APS Hierarchy and Classification Review
Discussion Paper

7 May 2021

Purpose

This paper is intended to open up a conversation on the future of how the APS operates, to inform the Hierarchy and Classification Review panel's recommendations and final report ('the Review'). It sets out key issues and questions in relation to APS hierarchy and classification structures, with submitters invited to make a submission by Monday, 7 June 2021. Your feedback will help shape the APS's operations for many years to come.

Context

As part of the Australian Government's APS reform agenda, *Delivering for Australians*, the Australian Public Service Commission (APSC) launched in March 2021 a review of SES and non SES classification levels against best practice and emerging workforce needs. An independent panel consisting of Dr Heather Smith PSM, Ms Kathryn Fagg AO FTSE and Mr Finn Pratt AO PSM are overseeing the Review.

The Review is exploring opportunities to:
- streamline decision-making structures, providing flexibility to respond to changes including new ways of working;
- promote a culture of delegations and decision-making being made at the lowest level possible;
- ensure spans of control reflect the type of work being managed and jobs are classified according to work level; and
- simplify and clarify workforce management guidelines.

The independent panel will report to the APS Commissioner in the second half of 2021. The Review's Terms of Reference, including principles and scope, are available at Attachment A.

Observations and opportunities

The structure of the APS is changing

There are observable changes to APS classifications over time. Figure 1 indicates the APS has seen a broad proportional shift in APS and EL classifications since 1990, while the proportion of ongoing employees in SES levels has remained relatively stable. This shift is reflective of broader trends and changes in the economy towards new ways of working, technological advancements and the changing nature of roles.

Figure 1
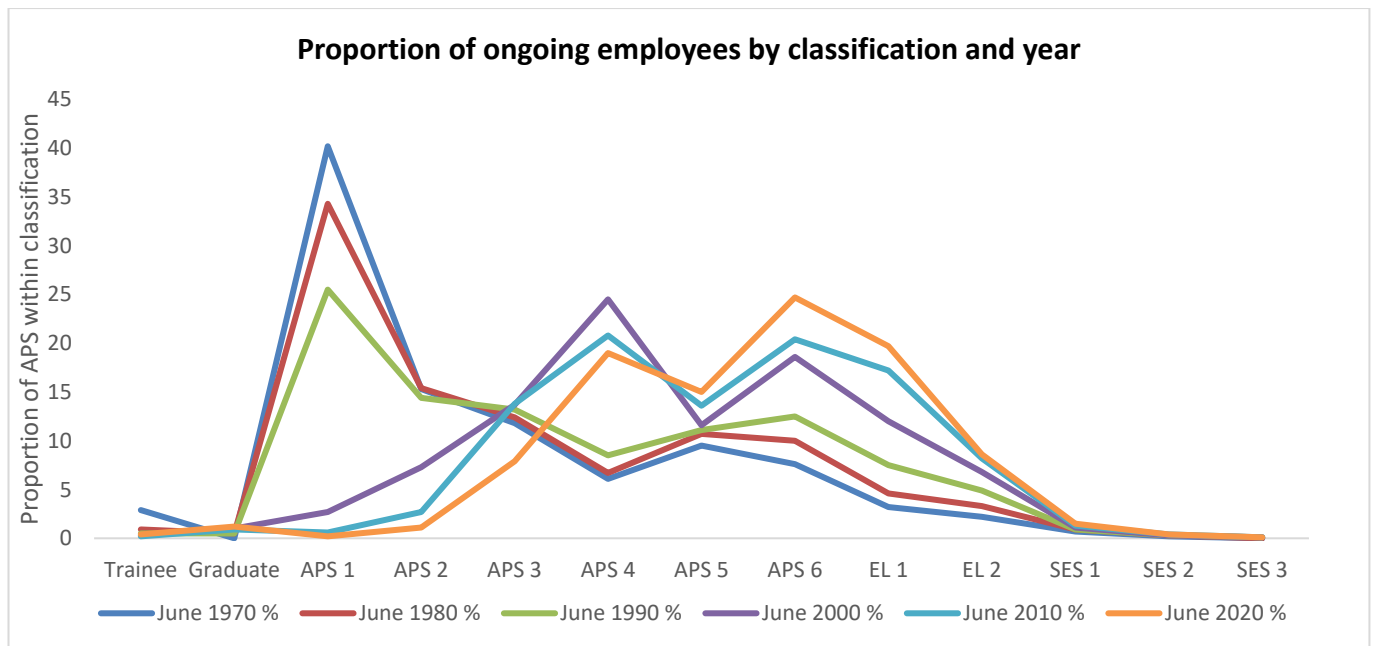
Source: 2020 Australian Public Service Employment Database (APSED)

