Ombudsman of an inquiry undertaken by Mr Neil Comrie), September 2005, <<http://www.ombudsman.gov.au>>

²⁴ NAA, *Recordkeeping in DIMIA: A Strategic Review*, February 2006, <<http://www.immi.gov.au/about/department/perf-progress/dima-improvements/>>

²⁵ DIMA, *12 Months After Palmer: On the Move to Improve*, September 2006, <http://www.immi.gov.au/media/publications/department/_pdf/palmer-progress-a5-booklet-web.pdf>

²⁶ DIMA, *The DIMA Plan 2006–07*, July 2006, <<http://www.immi.gov.au/about/department/dima-plan/dima-plan.pdf>>

Figure 8.4: Specific agency measures to improve record keeping, 2005–06



Source: Agency survey

Around one-fifth of agencies indicated that they had implemented measures other than those included in the agency survey. These included educational strategies, conformance reporting, intranet news items and dedicated record keeping project officers.

Assessing the effectiveness of this level of agency activity is more difficult. Employees are generally supportive of the general commitment of their agency to record keeping, with the large majority believing that their agency considers good record keeping practices to be very important (87%). This figure is the same as last year, but slightly higher than the result in 2002–03 (84%). There was generally high agreement with this question across large agencies, ranging from 72% to 97%.

Employees were less positive, however, about whether, in the last 12 months, record keeping practices in their agency had generally improved—45% of employees agreed and 10% disagreed. Many employees did not appear able to make a judgement, with 36% neither agreeing nor disagreeing. Agreement within large agencies varied from 18% to 59%. It seems that many of the initiatives undertaken by agencies have not yet had a real impact on employees on the ground, particularly in small agencies where employees are generally less positive about their agency’s efforts.

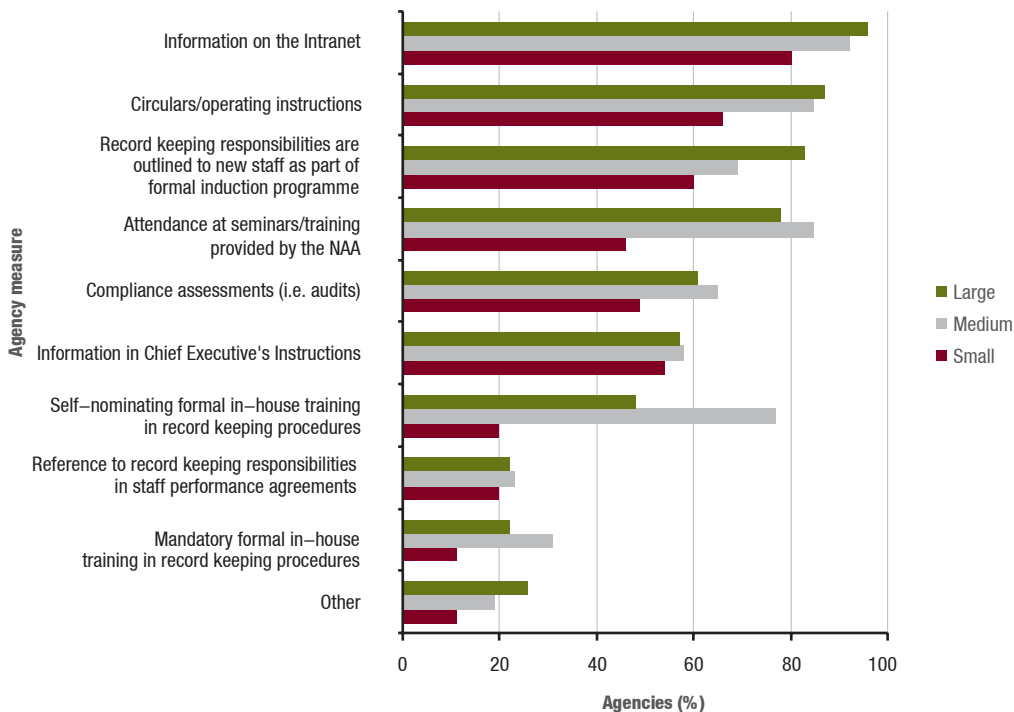
Employees inside the ACT were generally less positive than those outside the ACT across most record keeping issues, possibly reflecting differences in the nature of work performed by these employees. There are also continuing differences between EL and APS 1–6 employees. In particular EL employees were almost twice as likely to disagree (16%) that agency record keeping practices had generally improved than APS level employees (9%).

Communicating record keeping responsibilities

In reviewing DIMA's record keeping practices, the NAA placed a strong emphasis on the provision of adequate training to employees, and encouraging employees to take their record keeping obligations seriously.

