State of the Service Report
State of the Service Series 2013–14

Effective leadership Diverse workforce Capable organisations and workforce Employee conditions APS Values
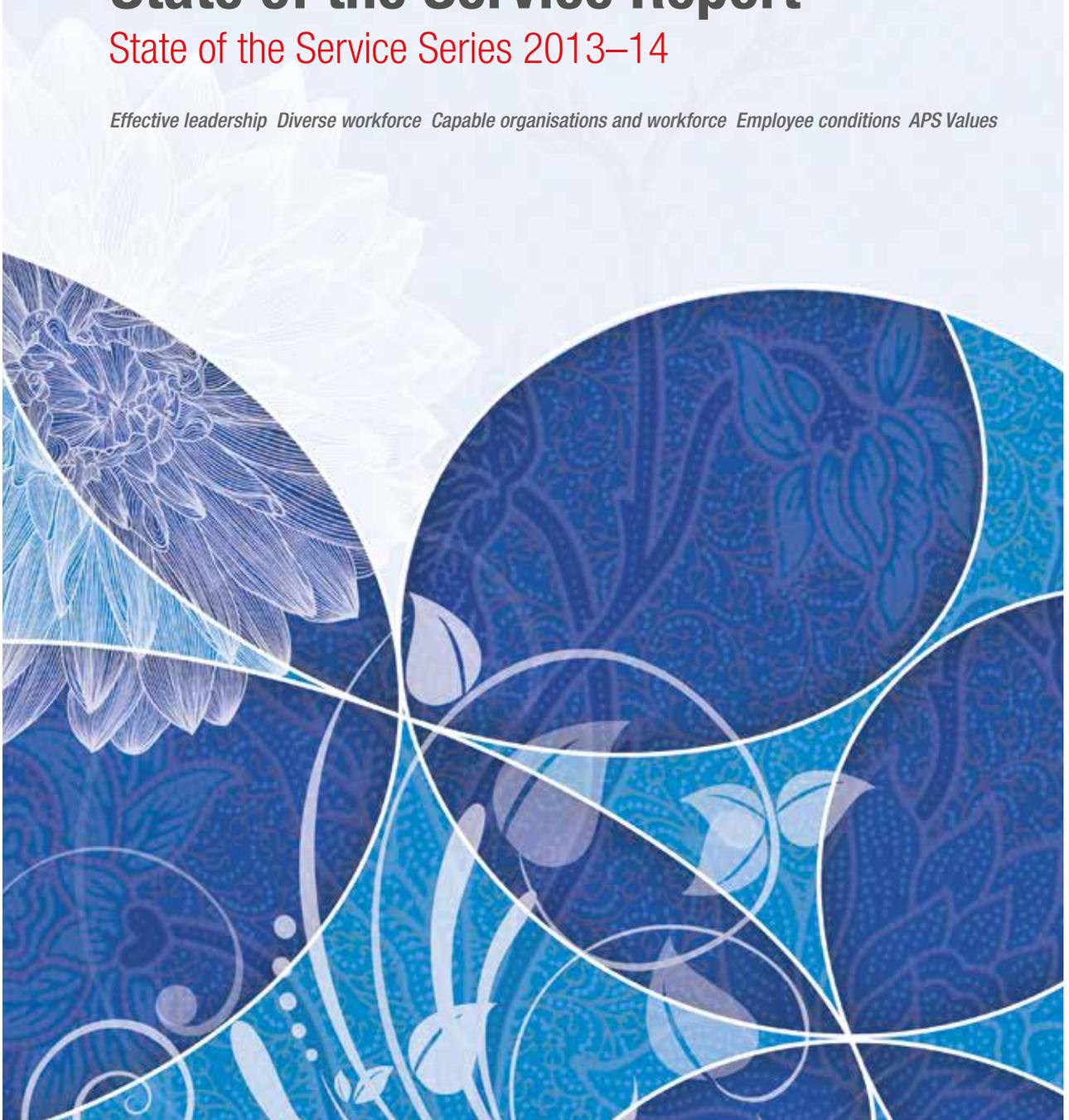
Contact and acknowledgement information

Enquiries and suggestions about this State of the Service report or the analyses are welcome, and should be directed to:

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Evaluating human capital

In his 1910 annual report, the then Public Service Commissioner observed five key responsibilities for public service leaders at all levels: stewardship; efficiency and economy; merit; accountability; and centralisation and decentralisation.[1] In their stewardship role Australian Public Service (APS) leaders and managers are fundamentally responsible for the vitality of the APS as a critical asset. They are also accountable for this asset to the Australian Government and the Australian people. As a service-based organisation, human capital is a vital component of APS productivity. As such, the ability of the APS to effectively manage its human capital is fundamental to meeting the growing demands of government and the population.

There are many definitions of human capital[2] but central to all is the idea that human capital is the sum of the knowledge, skills, and abilities of all the people who contribute to an organisation. Like other forms of capital, human capital must first be secured and then managed effectively so it is optimally employed to meet organisational outcomes. Building human capital occurs through recruitment (or in the lexicon of the APS, engagement) and investment in learning and development. The effective use of human capital is complicated and requires an understanding of the complex interactions between the workplace and the workforce that best produce workforce capability (what the workforce can do) and workforce capacity (how much it can do).

Human capital is one contributor to organisational performance (others include financial and physical capital). It is by definition, however, 'inseparably embedded in a specific individual'[3], which has three important implications for organisations. First, while investment in human capital is a cost, it does not create an asset for the organisation in an accounting sense (that is, it cannot be traded like physical capital). Second, and relatedly, if an employee leaves an organisation any investment made in that employee may be perceived as leaving the organisation even though the investment may 'pay off' in other ways. For example, the employee may exercise new skills and behaviours that are emulated by others, or may introduce changes to systems or culture that endure and, in effect, leverage the investment made in their development for the enduring benefit of the agency. Also, the benefit of an investment in an employee may not be lost to the APS if that employee moves from one APS agency to another. Third,

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[1]   McLachlan, DC 1910, *Public Service Commissioners Annual Report 1910*, Commonwealth of Australia, Canberra, p. 7.

[2]   See, for example, Stroombergen, A, Rose, D, & Nana, G 2002, *Review of the Statistical Measurement of Human Capital*, Statistics New Zealand, Wellington, New Zealand, viewed 9 October 2014, <http://www.stats.govt.nz/browse_for_stats/education_and_training/Tertiary%20education/review-statistical-measurement-of-human-capital.aspx>.