The data demonstrates APS 6 is now the most common classification, compared to APS4 in 2001 (then 24.7%) and APS 1 in 1990 (then 25.5%). At 30 June 2020, APS1/APS2 have virtually disappeared from the public service, with the main entry level now at APS3/APS4.

Our classification system is designed to operate as a universal system covering all departments and agencies regardless of the nature of work carried out by those entities. Figure 2 below demonstrates how classification peaks vary across job groupings.[1]

Figure 2
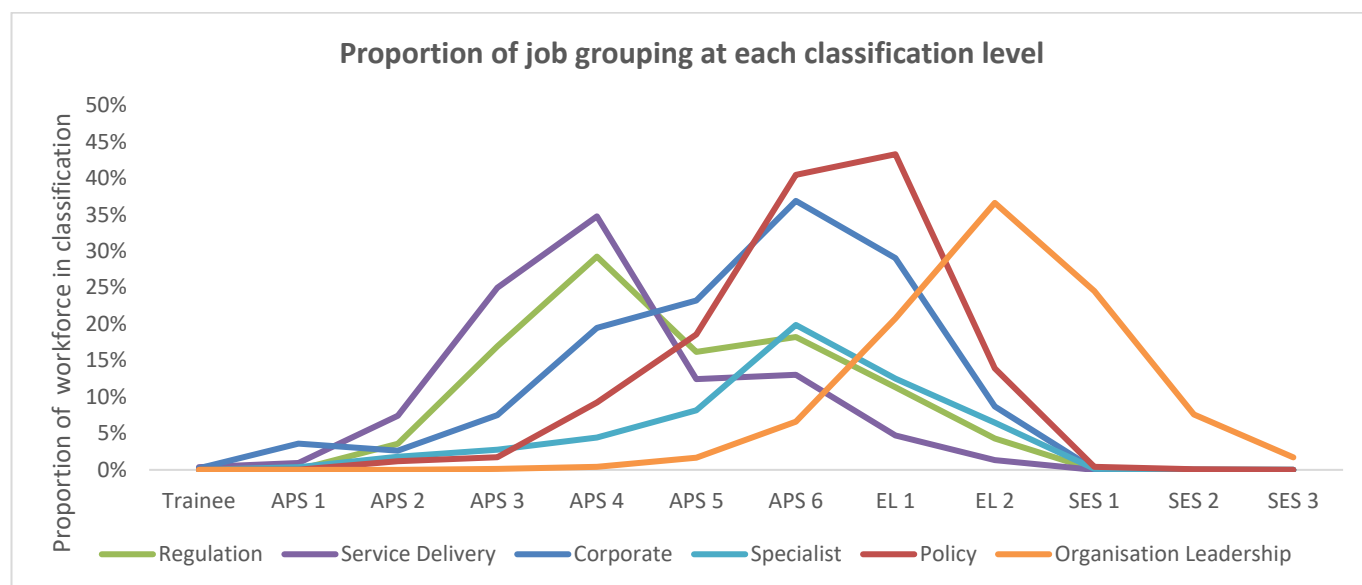
Source: 2020 APSED

Emerging Workforce Trends

The APS Workforce Strategy 2025 shows change is impacting the context in which the APS delivers services. The shifting technological landscape, changing citizen expectations, and accelerated demand for skills and talent are all impacting the APS workforce and have implications for hierarchy and classification structures. Automation and digital transformation will change the way jobs are designed, how APS employees work, and the skills required.[2][3]

The nature of work needed in the public sector is evolving and new skills are required, with strong competition in the labour market for specialist skills such as data, ICT and digital technology. Looking forward, non-routine, cognitive jobs with an emphasis on non-technical skills are likely to be the most resilient in the face of automation, as will locally-delivered services requiring a high level of personal interaction.

