

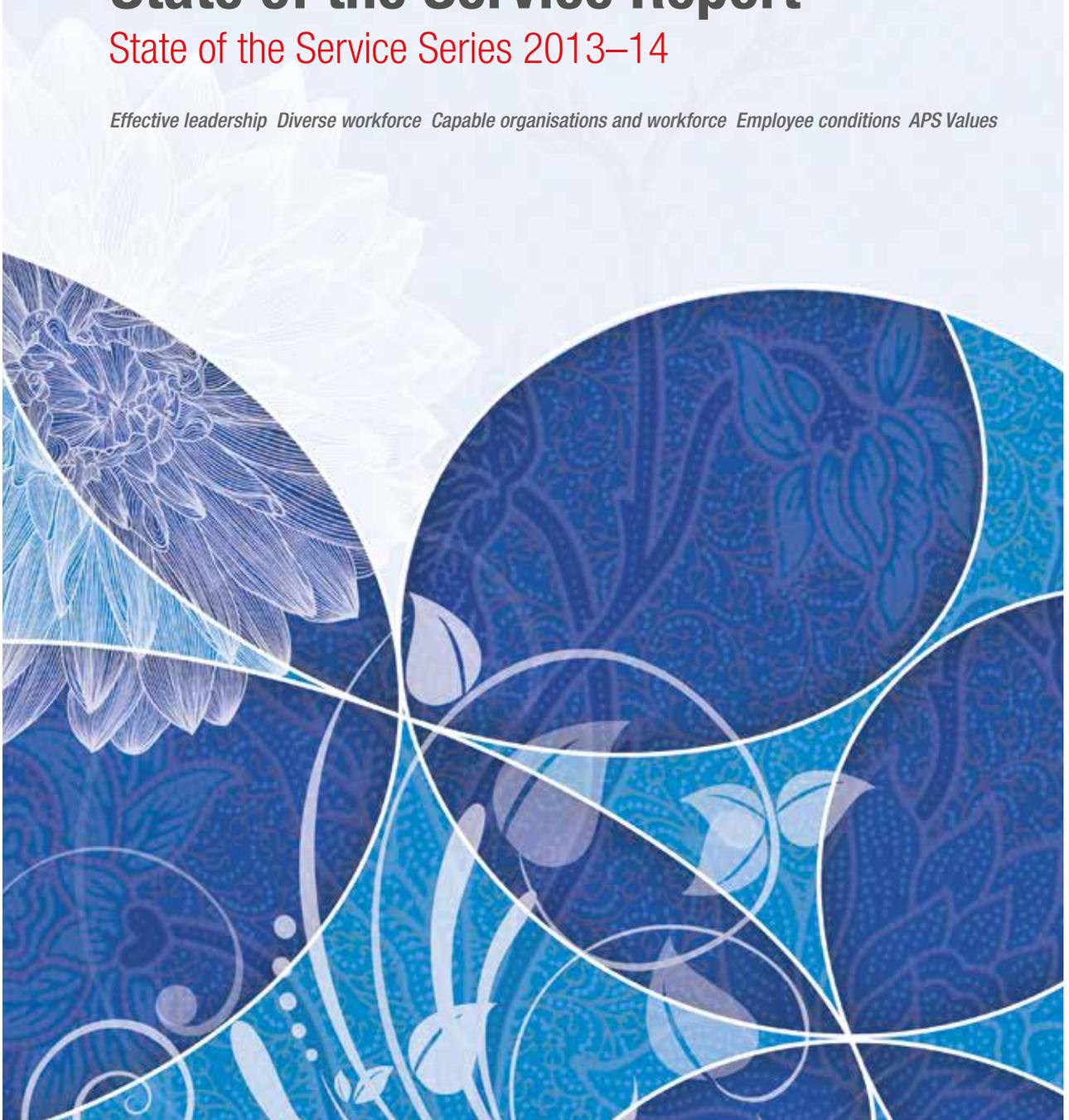


Australian Government
Australian Public Service
Commission

State of the Service Report

State of the Service Series 2013–14

Effective leadership Diverse workforce Capable organisations and workforce Employee conditions APS Values