Agencies have put in place a range of measures to make employees aware of their responsibilities in relation to record keeping. The most commonly used measure was placing information on the Intranet. Circulars, operating instructions and outlining record keeping responsibilities to new staff as part of formal induction were also widely used. Around two-thirds of agencies had staff attend seminars and training provided by the NAA. Compliance assessments (i.e. audits) and information in Chief Executive's Instructions were used by just over half of agencies. All measures were less used by small agencies than other agencies (see Figure 8.5).

Figure 8.5: Agency measures to ensure employees are aware of their record keeping by agency size, 2005–06



Source: Agency survey

Consistent with the high level of agency activity, the large majority of employees believed that they receive appropriate training and/or have access to information that enables them to meet their record keeping responsibilities. There was a higher level of agreement (72%) than last year (67%), with agreement showing a generally upward trend since 2003.

In line with results for the importance agencies place on record keeping, employees from inside the ACT and from small agencies were less likely to agree. This is a similar pattern to previous years.

Despite the generally good results overall, agreement within large agencies ranged widely from 42% to 83%. The agencies with agreement rates significantly above the APS average were ABS, AGD, CRS and Centrelink.

Most employees (75%) believed that their agency provides adequate equipment, facilities and/or storage to enable them to meet their record keeping responsibilities—results were similar to last year, although the level of disagreement was down slightly. Once again, those outside the ACT were more likely to agree than those inside the ACT. Agreement across large agencies ranged from 56% to 92%.

Employees were generally very positive about their own commitment to, and understanding of, record keeping. The vast majority agreed (90%) that they understand their responsibilities in relation to creating and maintaining records, although those from small agencies were less likely to agree. There was generally high agreement with this question across large agencies, with results ranging from 59% to 95%.

The majority also agreed (80%) that an important aspect of their job is meeting their record keeping responsibilities. Those from small agencies were again less likely to agree. Agreement across large agencies ranged from 75% to 96%.

Despite these positive results, employees seem to be struggling to find enough time to do their record keeping. Just over half of employees (59%) agreed that, considering their work demands, they have enough time to meet their record keeping responsibilities (22% disagreed). Agreement across large agencies ranged from 41% to 72%. This is consistent with the concern identified by the NAA that the pace of change and demands made of individuals in modern government puts great pressure on the capacity of people to make good records. The NAA has stressed that these pressures make it all the more important that good, easy-to-use systems are in place to help people achieve essential record keeping.²⁷

Classification again had a significant relationship to views about record keeping, with APS level employees showing higher levels of agreement than other employees for most items. The clearest difference related to whether, considering their work demands, employees feel they have enough time to meet their record keeping responsibilities. Sixty-four per cent of APS level, 41% of EL and 34% of SES agreed.

The high level of activity in relation to record keeping, and generally positive views about record keeping, need to be tempered somewhat by the reality of the deficiencies in record keeping identified by the ANAO, Palmer and Comrie and the Ombudsman. Although the understanding of employees of the importance of record keeping is encouraging, it needs to be translated into more effective procedures on a day-to-day basis. In this regard, the NAA's recommendations to DIMA to integrate record keeping as a part of routine operations should have resonance for all APS agencies.

Electronic Business Systems (EBS) for record storage

The growing use of electronic records has been a major challenge for agencies' record keeping systems. Agency survey results this year confirm that this is an area which many agencies are just beginning to address.

Table 8.3 shows that the use of a number of measures to deal effectively with electronic records are not yet widespread across APS agencies, with only approximately one third of agencies using each of the listed elements in their electronic business systems. Levels of interest are increasing with significant proportions of agencies reporting that they were developing each initiative.

A digital preservation plan was the least commonly used initiative. However, almost half of agencies had this plan in development.

²⁷ NAA, *Recordkeeping: a new approach*, <http://www.naa.gov.au/recordkeeping/overview/new_approach.html>

Table 8.3: Elements of agency's electronic business systems, 2005–06

	Yes %	Being developed %	No %
Formal mechanisms in place to ensure that record keeping requirements are addressed in the design and management of your agency's electronic business systems	37	40	20
The use of a records disposal authority ²⁸ to manage data as records within the agency's electronic business systems	37	43	20
The use of a taxonomy ²⁹ to manage data as record within the agency's electronic business systems	35	30	35
The use of a thesaurus ³⁰ to manage data as record within the agency's electronic business systems	32	31	36
A digital preservation plan to ensure that corporate data of long term or ongoing value remains accessible	18	45	37
Other	2	7	27

Source: Agency survey. Note figures may not total 100% as some agencies did not provide responses to all items.