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[1] 'Job groupings' created by bringing together job families, acknowledging there are some that are not exclusive: Regulation (Compliance and regulation job family), Service Delivery (Service delivery job family), Corporate (Accounting and Finance, Administration, Communications and Marketing, ICT, Human Resources, Information and Knowledge Management, Monitoring and Audit job families), Specialist (Engineering and Technical, Intelligence, Legal and Parliamentary, Heath, Science and Trades and Labour job families), Policy (Project and Program, Research and Strategic Policy job families) and Organisation Leadership (Organisation Leadership job family)
[2] Commonwealth of Australia, APSC (2021) *Delivering for Tomorrow: APS Workforce Strategy 2025*
[3] Commonwealth of Australia, PM&C (2019) *Strengthening Skills, Expert Review of Australia's Vocational Education and Training System*

New organisational structures and working models are also emerging, based on empowered, self-managing teams and collaborative, iterative ways of working to deliver faster results.[4] The leadership of agile teams often requires new skills and mindsets to be entrenched across the sector. Rightly, government and community expectations of the public sector continue to grow, with implications around APS responsiveness, service delivery, agility, capability and integration.

Job seekers now have access to more transparent information about employee experience and incoming public servants also have different expectations and preferences. The 'career for life' is no longer attractive to many job seekers.[5]

Agencies are also meeting needs through a combination of core workforce and external suppliers, with contractors and consultants supplementing employee capability in a range of circumstances, such as where specific skills are required for a short period of time.

Layers and spans of control

The *2019 Independent Review of the APS* concluded that current organisational arrangements in the APS lack the flexibility and responsiveness needed to meet the needs of a rapidly changing and connected operating environment. Surveys and interviews reported decision-making processes were inefficient and overly hierarchical, impeding innovation.[6]

Among other findings, the *2019 Independent Review of the APS* noted best-practice span of control targets are not being met, decisions involving risk tend to be escalated to the top of the hierarchy, and senior ministers would like greater access to the subject matter experts. Census data suggests hierarchical structures are a barrier across all levels for the APS, particularly being felt at the EL group (refer Figure 3).

Figure 3
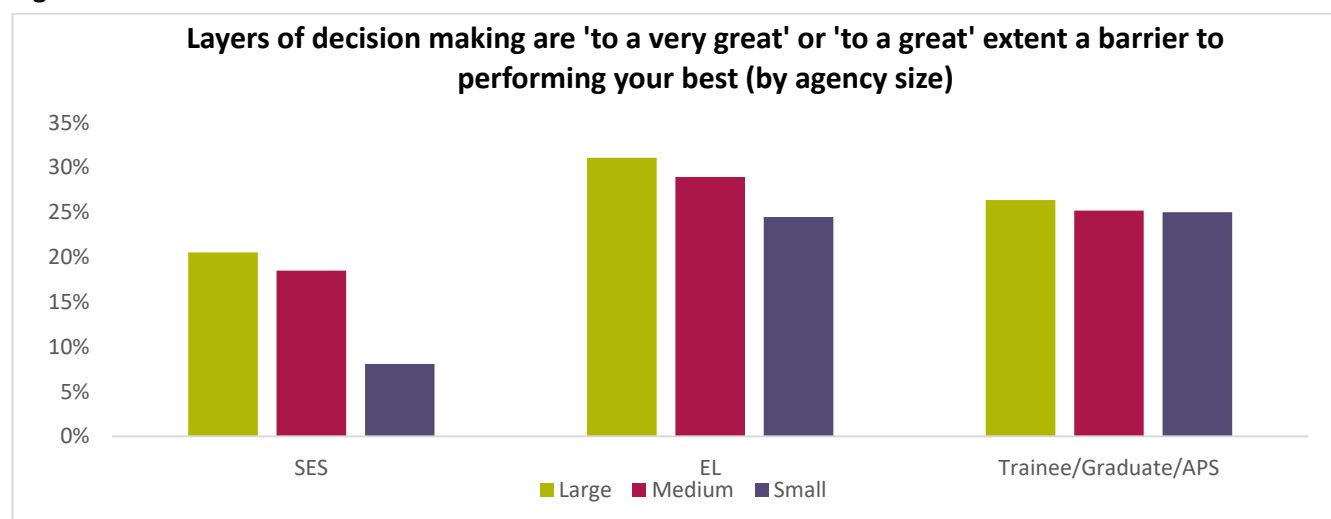
Source: Australian data from 2020 APS Census