[3]   Foong, K & Yorsten, R 2003, *Human Capital Measurement and Reporting: A British Perspective*, London Business School, London, p. 14.

the effective use of human capital depends not only on the knowledge, skills and abilities of the employee (that is, their ability to do the job) but their motivation to perform their job effectively. More than a century of research on work motivation suggests that many factors contribute to this.[4]

This chapter reports on human capital management in the APS. It identifies the contribution of human capital to organisational performance and proposes a method for evaluating this. Specifically, the chapter uses the APS Human Capital Framework[5] (the Framework) to propose a human capital index designed to help measure and evaluate human capital and its management in the APS. Human capital is supported by organisational processes and systems, such as performance management systems, diversity strategies, cultural change programmes, and risk management processes (to name a few). While not the focus of this chapter, these systems and processes are key to developing and maintaining effective human capital.

Understanding human capital

The concept of human capital is not new. The World Economic Forum, for example, produces a global human capital report providing a comprehensive overview of nations' human capital using a Human Capital Index of more than 50 measures based around four pillars: education; health and wellness; workforce and employment; and the enabling environment. The report provides a broad range of contextual factors for understanding human capital and provides links between human capital and national economic performance.[6]

The use of the concept of human capital in business is recent and reflects an evolution in thinking about how employees contribute to business outcomes—from the human resources' approach where employees are considered a 'cost', to an approach where employees are considered an 'asset'.[7] This change in view is summarised by Andrew Mayo in Table 10.1.[8]

Table 10.1. Comparison of the human resources and human capital views of employees   Source: Adapted from Mayo 2008

Human resource view	Human capital view
Employees are costs	Employees are assets with value
Assess headcount	Count diverse individuals
Employees are a labour resource	Employees are value creating
Employees need regulation	Employees need guidance
Employees need management	Employees need objectives
Employees need satisfaction	Employees need engagement

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[4]   For example, Vroom, VH 1995, *Work and Motivation,* Jossey-Bass, San Francisco.

[5]   Australian Public Service Commission 2012, *State of the Service Report 2011–12*, Chapter 7, Commonwealth of Australia, Canberra.

[6]   World Economic Forum, 2013, *The Human Capital Report*, Geneva, Switzerland.

[7]   Armstrong, M 2006, *A Handbook of Human Resource Management Practice* (10th edn), Kogan Page Publishers, London, United Kingdom.

[8]   Mayo, A 2008, *So what's the Difference between Human Capital and Human Resources?*, Presentation to CIPD West London Branch, 15 January, Chartered Institute of Personnel and Development, London, viewed 9 October 2014, <http://www.cipd.co.uk/NR/rdonlyres/ F19BF029-4D5A-4F42-8A3C-ADDF061DD570/0/HumanCapitalslides.ppt>.

The inherent challenges in managing the workforce as human capital are twofold: identifying and securing human capital that has value for the organisation; and optimising the use of human capital so it is realised as high organisational performance.

Identifying and acquiring human capital in the APS

Workforce planning provides the basis for identifying the human capital needs of an organisation, while engagement and learning and development activities are responsible for securing and building human capital. The development and maintenance of effective human capital is also supported by an organisation's 'people strategies'. For example, performance management policies and processes are key to the ongoing development of employees. Performance management in the APS is discussed in more detail in Chapter 9.

Workforce planning

While there has been substantial work across the APS on improving the workforce planning capability of agencies over the past four years, improving this capability remains problematic.

In 2011, and again in 2013, agencies were asked in the State of the Service Agency Survey (agency survey) to describe their actions on a number of organisational capabilities and to assess their progress against these using a five-level maturity model.[9] One of these capabilities was workforce planning. In 2011 and 2013, less than 20% of agencies assessed their workforce planning capability as mature enough to enable them to achieve agency goals in the following three years. Most agencies that responded to the agency survey in 2013 reported they needed to be one or two levels above their current position to meet their goals in the next three years (73%), while another 13% reported they needed to be three levels above their current position.

Additional results from the agency survey showed that in 2011, 27% of agencies (covering 67% of the workforce) reported they had a documented workforce plan for at least part of their agency. In 2013, 42% of agencies (45% of the workforce) reported they had a workforce plan for at least part of their agency. In 2014, 35% of agencies (73% of the workforce) reported the same. While the proportion of agencies with a workforce plan fluctuated between 2012 and 2014, the proportion of the APS workforce covered by such plans increased, likely due to the development of workforce plans in some larger agencies.

In 2014, 69% of agencies (covering 92% of the workforce) reported they were taking action to improve their workforce planning capability and another 15% of agencies (3% of the workforce) reported they were planning to take action to improve this capability in the next 12 months. Typical activities reported by agencies to improve workforce planning in 2013–14 included, developing workforce plans (both strategic and more focused), conducting specific workforce planning training, developing metrics to support workforce planning, embedding workforce planning into business planning, and engaging specialist workforce planning employees or consultants.

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9   Australian Public Service Commission 2011, *State of the Service Report 2010–11*, Commonwealth of Australia, Canberra.

When asked if there were barriers to workforce planning, 27% of agencies identified there were none. The common barriers identified by agencies included: lack of specific workforce planning skills; insufficient data sets; shifting priorities; general lack of resources; and the impact of current APS interim recruitment arrangements on recruiting specialist employees.

While workforce planning is fundamental to determining APS human capital needs and therefore managing its human capital, the APS workforce planning capability is still developing. Efforts to build this capability across the service remain inconsistent.

Engagement

Historically, the APS has typically recruited employees at entry or junior levels with only limited opportunities to enter the service at higher-level positions.[10] As such, developing human capital has traditionally occurred within the agency. This practice, known as the 'build model' of human capital, was common among large organisations. Recent changes in the socioeconomic environment, however, have seen a change in organisational practices in securing human capital, including a decrease in the sophistication of workforce and succession planning, an increase in outside hiring, more complex 'alternate' work arrangements (including more part-time employees and greater use of contractors), and an increasingly mobile workforce.[11]

While the APS is an enduring organisation and its leaders and managers are responsible for sustaining the APS workforce, the service is also responsive to the priorities and programmes of the government of the day and its workforce reflects this. For instance, using data from the APS Employment Database (APSED) Figure 10.1 shows that the number of engagements as a proportion of the ongoing workforce steadily declined since a peak of almost 16.2% in 2005–06 to 3.1% for 2013–14, while internal recruitment remained relatively constant at below 2%.