In contrast to other record keeping policies, on average, medium-sized agencies were more likely to have these elements of their electronic business system currently in place, followed by small and large agencies. Small (43%) and medium-sized agencies (46%) were far more likely than large agencies (17%) to have formal mechanisms in place to ensure that record keeping requirements are addressed in the design and management of their agency's electronic business systems. However, the majority of large agencies (61%) had these mechanisms in development.

Reflecting the early stage that many agencies are at in dealing with electronic records, most agencies still use traditional forms of storage of corporate emails as the official corporate record, with by far the most common method being to print and file into registered paper correspondence files (93% of agencies). The next most common methods were to save into personal email folders (65%) and save into shared drives (54%). Other methods used by less than half of agencies included saving into an email storage or email archiving system (39%), saving into personal drives (37%), and saving into a corporate Electronic Document and Records Management (EDRM) system (35%). The heavy concentration on printing off emails and saving on personal email folders is of concern, particularly given the warnings by the ANAO of the risk of the non-capture of electronic records.

Record keeping, both at an organisational and an individual staff level is clearly an area where many agencies need to improve their capability. With this in mind, MAC is undertaking a project on effective record keeping designed to enhance the understanding, capability and motivation of staff to make appropriate records. The MAC report, which will consolidate existing material and ensure that key messages and recommendations are practical and can be readily understood and applied by employees with record keeping responsibilities, is expected to be released in early 2007.

Key chapter findings

The challenge of sustaining high levels of organisational capability currently facing the APS is not new. Many of our current challenges centre around the demographics of an ageing APS workforce combined with the projected tightening of the labour market. This situation is not expected to ease in the short to medium term.

²⁸ A legal document issued by the NAA to authorise the disposal of Commonwealth records in accordance with the *Archives Act 1983*.

²⁹ A classification system applied to records in a particular business information system, within a particular organisational setting. It is a hierarchical system for classifying records based on the business activities that generate the records.

³⁰ An alphabetical presentation of a controlled list of terms, linked together by semantic, hierarchical, associative or equivalence relationships. Such a tool acts as a guide to allocate classification terms to individual records.

The potential for skills shortages have been highlighted repeatedly in successive State of the Service reports and this year received renewed emphasis with MAC's report, *Managing and Sustaining the APS Workforce*. The evidence is now emerging that skill shortages, particularly in areas of specialist skills such as information technology, accounting, and financial management, are becoming widespread across the APS.

APS agencies are increasingly responding in a more systematic way to these challenges. More are implementing formal workforce planning and there is some evidence of increased workforce planning capability and an increasing focus on measures to deal with workforce challenges.

The evidence in the chapter, however, highlights some important challenges. In particular, and consistent with the findings of *Managing and Sustaining the APS Workforce*, many agencies have identified skills gaps both for their SES, but more particularly, for their SES feeder groups. This is an area of concern in relation to current and future organisational capability. Agencies need to take seriously the need to develop the capacity of the SES feeder group and take a more systematic approach to identifying future leaders.

Part of the response to our growing workforce challenges will inevitably be ensuring that we have the right remuneration strategies in place. APS non-SES salary increases continue to be slightly ahead of overall private sector wage increases, but the difference is narrowing and increases have now been less than the most comparable private sector industries for the past three years. In addition, there is a continuing remuneration gap between the actual level of remuneration received by many APS employees and their private sector equivalents. If this trend continues APS agencies may begin experiencing more difficulties in recruiting quality staff.

Overall, the relationship between organisational capability, remuneration policies and a high quality APS workforce suggests that the APS needs to take a more strategic and integrated approach to developing remuneration policies. Agencies need to have a particular focus on areas of specialist skills in high demand and will benefit from supporting the APS-wide professional communities of accountants, statisticians and ICT professionals being established in response to *Managing and Sustaining the APS Workforce*.

Nevertheless, no matter how innovative our approaches we will need to confront the budgetary pressures that meeting these workforce challenges will create, including higher remuneration and increased investment in both technology and staff training and development. Pressures on our one-size-fits-all financial allocation process, in an ever-tightening labour market, will only increase.

The area of record keeping continues to be a problematic one for the APS as a whole and for individual agency effectiveness.

Overall, the agency and employee survey results regarding record keeping were fairly positive, highlighting the fact that most agencies consider record keeping a priority issue. Employees, however, have mixed views about the success of these efforts and many feel that, considering their work demands, they do not have enough time to meet their record keeping responsibilities. There is also limited evidence that agencies are dealing with the challenge of electronic record keeping effectively.

The experience of DIMIA demonstrates what can go wrong when record keeping fails, and reinforces the importance of making record keeping a routine part of business operations within all APS agencies. MAC's project on record keeping should be a useful tool in reinforcing the priority of record keeping to all employees and encouraging agencies to develop practical, business-oriented, and easy-to-use systems in place to help people achieve essential record keeping.