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Commissioner's overview

In many respects it has been a watershed year for the Australia Public Service (APS). The first full year of a new government brought significant changes in priorities, programmes and APS organisational structures. In 2013–14, APS headcount declined by 7,925 including through arrangements to maximise redeployments in preference to new hires.¹ Nevertheless, responses to the 2014 APS Employee Census (employee census) show that employee engagement rose again this year. Capability Reviews continue consistently to attest to the commitment of our workforce and the professionalism and effectiveness of agencies in delivering the agenda of the government of the day. The APS, overwhelmingly, is a well-led, effective and resilient organisation.²

However, the environment in which the APS is operating is still changing rapidly. The APS is well placed to respond. Increasingly though, it is becoming apparent that incremental change is not the option that will best equip the APS to meet the challenges of the future. Rather, change of a transformational kind is required—not just in what the APS does on behalf of government but also in terms of how it manages itself. Both external and internal drivers for reform are aligned. The Secretaries Board has been working effectively and collegially to identify reform opportunities and accelerate the pace of change. Nevertheless, in a number of instances this work is still in its infancy and there is still much to be done.

An important (and to this point unresolved) issue is the breadth of the incentive structures and accountability framework that agency heads face. Existing frameworks appropriately ensure the primacy of attention paid to delivering the agenda of the government of the day. Following the amendments to the *Public Service Act 1999* (Public Service Act) implemented in 2013, the performance of Secretaries is now assessed annually by the Secretary of the Department of the Prime Minister and Cabinet (PMC) and the Australian Public Service Commissioner (the Commissioner). Two questions are whether the scope for such assessments should be broadened beyond portfolio departments and how best to ensure such assessments pay sufficient attention to longer-term reform of the service that will have payoffs down the track.

¹ Summarised workforce data is included at Appendix 1 from the Australian Public Service Commission 2014, *2013–14 Australian Public Service Statistical Bulletin*, Commonwealth of Australia, Canberra.

² Chapter 10 provides an example of how human capital can be measured and evaluated in the APS.

Transformational change is needed to meet the productivity imperative

External drivers of APS productivity are familiar and have been discussed in previous State of the Service reports. They include the fiscal imperatives to return the budget progressively to surplus while meeting mounting new spending pressures, preferably without a significantly higher total tax take. The service also has its part to play in lifting national productivity growth to maintain Australian living standards. As discussed in last year's State of the Service report, in the APS context this means minimising community resources consumed to meet public policy ends, whether those resources flow from the collection of taxation or through the regulatory compliance burden faced by individuals, businesses and other community groups. The APS can, therefore, expect growing future scrutiny about:

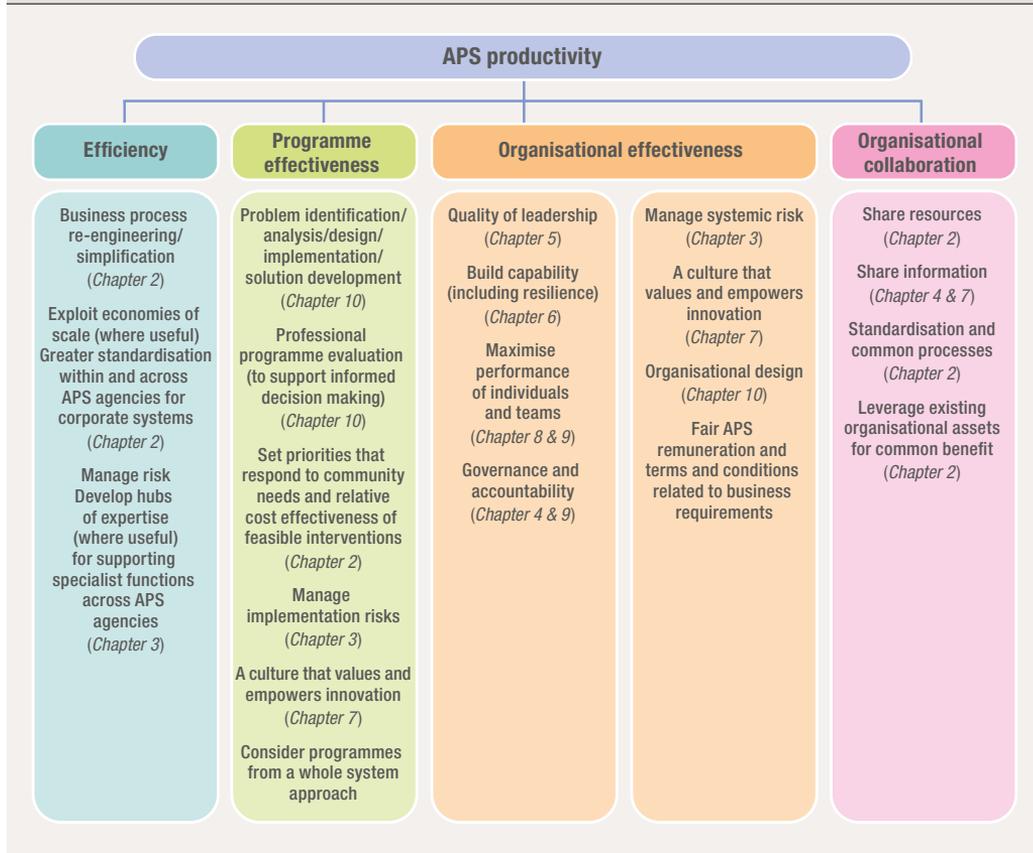
- The efficiency of programmes and our back office—cost containment is not just the preserve of the private sector struggling to compete with lower cost providers elsewhere, including in our region. For the APS the pressures to contain costs are now more like the years of austerity of the mid-eighties rather than the years of plenty during the high-revenue era of the early commodities boom.
- The effectiveness of programmes—this fundamentally relates to the relevance of and results achieved through government programmes, policy positions and regulations.
- The effectiveness of organisational systems, culture and processes to maximise the results an agency achieves—organisational effectiveness was an issue particularly brought to notice by the 2010 *Ahead of the Game: Blueprint for the Reform of Australian Government Administration* (the Blueprint).³ It relates, among other things, to how well an agency's resources are aligned to the government's changing strategic priorities, the quality of organisational design and its performance management practices.
- The extent of collaboration between agencies (and other jurisdictions and non-government entities) to provide multi-dimensional, multi-faceted solutions to multi-dimensional, multi-faceted problems—the heightened importance of collaboration was recognised in the Blueprint and led to amendments in 2013 to the Public Service Act and the inclusion of appropriate terms in the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) to strengthen the understanding of agency heads and accountable authorities of their responsibilities in this regard.

Figure 1.1 provides an overview of the factors affecting the assessments that will be made against each of these drivers. It also indicates where the relevant matters are addressed elsewhere in this report.

³ Advisory Group on Reform of Australian Government Administration 2010, *Ahead of the Game: Blueprint for the Reform of Australian Government Administration*, Commonwealth of Australia, Canberra.

Figure 1.1. Factors affecting APS efficiency and effectiveness

Source: The Commission



Other external drivers bearing on the APS are:

- Changing technology, which has the potential to disrupt not just private sector business models but also those of the public sector.
- Emerging competition from alternative providers of advice to and services provided on behalf of government.
- Rising citizen expectations for more and better quality support from government and the public service as well as for influence—to be heard and responded to with more personalised services and programmes delivered more conveniently, possibly involving a degree of co-production if not co-design. Greater personalisation of services needs to be approached in ways that preserve trust in the capacity of government to deal with individuals and groups equitably and at low cost.

These trends are powerful and demand innovative responses. Meeting them will require the APS to reimagine and reinvent much of what it does. Government is looking for options that deliver outcomes substantially more cheaply than in the past and, as necessary, for imaginative new approaches to achieve public policy outcomes, potentially including new partnerships with third parties. Incremental change just won't cut it in the face of these growing pressures.