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[4] Wouter, A et al (2018) *The five trademarks of agile organizations*, McKinsey
[5] Deloitte (2020) *Deloitte Global Millennial Survey 2020*
[6] Commonwealth of Australia, PM&C (2019) *Our Public Service, Our Future. Independent Review of the Australian Public Service*

Looking at opportunities for change, the *2019 Independent Review of the APS* noted fewer organisational layers and broader spans of control can reduce duplication and improve performance. It found large organisations are adopting agile ways of working, reducing hierarchy, and delegating more decision-making authority to front-line and project managers to encourage rapid and informed decision-making, and enable greater flexibility.

Multiple management layers can slow decision-making processes, reducing responsiveness. Conversely, fewer layers can improve communication, increase accountability, and bring decision makers closer to the front line (in many cases, to the public they are serving). However, there is no one number for the right span of control or layers across all organisations.

It is also important to tailor team structures to suit business needs, strategic priorities, and type of work.[7] Factors that influence appropriate spans of control include the nature of work, degree of standardisation, and the complexity and interdependency of work. For example, flat structures may suit areas with fast-changing priorities, while pyramid-like hierarchies can work well for areas requiring high levels of accountability.

The following chart shows changes in spans of control at EL levels from 2017 to 2020, based on average agency responses.

Figure 4
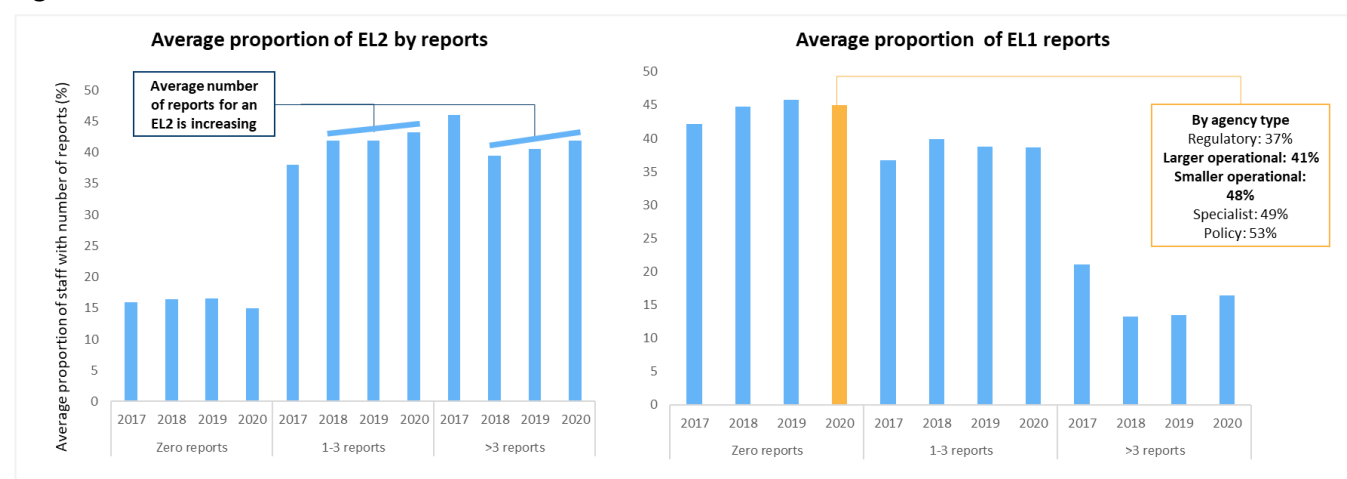
Source: 2017 - 2020 APS Agency Survey