Figure 10.1. Engagements, transfers and promotions as a proportion of the ongoing workforce, 2004–05 to 2013–14   Source: APSED

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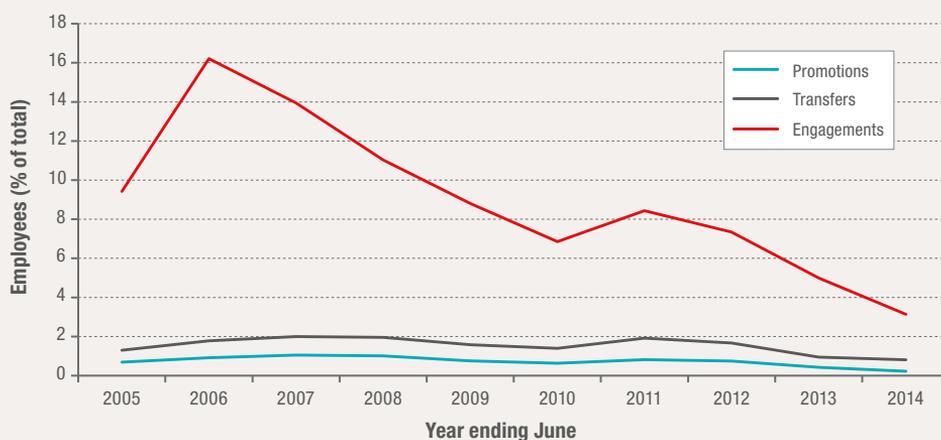
[10] Australian Public Service Commission 2003, *The Australian Experience of Public Sector Reform*, Occasional Paper Two, Commonwealth of Australia, Canberra.

[11] Hamori, M, Bonet, R & Cappelli, P 2011, 'How organizations obtain the human capital they need' in A Burton-Jones & J-C Spender (eds), *The Oxford Handbook of Human Capital*, Oxford University Press, Oxford, United Kingdom.

The reduction in APS engagements reflects an ongoing focus on achieving efficiencies and giving expression to government priorities. As such, agencies are focusing on training and developing existing employees to meet human capital needs.

Learning and development and talent management

The role of learning and development in building human capital has a long history. As noted earlier, this is the basis of the 'build model' of managing human capital. The APS has traditionally provided learning and development opportunities for employees through individual agency activities and centralised training. The Australian Public Service Commission (the Commission) provides centralised learning and development activities through the Strategic Centre for Leadership, Learning and Development (the Strategic Centre).

Learning and development

Learning and development is a common activity for APS employees with 85% reporting through the 2014 APS Employee Census (employee census) that they had undertaken some formal training or education in the previous year. This finding was evenly spread across classification levels. Nearly three-quarters (72%) of employees rated their learning and development, including on-the-job training, as moderately effective in helping to improve their work performance (28% felt it was highly or very highly effective).

However, employee perceptions of the effectiveness of learning and development activities may relate to the amount of formal training and education they had undertaken. For example, 57% of employees who undertook more than 10 days of formal training and education rated their experience as highly or very highly effective in helping improve their performance. Alternatively, 57% who participated in no formal training or education in the 12 months before the employee census rated the effectiveness of their learning and development activities as low or very low.

Nearly two-thirds of agencies (65%, covering 75% of the workforce) reported having a formal learning and development plan in place in 2013–14 that was linked to their business or agency strategy. Most agencies with a formal plan linked that plan to the APS Core Skills Project being undertaken by the Strategic Centre. A central feature of learning and development in the APS is the role of the workplace through on-the-job training. Most agencies (86%, covering 94% of the workforce) see employee development as the responsibility of managers and the most commonly reported ways of developing employees on-the-job was through participation in working groups, workplace projects and workplace placements. Only 10% of agencies (covering 11% of the workforce), however, had formally evaluated the extent to which learning takes place on the job.

While most APS employees participated in formal training and education in the 12 months before the employee census (and agencies saw employee development as a valid role for managers in the workplace) results from the agency survey suggest some deficiencies in the provision of learning and development to employees. One-third of agencies (35%, covering 24% of the workforce) reported they did not have, or were developing, a formal learning and development plan for their employees. As noted previously, results from the employee census suggest that employee perceptions of the effectiveness of the training they received related to the amount of

formal training and education they had undertaken in the 12 months before the employee census. The *APS Leadership and Core Skills Strategy 2012–13* and the *APS Leadership and Core Skills Strategy Refresh 2014–15* are designed to address some of these deficiencies in APS learning and development (these strategies are discussed in more detail in Chapter 5).

Talent management

In 2013–14, 44% of agencies (covering 8% of the workforce) reported they had no active talent management strategy in place, while another 17% (covering 12% of the workforce) reported a strategy was being developed. Twenty-three per cent of agencies had a talent management strategy in place for SES employees, 32% had one in place for Executive Level (EL) 2 employees and 27% had one in place for other employees. The most commonly cited reason for having a talent management strategy in place was to 'build leadership bench strength' followed by 'developing high-potential employees'.

Almost half of agencies (47%, covering 85% of the workforce) reported they had started or improved their talent management practices in 2013–14. The Strategic Centre has developed a whole-of-APS approach to talent management, the criteria of which has been used by 31% of agencies (covering 54% of the workforce) which had improved, or started to improve, their talent management practices to identify high-potential employees. Overall, 64% of agencies that had undertaken talent management reported that their approach had been influenced by the Strategic Centre's work.