APS culture, processes and practices also need to change

Complementary forces are also at work within the APS to force a re-examination of APS culture, processes and practices. These forces have been building in recent years, as has the evidence that change is needed. A particularly powerful source of such evidence has been the reports of Capability Reviews, which are intensive, externally led examinations of agency leadership, strategy and delivery systems. The first round of Capability Reviews⁴ is now complete and has yielded new insights into both the practices of individual agencies and systemic issues across the APS. They demonstrate that APS agencies are effective in delivering the government's agenda and identify opportunities to improve some of the latter. Their messages have also been complemented by other external reviews, including the *Report of the Royal Commission into the Home Insulation Program*⁵ (HIP Royal Commission), and intelligence gathered through the employee census and other interactions between the Australian Public Service Commission (the Commission) and the broader APS workforce. The employee census has now been administered three times, allowing a more confident assessment of systemic issues and trends.

For all of the post-World War II period until the mid-eighties, the APS was heavily regulated and centrally controlled. The Department of Finance and ultimately parliament exercised tight control over the level and composition of agency spending. The Public Service Board determined how many, at what classification and pay grade, and whom an agency head could employ. But senior public servants were also often seen to be very powerful compared to their Ministers, especially during the tenure of the so-called 'seven dwarfs'.

By the mid to late eighties much had begun to change. After considerable public debate it was firmly resolved that the government of the day (not unelected officials) were responsible for defining the national interest, advised by a public service that was responsive to the government's agenda rather than the agency's agenda. Moreover, it was determined that the APS be accountable both for following due process (the dominant paradigm to that point) and for achieving results. Greater accountability for results led to greater autonomy from central control, and the progressive devolution of authority and decentralisation of most decision making to agencies.

Almost 30 years on, the Blueprint suggested in 2010 that the pendulum, in some respects, had swung too far. Today there is no doubt that the elected government, not the public service, sets the agenda and defines the national interest. And, looking back over 30 years, it is clear that the APS culture has changed to afford primacy to that reality. But, having successfully created a responsive, action-oriented culture, concerns emerged that the APS may have become too reactive, too focused on the short term and the delivery of tasks, and unable to generate the range of new ideas that it might have liked. As reported in previous State of the Service reports, amendments to the Public Service Act introduced in 2013 were intended to clarify the responsibilities of APS leaders. These leaders remain responsible for delivering the government's immediate agenda. In addition, however, APS leaders are required to develop the capability to provide forward looking, creative contributions to government about what that

⁴ Findings of the Capability Reviews vary across agencies. Those that have systemic implications are discussed throughout this report. An overview appears in Appendix 8.

⁵ Hanger, I 2014, *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, Canberra.

agenda should be and to be stewards of an enduring institution who scan the horizon and build capability within their agency ahead of predictable need. The renewed emphasis on capability is an encouragement to think beyond the immediate to the medium and longer term, recognising that it may be necessary to invest in building capability in the short term to minimise costs and maximise the effectiveness of the agency over time.

To a certain degree similar themes are also found in the *Independent Audit of NBN Public Policy Processes* by Bill Scales AO⁶ and the HIP Royal Commission. Either explicitly or implicitly, both have levelled substantial criticism at the culture and capability of parts of the APS. All three reports (that is, these two plus the Blueprint) relate generally to the same slice of APS history, circa 2008 or 2009–10. Much has changed since then, and for the better. Yet the evidence continues to suggest that there is more that could be done.

Earlier this year, for example, the Commission identified human capital challenges for the APS that are seemingly intractable, given the slow progress in addressing them. These are:

- strengthening the capabilities of many agencies to manage risk, change and performance
- progressing a sensible approach to shared services
- lifting the representation of some diversity groups
- addressing uncomfortably high perceptions of bullying
- responding effectively to an unexplained rising trend in unscheduled absence.

The evidence for these challenges is found in the self-assessments by agencies of their capability maturity in 2011 and 2013, the findings of many Capability Reviews and responses to the employee census.

As a generalisation there is also a ring of truth to the debate prompted by the HIP Royal Commission about whether enough senior public servants have the capability and/or confidence to present inconvenient or bad news clearly to Ministers, or to push back when necessary, for example, because implementation of a request would pose unnecessary and untreatable risk.