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[7] McKinsey and Company (2015) *Getting organisational redesign right*; Deloitte (2015) *Reshaping public sector organisations. Evidence-based decisions on people, processes and structures*; Boston Consulting Group (2016) *A New Approach to Organisational Design*; ANU (2016) *From New Public Management to New Public Governance: The implications for a 'new public service'*; McKinsey & Company (2017) *How to identify the right 'spans of control' for your organization*; Forbes (2020) *The 5 Types Of Organizational Structures*

Culture and leadership

The Government and Australians expect a professional, capable, flexible, technology-enabled, citizen-focused APS.[8] Having a culture that fosters the mindsets and behaviours that produces these features is critical. This includes a 'one APS' mentality with effective collaboration across public sector, alongside a culture of responsibility, trust and decision-making being delegated to the lowest level possible.

A lack of accountability, ineffective performance management, heightened risk aversion, and a fear of failure can all inhibit the effectiveness of APS hierarchy and classification structures. Structures – the functional groupings and hierarchies within agencies – can serve as barriers or enablers to the work practices associated with an open, collaborative and responsive APS that is more willing to take calculated risks.

The APS workforce experienced a dramatic rise in remote working during the early stages of COVID-19 and has lived experience of moving fast with empowered teams centred on a common purpose. This presents opportunities to embed change around governance and operating models.

Feedback into past reviews reported classification systems do not necessarily create problems with hierarchy so much as the way they are used.[9] Understanding the intertwined nature of culture, leadership, capability and structure is crucial to a modern and effective APS.

Lessons from other jurisdictions

While there are differences in roles and responsibilities between the APS and state and territory public services, classification structures across all jurisdictions are relatively comparable. For example, most jurisdictions have distinct classification schemes for the 'officer' level and the 'senior executive' level, with approximately four senior executive classifications (including Secretary).

A key area of divergence is the handling of specialist roles. Some jurisdictions capture them through separate streams or specific classifications while others include specialist roles within a single classification system. Where jurisdictions have separate streams for specialist roles, some (e.g. QLD) have a system in place to accommodate transfer within and between classification levels and systems, preserving mobility.

Another area of divergence is the differentiation of middle managers. Unlike the APS, most (five out of eight) Australian jurisdictions do not differentiate their middle managers with a separate classification to officers. The APS's universal classification system also sets it apart from other countries. For example, Canada and New Zealand organise roles based on occupation groups, which provides direct pathways for specialists.

Overall, classification reforms in other jurisdictions shows that different drivers of reform will deliver different results, and must be considered in assessing their relative success.

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[8] Commonwealth of Australia, PM&C (2019) *Our Public Service, Our Future. Independent Review of the Australian Public Service*
[9] Commonwealth of Australia (*2011) Review of the Senior Executive Service, APSC* website

Points you may wish to consider in preparing your submission

- Do you agree with the *2019 Independent Review of the APS* assessment that APS classification structures are too hierarchical, impede innovation and agile decision making. If so why? If not, why?

- How can APS classification structures help the APS to operate more effectively as one enterprise?

- Our current classification structure allows for differentiation depending on agency size and role, along with work type and geographic location. Can the APS continue to accommodate a common APS-wide classification system?

- To what extent do you think of your role in terms of your classification, and how does that affect your work?

- Do you or does your agency identify people more closely with job titles or classification level?