Talent management is an important method of building human capital in agencies and across the APS. At present, however, it can best be described as developing, and continued monitoring of this capability as it develops is warranted. There has been early work on developing a more common approach to talent management across the APS, including formal discussions between the Commissioner and Secretaries and major agency heads in relation to succession planning, the introduction of new talent development programmes for SES Band 1 to 3, and work to investigate the value of pursuing more common approaches to performance assessment and reporting across the SES using methodologies such as the Nine-Box Grid.[12]

Managing human capital: the APS Human Capital Framework

Securing human capital by engaging new employees or developing existing employees generates capability. The challenge for agencies is to turn this capability, or labour potential, into productive labour by motivating employees to apply their knowledge, skills and abilities toward agency goals.[13] Management literature, particularly on employee motivation, suggests this is not simple. Rather, effectively managing human capital requires managers and leaders to be actively involved in motivating employees and shaping the workplace to give employees the best opportunity to contribute their individual human capital to meet organisational goals.[14]

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[12] The Nine-Box Grid was originally developed by General Electric and further developed by the Center for Creative Leadership, specifically by Lombardo & Eichinger, the researchers who developed the 70-20-10 learning model.

[13] Boxall, P 2011, 'Human capital, HR strategy, and organizational effectiveness' in A Burton-Jones & J-C Spender (eds), *The Oxford Handbook of Human Capital*, Oxford University Press, Oxford, United Kingdom.

[14] Workplace is used throughout this chapter for the discussion of measuring and evaluating human capital. It is used generically to represent an employee's working environment and, as such, encompasses local workgroups and areas, as well as broader organisational context.

While understanding what elements of the workplace might affect, and be influenced to support employees is complex, the Framework was developed to assist agencies with this. It conceptualises human capital as:

- capability—meaning what knowledge, skills, and abilities employees have
- capacity—meaning how well these are applied.

The Framework separates the workplace into four distinct elements—leadership, design, culture and conditions—each of which affects workforce capability and capacity (Figure 10.2).

Figure 10.2. The APS Human Capital Planning Framework
Source: The Commission
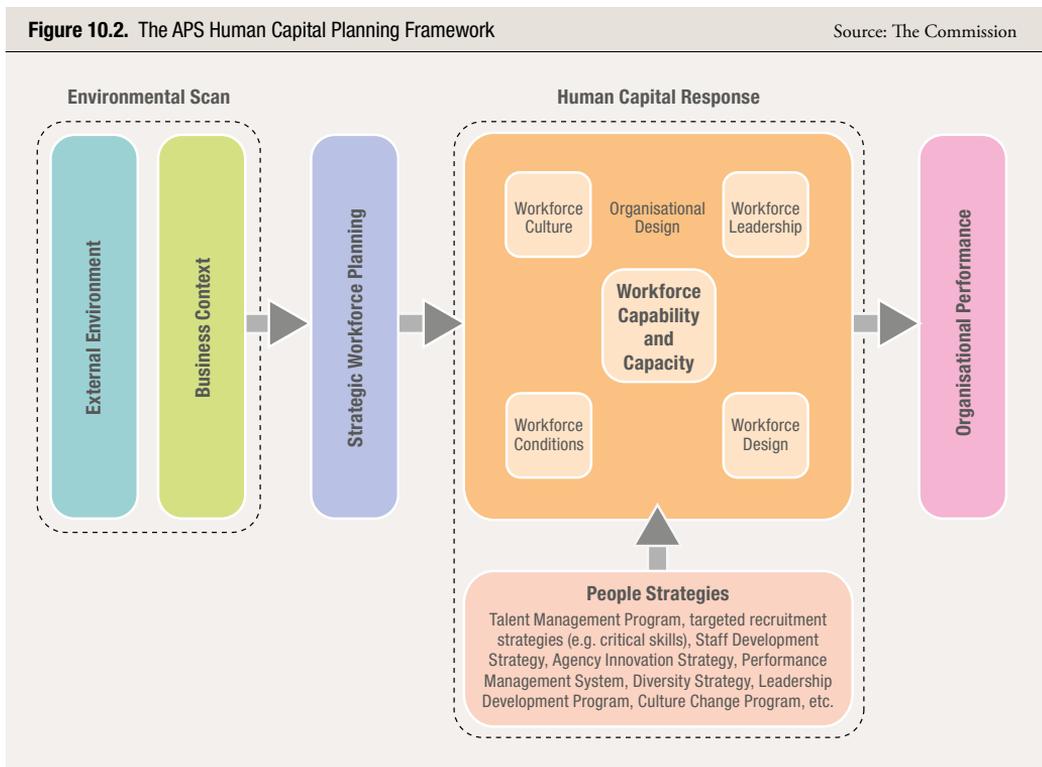
The Framework enables agencies to consider the aspects of their workplace that influence human capital, and identify where they can invest to improve their management of human capital. A critical part of this is the agency's ability to understand and monitor human capital and evaluate the impact of workplace strategies and initiatives designed to influence the management of such.

Importantly, as shown in Figure 10.2, human capital is underpinned by people strategies. For example, recruitment and diversity strategies, approaches to innovation, risk and change management strategies play a key role in the ongoing development and maintenance of effective human capital. Risk management in the APS context is discussed in detail in Chapter 3.

Change is discussed in Chapter 6, innovation in Chapter 7 and leadership and organisational culture in Chapter 5. Diversity information is included at Appendix 5.

While there has been some work on developing measures of the human capital of nations[15], there has been less on developing organisational measures of human capital.

Measuring APS human capital

Measures of human capital can be both descriptive and diagnostic.[16] Stakeholders, such as government and citizens, are typically interested in descriptive measures, such those measuring confidence (that the public sector is meeting expectations), benchmarking (that the public sector is performing to a standard similar to other jurisdictions, in the absence of absolute measures of performance) and compliance (that the public sector is meeting its legislative obligation).

APS agencies, including groups such as the Secretaries Board and agency executives, are also interested in diagnostic measures, such as those measuring comparative performance (comparing agency performance against other agencies) and performance improvement (how organisational performance changes over time).

Both descriptive and diagnostic measures can be satisfied using the same metrics, however, comparators and the level at which analysis occurs may change.

The APS has access to a broad range of data that can be used to develop measures of human capital:

- administrative data—provides summary employment data for human capital in the APS, for example, numbers of employees, their experience, education qualifications and diversity levels

- organisational data—provides an understanding of the actions taken by agencies to manage their human capital, for example, whether they use particular initiatives and how effective they believe they are

- employee attitude and opinion data—provides an understanding of the aspects of human capital that can offer indicators of where investment might provide the best returns, including employee engagement, intention to leave, readiness for change and opinion towards specific aspects of the workplace (for example, leader behaviour, workplace culture and workplace conditions).