Assisting Ministers to address complexity

Assessing the performance of the APS in matters such as these is not always straightforward. The service is one of the largest and most complex businesses in the country. It operates in a highly ambiguous and rapidly changing environment that is not amenable to simple bottom-line accountability. Often the APS is assisting a Minister to resolve competing and changing objectives with limited resources and tight time constraints. For example, responding to immediate health care issues such as preparing contingencies for a possible outbreak of Ebola while concurrently protecting the privacy of individuals (community interests and the interests of the individual) or responding to national issues of economic sustainability while managing the impact on particular industries or organisations affected by the transitions (long-term gain versus short-term pain). In such a fluid environment, hindsight is a wonderful teacher but not

⁶ Scales, B 2014, *Independent Audit NBN Public Policy Processes*, Audit report presented to the Hon Malcolm Turnbull MP. Documents presented out of sitting (Senate) and tabled 4 August 2014.

always the best judge of contemporary behaviour in the absence of careful analysis that takes appropriate account of context.

In dealing with an issue, Ministers and public servants may well view competing pressures differently. The experience (and needs) of a Minister seeking to resolve a politically contentious issue in real time, especially if the issue is alive during a parliamentary sitting period, can appear quite different to that of a senior public servant who has carriage of the underpinning analysis and research over a longer period 'back in the department'. Spending a period of time working in a Minister's office often provides invaluable insights for a public servant into 'what the Minister needs' to build constituencies for change and perform his or her job well. It is a pity that some on both sides of politics have come to discount the value of the experience of those who serve in Ministerial offices in an alternative government. Experience is often the best teacher and both parties—Ministers and the service—risk losing the benefits of such experience to help each understand the pressures faced by the other. Actual or perceived misunderstandings of what a Minister needs can be detrimental to the longer-term relationship between Minister and public servant and to the quality of the service that the APS can provide.

Similarly, it is valuable if public service advisers are 'in the room' when decisions are made. This ensures their expertise is available to inform the discussion and ensures that public service advisers correctly understand the context of and basis upon which decisions are made. This understanding can enrich the capacity of a public servant to inform and advise a Minister and to deal with the (nonpartisan) issues relevant to the government in its consideration of the matter.⁷

The HIP Royal Commissioner made observations about the way some public servants communicated with Ministers. He particularly drew attention to the use of euphemistic language that understated potential bad news or the seriousness of the issue. He also pointed out that decision makers should not be afraid of bad news or opinions different to their own and noted that Ministers and their advisers should not, by subtle suggestion or otherwise, dictate what advice they receive.⁸ The job of decision makers is to make an informed and defensible decision, not to slavishly accept advice. The task of public service advisers is not to tell a Minister what he or she wants to hear (or, worse, what a member of the Minister's staff believes the Minister should hear) but what public servants honestly believe the Minister needs to hear, having regard to the government's professionally developed policy objectives.⁹ Agencies need to ensure they develop the capabilities necessary to support those advising functions. The agency head is responsible to ensure that such a capability is available to assist the next Minister or government even if the current incumbent is disinterested in such advice.

⁷ For further detail, see the Australian Public Service Commission 2012, *State of the Service Report 2011–12*, Commonwealth of Australia, Canberra, pp. 11–12.

⁸ Hanger, I 2014, *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, Canberra, pp. 307–8.

⁹ This is legally required to comply with the Impartial value set down in s. 10(5) of the *Public Service Act 1999* and Clause 1.6 of the Commissioner's Directions 2013.

Foresight and creative thinking

Subject matter knowledge and a range of analytical skills are important to building advisory capability.¹⁰ So too are foresight, the capacity to think differently and challenge the status quo and the ability to write simply and clearly. Led by the Department of Agriculture and the Commission, so far 20 agencies have come together to strengthen their collective foresight capability and develop a plan to engage other APS agencies and external partners in this work.

A number of observers, however, have been critical of APS capacity to be creative and challenge the status quo. The APS has a proud history of innovation in policy advice and delivery. Some examples are canvassed in Chapter 7. Nonetheless, critics typically praise the service's problem solving and issue-management capabilities but question if there is sufficient genuinely 'blue-sky' thinking. Responses to the employee census show wide differences in employee perceptions of the acceptability of innovative suggestions. For example, less than half of employees at classifications other than the Senior Executive Service (SES) believe their agency emphasises finding new solutions and encourages employees to make suggestions.