- In assembling teams do you think managers ask first "what level of person do we need?" or "what skills do we need"? How could we change things so skills and knowledge come first?

- The APS response to COVID-19 and ongoing efforts to support economic recovery accelerated change across the APS and many reported a flattening of structures and increased delegations as part of the response. Was this your experience, and are there any lessons we should bear in mind when thinking about APS structures?

- How can the APS classification structure best support the attraction and development of technical and specialist skills, for example data, digital and cyber expertise?

- How can we better empower more junior employees and ensure that decision-making and responsibility is delegated to the lowest possible level in the hierarchy?

- How can we streamline decision-making to improve efficiency and timeliness?

- If you were responsible for updating the classification framework (or other elements of APS hierarchy), what would you change? And how?

Next steps

Your submission will be considered by the independent panel in the development of recommendations.

The independent panel will report to the APS Commissioner in the second half of 2021, including:

- recommendations on a clear, effective and efficient structure that is fit for the future;

- advice on implementation of recommendations arising from the review; and

- an updated *APS Framework for Optimal Management Structures.*

Public submissions are [now open](#) and will close on Monday 7 June 2021. Please direct any queries on the review to the Review Secretariat at [HCReview@apsc.gov.au](#).

*Please note we may publish your submission, unless you expressly request for it to remain confidential, or where we have determined (for any reason) it should not be made public (for example, content that may be considered offensive or give rise to legal action). We may redact parts of published submissions, as appropriate. We will collect personal information (limited to name and contact) when you make a submission, however you may choose to provide an anonymous submission if you feel it is appropriate. **Any necessary collection, use and disclosure of your personal information will be done in accordance with the Commission's [privacy policy](#).**

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Appendix A

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Review Terms of Reference

Context

In December 2019, the Australian Government released the *Independent Review of the Australian Public Service* (Independent Review) and announced an ambitious APS reform agenda.

The Government endorsed the Independent Review recommendation to adopt best-practice ways of working to reduce hierarchy, improve decision-making, and bring the right APS expertise and resources to an issue.

The APS Hierarchy and Classification Review will examine the APS Classification Framework (SES and non-SES levels) and its application to best support an effective workforce well equipped to deliver outcomes, in line with the government's response to the Independent Review and key actions addressed in the APS Workforce Strategy.

The review will be overseen by an independent panel, comprising Dr Heather Smith PSM as Chair and Ms Kathryn Fagg AO FTSE and Mr Finn Pratt AO PSM as panel members. The panel has been asked to provide a final report to the Australian Public Service Commissioner in the second half of 2021.

Review principles

The review panel will provide recommendations on an optimal management structure for the APS which represents:

- Streamlined decision-making and accountability with flexibility to respond to changes including new ways of working

- A culture of responsibility and decision-making being delegated to the lowest level possible

- Spans of control reflecting the type of work being managed

- Simplified and clear workforce management guidelines.

Recommendations should be practical and allow employees and duties to be classified under a common APS-wide classification system. Any new approach should allow for differentiation depending on agency size and role.

Specific deliverables for this project include:

1. Review and report on the current APS classification framework and develop recommendations on a clear, effective and efficient structure that is fit for the future.

2. Provide advice to the APS Commissioner on implementation of recommendations arising from the APS Hierarchy and Classification review.

3. Review and update the *APS Framework for Optimal Management Structures*.

In-scope

The following is included in the scope of work for this project:

- Review of the APS Hierarchy and Classification structure (APS1-6, EL1-2, SES 1-3) with particular attention on future-state and potential for new structures.
  - o Examine apprentice, graduate, trainee and cadet classifications (training classifications)
  - o Consider occupational-specific classifications and agency-specific classifications
  - o Consider the use of broad-banding within the APS classification framework
- Review of the *Public Service Classification Rules 2000*
- Review and update the 2014 *APS Framework for Optimal Management Structures*
- Comprehensive service wide consultation and communications at all levels
- Stakeholder engagement including union bodies and representatives
- Implementation plan for recommendations from the Hierarchy and Classification review and provision of advice to the APS Commissioner to engage with APS leadership and staff.