Aggregating this information into a form that the APS can use to measure human capital requires:

15   Stroombergen, A, Rose, D, & Nana, G 2002, *Review of the Statistical Measurement of Human Capital*, Statistics New Zealand, Wellington, New Zealand, viewed 9 October 2014, <http://www.stats.govt.nz/~/media/Statistics/browse-categories/edu-and-train/tert-edu/review-stat-method-human-capital/human-capital.pdf>.

16   Mayo, A 2008, *So what's the Difference between Human Capital and Human Resources?*, Presentation to CIPD West London Branch, 15 January, Chartered Institute of Personnel and Development, London, viewed 9 October 2014, <http://www.cipd.co.uk/NR/rdonlyres/F19BF029-4D5A-4F42-8A3C-ADDF061DD570/0/HumanCapitalslides.ppt>.

- identifying an appropriate data source
- determining what elements of the data source to include in the measure
- developing a methodology for calculating the measure or index
- identifying the benchmarks against which to compare.

Developing a human capital index

Consistent with the discussion in this chapter, this year the Commission explored options for developing a measure to help agencies evaluate their human capital. This section outlines using the Framework to compare and report on data and benchmarks. It outlines the initial development of an index that could be used to measure and evaluate APS human capital (this work will be further developed throughout 2015).

The human capital index described in this section uses attitude and opinion data from the employee census. Features of the employee census that make it suitable as a data source for developing an APS human capital index are that:

- the survey content is comprehensive with more than 250 separate survey questions including national and international benchmark items
- all items in the census are mapped against the Framework
- the census is administered annually allowing for comparisons over time.

Twenty-nine questions from the employee census have international benchmarks that are mapped against the Framework:

- 11 addressing APS capability and capacity
- 7 addressing aspects of workplace leadership
- 6 focusing on workplace culture
- 4 addressing workplace conditions
- 1 focusing on workplace design.

In developing the human capital index, scores on each of these elements (capability and capacity, workplace leadership, culture, conditions, and workplace design) were first aggregated into a 0 to 100 point index. These indices reflect different aspects of each element of the Framework and combine a range of quite discrete measures into a single, consolidated score. These scores were then calculated across the APS for 2013 and 2014. They were also calculated for three other benchmarks: public sector agencies in the United Kingdom (UK); public sector agencies worldwide; and private sector organisations worldwide.[17]

The results (Figure 10.3) demonstrate the improvement achieved across the Framework's leadership and workplace design elements between 2013 and 2014. Scores for leadership

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[17] These benchmarks are drawn from ORC International's *Perspectives* database and include data from June 2012 to June 2014. The UK Public Sector benchmark comprises 210 organisations and 450,462 employees across the UK. The Worldwide Public Sector benchmark comprises 254 organisations and 711,169 employees globally (this benchmark excludes data from APS agencies). The Worldwide Private Sector benchmark comprises 253 organisations and 2,068,279 employees globally.

increased by three points and scores for workplace design increased by two points. Scores for capacity and capability remained stable for the APS between 2013 and 2014, while scores for workplace culture and conditions declined slightly, by two points and one point respectively.

In comparison to the UK and worldwide benchmarks, the APS scored:

- higher on aggregate measures of workplace culture and conditions
- lower on workplace capability and capacity
- marginally lower on workplace design
- comparable on leadership, owed to improvements in the APS in 2014.

Figure 10.3. Human capital index, 2013 and 2014   Source: Employee census, ORC International
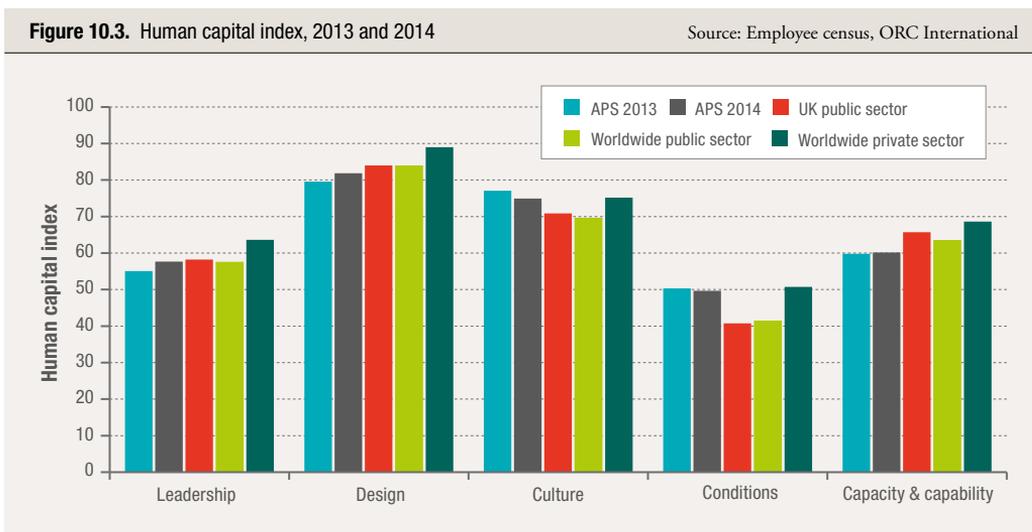
The next section examines in more detail the aggregate measures reported above. It reports results for the individual items included in the overall score for each workplace measure—leadership, design, culture, conditions, and capacity and capability.

Workplace leadership

This element of the Framework—workplace leadership—refers to the behaviour of individual leaders and managers at all levels in an agency. Although research tends to focus on senior executive behaviours, leadership occurs at all levels and has a direct impact on the workforce. Immediate supervisor behaviour is a major determinate of a number of employee outcomes (such as intention to leave). Leadership in the APS is dealt with more comprehensively in Chapter 5.
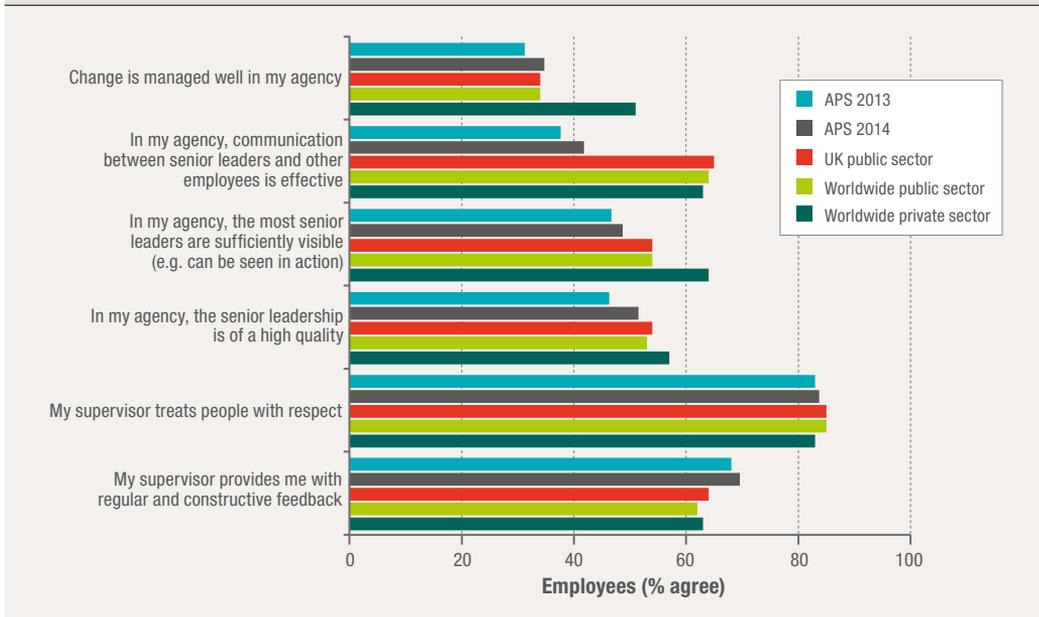
When benchmarked against other public and private sector organisations APS employees are particularly positive about the feedback provided by their immediate supervisors. Although improved from 2013 and higher than other benchmarks, less than 70% of APS employees agreed that their immediate supervisor provided them with regular and constructive feedback

and only 44% agreed their most recent formal performance review helped to improve their performance. Performance management in the APS is discussed in detail in Chapter 9.

APS results are significantly below other benchmarks for senior leader communication. Improvements in APS results for 2014 compared to 2013, places the APS in a similar position as other public sector organisations on how well change is managed, although the visibility of senior leaders is marginally lower. APS results for 2014 are marginally below other public sector benchmarks on employee perceptions of the quality of senior leaders.

Figure 10.4. Workplace leadership comparisons, 2013 and 2014

Source: Employee census, ORC International

Legend:
- APS 2013
- APS 2014
- UK public sector
- Worldwide public sector
- Worldwide private sector

X-axis: Employees (% agree), from 0 to 100

Categories:
- Change is managed well in my agency
- In my agency, communication between senior leaders and other employees is effective
- In my agency, the most senior leaders are sufficiently visible (e.g. can be seen in action)
- In my agency, the senior leadership is of a high quality
- My supervisor treats people with respect
- My supervisor provides me with regular and constructive feedback

Workplace design

This element of the Framework—workplace design—refers to the impact that the complexity of the workplace (its organisation for example) and actual work performed by employees has on human capital. It includes whether the workplace is more or less hierarchical, whether the day-to-day work of employees is well defined or less clear, and whether employees have a clear understanding of their role. Unfortunately, only one question relevant to this element of human capital is available for the benchmarks used and it measures employee perceptions of role clarity.

When benchmarked against other public and private sector organisations, results demonstrate that clarity about duties and responsibilities has improved since 2013 (82% of APS employees agreed with this statement in 2014 compared to 80% in 2013), although the APS lags behind all others on this measure (84% UK public sector; 84% worldwide public sector; 89% worldwide private sector).

Workplace culture

This element of the Framework—workplace culture (discussed in detail in Chapter 5)—closely relates to the values of an agency and is often reflected in its language, forms and traditions. It has been shown to influence levels of morale and productivity, commitment to the workplace and innovation in the workplace.

Examining workplace culture shows that APS employee perceptions are generally positive and, in some cases, higher than other public sector organisations. Results for 2013 and 2014 shown in Figure 10.5 demonstrate that when benchmarked against other public and private sector organisations, APS employees are more likely to agree their senior leaders act in accordance with the organisation's, values and that employees in their agency work well with those from diverse backgrounds. APS employees are also more likely to agree their workplace is committed to workplace safety than other public sector employees.

Figure 10.5. Workplace culture comparisons, 2013 and 2014 — Source: Employee census, ORC International
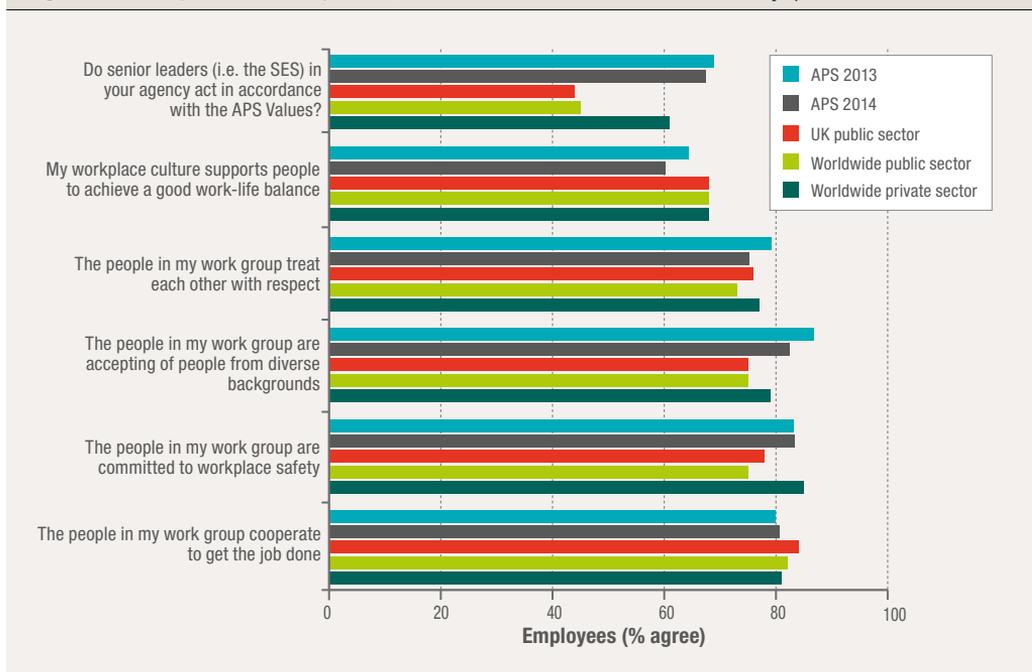

Workplace conditions

This element of the Framework—workplace conditions—includes financial and non-financial remuneration, as well as other workplace conditions including opportunities for career progression and how an agency deals with underperformance.