Out-of-scope

The following is not included in the scope of work for this project:

- Individual capability assessments
- Non-APS classification structures
- Changes to the current enterprise bargaining framework or harmonisation of pay and conditions across the APS
- Remuneration settings
- Average staffing levels (ASL) rules and decisions
- Regulation Impact Statement (RIS)/legislative amendment (to be addressed as part of implementation in forward years)
- Workforce planning tools and practices (i.e. role evaluation) which may form initiatives to be designed and delivered as separate projects under the implementation roadmap and/or APS Workforce Strategy
- Strategies to increase diversity representation at non-SES and SES levels (delivered via other initiatives).

Appendix B

The current framework

Classification is an orderly system for grouping employees on the basis of the work performed and the knowledge, skills and attributes necessary to perform the work. Since its inception, a central concept in the APS has been the recognition of the position or job as distinct from the individual who may from time to time occupy it—in other words, jobs are classified on the basis of the work to be performed and not the qualities of the occupant.

In the APS, the classification system aims to facilitate the recruitment and development of staff by:

- allowing employees and duties to be classified under a common APS-wide classification system, retaining work value as the basis; and

- providing the options for mobility within the APS and for the operation of merit-based promotions.

The APS-wide classification system is designed to be flexible to accommodate a wide variety of APS jobs in a diverse range of agencies. While APS agencies adopt a range of models, most adopt a traditional hierarchical characterised by pyramid-like structures. This is suited to types of work that require high levels of accountability and where the consequences of failure are high.

A single APS classification structure provides a basis for mobility within the APS and a mechanism for the operation of the APS merit-based promotion system. It is relevant to most, if not all, APS HR management activities such as agency-level productivity bargaining, performance management, learning and development, recruitment and selection, and workforce planning.

A single APS classification structure creates the sense of a unified and cohesive career-based public service that can help support whole-of-government approaches. In addition it provides a mechanism for maintaining the concept of a cohesive APS while still providing employees with the opportunity to have a wide range of work experiences.

The APS classification framework is applied and supported through legislative provisions, policy guidance and support tools. The *Public Service Act 1999* (the Act) enables the APS Commissioner to make rules about the classification of APS employees (section 23(1)). As such, the *Public Service Classification Rules 2000* set out the governing framework for APS classifications and section 23(3) of the Act provides an agency head must comply with these rules.

Work Level Standards (WLS) support classification and workforce management by:

- describing the work requirements/expectations critical for each classification level and the duties to be performed;

- distinguishing between different work level requirements in classification increments;

- ensuring equitable treatment of all APS employees; and

- providing a comprehensive statement of the broad job requirements, key duties and responsibilities, required skills and attributes, operating context and performance characteristics that embody effective performance at a particular work level.

Work value is a longstanding industrial principle and should be considered separately from remuneration and the capabilities or characteristics of the individual doing the job.

Past reviews

Since the creation of the APS in 1901, significant changes have been made to classification arrangements on six occasions:

- in 1903 following the creation of the APS
- from 1922 to 1928 following the introduction of the Public Service Act 1922
- from 1945 to 1952 following amendments to the Public Service Act 1922 and the creation of classification committees
- from 1961 to the 1980s following the Conciliation and Arbitration Commission's Engineers' judgement
- from 1987 to 1990 under the Australian Conciliation and Arbitration Commission's national wage case principles, and
- in 1998 following the introduction of agency-level bargaining.

The most radical reforms took place in the late 80s and were focused on both flattening and streamlining. Reforms in the late 90s were more incremental, with a focus on consolidation into the single spine in place today. Reviews in the 2010s saw a renewed focus on guidance, strengthening existing arrangements. The reviews of the 2010s also cautioned against separate streams for specialist roles, noting the availability of alternative mechanisms (e.g. local job titles and the APS Job Family model) and the potential for adverse impacts on workforce flexibility.