Examining workplace conditions for 2013 and 2014 shows that when benchmarked against other public and private sector organisations the APS performs very well on non-financial and monetary remuneration. However, it scores lower on opportunities for career progression and management of underperformance (performance management is a focus in the APS and is addressed in Chapter 9). These findings are in Figure 10.6.

Figure 10.6. Workplace conditions comparisons, 2013 and 2014   Source: Employee census, ORC International
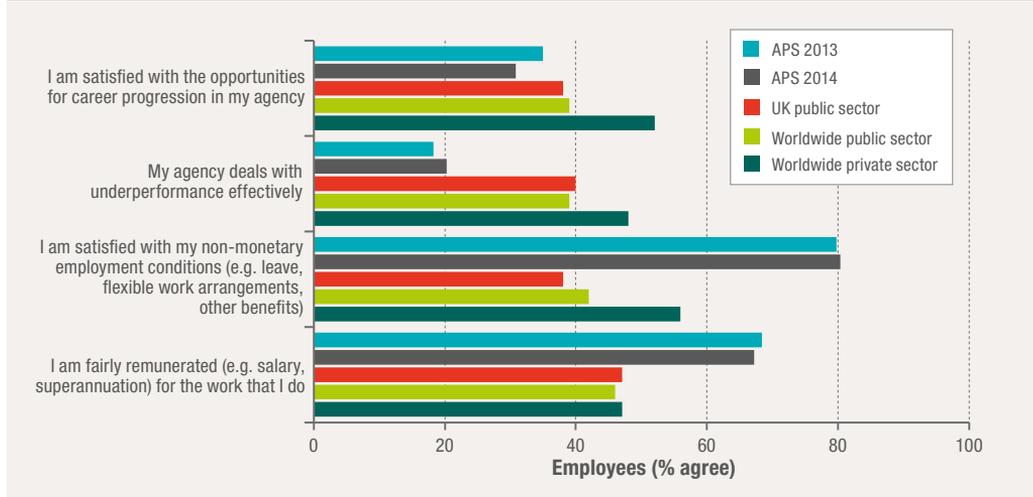
Workforce capability and capacity

This element of the Framework—workforce capability and capacity—is central to any index of human capital. It provides the most direct measure of human capital and reflects the two key components of the people or workforce component of human capital planning—what the workforce can do (workforce capability) and how much the workforce can do (workforce capacity). While administrative data can provide some measure of capability or labour potential of the workforce, attitude and opinion data can provide an indicator of the likelihood of transforming this potential into productive capacity, the real challenge of managing human capital.

In examining workforce capacity and capability for 2013 and 2014, individual survey questions were separated into those:

- included in the APS Employee Engagement Model (Figure 10.7)
- that address issues such as enjoyment of work, pride in their agency and whether employees would recommend their agency as a good place to work (Figure 10.8).

When benchmarked against other public and private sector organisations the APS lags behind other public sector organisations in most areas. For example, how valued employees feel for their contribution, the opportunity their job provides to utilise their skills and that their work gives them a feeling of accomplishment.

**Figure 10.7.** Employee engagement question comparisons, 2013 and 2014   Source: Employee census, ORC International
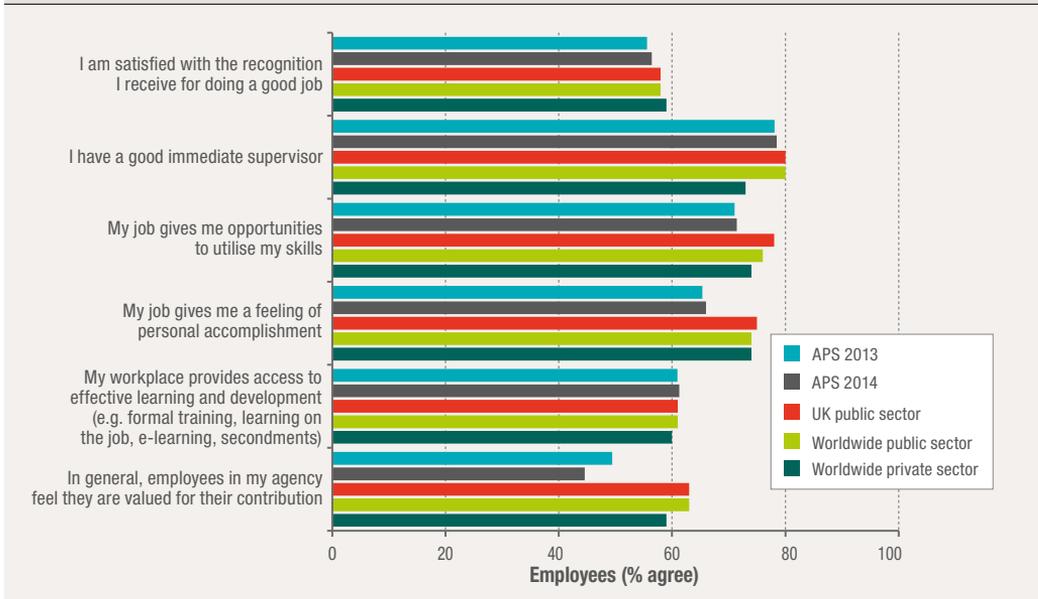
As Figure 10.8 shows, when benchmarked against other public sector organisations APS employees are more likely to be proud to work in their agency, to recommend their agency as a good place to work and to feel a strong personal attachment to their agency. However, the APS lags behind other public and private sector agencies in inspiring employees to do the best in their jobs.

Figure 10.8. Capability and capacity comparisons, 2013 and 2014   Source: Employee census, ORC International
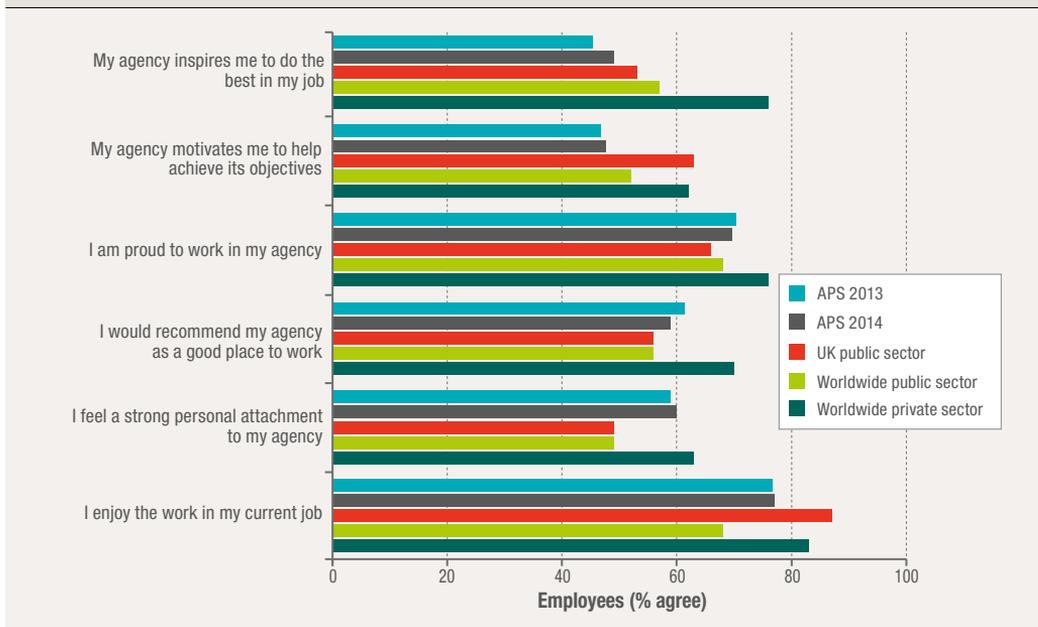
Employee retention

A critical aspect of human capital that can be measured through an employee survey is employee intention to leave.[18] While the employee census includes a question related to this, data for the benchmarks used in this chapter are not available. Data from the United States (US) and UK public service employee attitude and opinion surveys, however, show that in:

- 2013, 68% of US public servants indicated they did not plan to leave their agency for at least 12 months[19]

- 2013, 78% of UK civil servants indicated they planned to stay with their agency for at least 12 months[20]

- 2013, 81% of APS employees indicated they planned to stay working for their agency for at least the next 12 months

- 2014, 75% of APS employees indicated they planned to stay working for their agency for at least the next 12 months.

Limitations

The management of human capital in the APS has not been looked at holistically to date—this chapter provides an example of how this can be achieved using existing APS data and the Framework.

The human capital index demonstrated in this chapter can measure differences across time and across comparison groups. However, it has a number of limitations due primarily to the desire to make external comparisons. The set of questions available in the employee census is far more comprehensive than the set of questions used in the example provided in this chapter. While it would lack direct external comparability, an index based on an analysis of the entire employee census question set would provide a much stronger diagnostic tool for the APS. Additionally, there are other data sources available to the APS that can also provide relevant metrics that could meaningfully contribute to understanding how well the APS manages its human capital, including administrative data and programme evaluation data from the implementation of human capital strategies across the service.

Evaluating workplace strategies

Human capital management is effected through the strategies and initiatives agencies employ to influence their human capital. Evaluating human capital management is a process of measuring the impact of these strategies against what they are expected to affect directly and aspects of the workplace that affect human capital. While it is crucial to assess the delivery of strategies (formative evaluation) it is arguably more important to measure the impacts they have on human capital more broadly (summative evaluation). That is, what effects do human capital strategies have on the knowledge, skills, and abilities of employees?

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[18] Commission research shows a moderate correlation (r = 0.4) between individual employee intention to leave (aggregated at the agency level) and subsequent agency exit rates (ongoing employees).

[19] United States Office of Personnel Management 2013, *2013 Federal Employee Viewpoint Survey*, OPM.gov, Washington, District of Columbia, viewed 9 October 2014, <http://www.fedview.opm.gov/2013>.

[20] United Kingdom Civil Service 2013, *Civil Service People Survey 2013: Civil Service benchmark scores*, GOV.UK, London, viewed 9 October 2014, <http://www.civilservice.gov.uk/about/improving/employee-engagement-in-the-civil-service/people-survey-2013>.

While the data is limited, evaluation of workforce strategies in the APS appears to be patchy. For example, data from the 2014 agency survey shows that while 83% of agencies (covering 96% of the workforce) conduct periodic evaluation of the performance management system only 13% (covering 46% of the workforce) formally evaluated their unscheduled leave strategies. Additionally, as mentioned earlier in this chapter, only 10% of agencies (covering 11% of the workforce) attempted to evaluate on-the-job training in 2013–14.

Broader, cross-APS initiatives have been evaluated. For example, the APS Telework Trial[21] was evaluated at both the agency and APS level. The APS Absence Management Toolkit also has a built-in evaluation component. The toolkit is discussed in Chapter 8. While the APS has a strong history of programme evaluation and external evaluation (in particular through the role of the Australian National Audit Office), it is important that this approach be applied to evaluate the effectiveness of human capital and/or workforce strategies. This evaluation is a necessary component of human capital management and enables agencies to determine where to make human capital investments to get the best return for their investments.

What does this tell us about the state of the service?

The human capital of the APS is crucial to its current and future functioning. Sustaining this is the responsibility of APS leaders and managers at all levels. The analysis of APS human capital shows that the APS has improved the management of its human capital from 2013 to 2014. Results also demonstrate that the performance of the APS compared to worldwide benchmarks (public and private) and UK benchmarks (public) is relatively stronger on the cultural and conditions dimensions of human capital, comparable on the leadership dimension, and weaker on the design dimension and capability and capacity dimension.

From a descriptive or benchmarking perspective, this analysis indicates how the APS is performing in managing its human capital. From a diagnostic perspective, the analysis indicates where effort might be applied to improve human capital management in the APS, suggesting that career progression, performance management, and senior leader communication and visibility are all areas that warrant further investigation.

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[21] Australian Public Service Commission 2013, *State of the Service Report 2012–13*, Commonwealth of Australia, Canberra, p. 7.