Addressing capability gaps

A range of tools have been developed to assist agencies to assess and strengthen a number of the capabilities listed as seemingly intractable. Agency self-assessments reported in last year's State of the Service report and the findings of many Capability Reviews, however, suggest that as a general rule little progress has been made in rectifying such capability deficiencies in recent years. Perhaps the urgent has crowded out the important. The Secretaries Board earlier this year commissioned further work to explore the issues and share good practices in addressing them. This was in response to analysis presented to the Board by the Commission. It is too early to tell whether this work has significantly lifted the momentum for reform in all cases. Perhaps the accountability framework within which Secretaries and agency heads operate needs to be rebalanced to give more equal weight to stewardship of the agency as well as delivering on the agenda of the government of the day. Ministers have limited oversight of the stewardship elements of an agency head's job. Further attempts were made this year to address such matters in the annual performance discussion between each portfolio Secretary and the Secretary of PMC and the Commissioner. This could profitably be strengthened in future years. Information about the effectiveness of steps agencies have taken to address the findings of Capability Reviews will become progressively available to assist this process as the Commission completes the round of 'health checks' now underway. It would further assist if a second round of Capability Reviews were undertaken to provide an independent assessment of the degree to which capability has been lifted. More enduring changes to the accountability framework could also be examined.

Three capability gaps, in particular, recur in many agency self-assessments and Capability Reviews as systemic matters for the APS to address. These are performance management, managing for change and managing risk.

¹⁰ Among other things the HIP Royal Commissioner was critical of the lack of capability of the then Department of Environment, Heritage, Water and the Arts in designing and implementing a programme of the size of HIP and the lack of industry knowledge. The Scales Report (audit of NBN) was also critical about the absence of relevant subject matter knowledge.

Managing performance

Performance management is a particularly sensitive case in point. Too often performance management is seen as code for dealing with underperformers. Sometimes the service is criticised because ‘not enough’ employees have had their employment terminated for underperformance. Performance management has two dimensions. First and foremost, it is about setting priorities, communicating them effectively within the agency and ensuring that resource allocation remains consistent with priorities as they change over time. Secondly, it relates to the clarity with which agency goals and priorities cascade to the work plans of employees and the quality of feedback provided by supervisors to their employees.

Such discussions afford managers the opportunity to identify and nurture their most talented employees. Increasing attention is being paid to talent management and succession planning in the major APS agencies. This work is being progressed collaboratively under the auspices of the Secretaries Board. Where performance is deficient it needs to be addressed. If an employee is not sufficiently responsive and performance expectations remain unfulfilled, then the Public Service Act is clear that an ‘agency head may at any time, by notice in writing, terminate the employment of an [ongoing] employee ... [for] non-performance or unsatisfactory performance, of duties’.¹¹ Case studies conducted in conjunction with Commission research two to three years ago into what makes a high-performing organisation, showed clearly that agencies typically have best-practice policies in place but often patchy implementation of them and excessively cumbersome procedural requirements.¹² Many of these internal policy requirements are not legislatively imposed and are in the control of the agency.

An examination of agency enterprise agreements, for example, highlighted that many agencies have, over time, surrounded the performance management process with excessive procedural and other encumbrances. The need to afford an employee procedural fairness is deeply enshrined in administrative law and APS practice. This does not require, however, the adoption of interminable or excessively bureaucratic processes. As previously implied, four things need to come together to support good practices in managing the performance of employees: clear expectations of what is required and how it should be achieved; managers and employees who are skilled at designing implementable performance agreements and in giving and receiving feedback (preferably continuous rather than annual); streamlined but fair processes that provide balanced and accurate assessments of performance to all employees; and a workplace culture that expects and values honest two-way conversations in the workplace.

A number of tools have been developed in conjunction with agencies to assist with this. On the one hand, programmes have been developed to upskill APS employees and managers. The Core Skills Project being progressed by the Commission, again under the auspices of the Secretaries Board is an example. This programme includes facilitator-ready modules on structuring work and giving and receiving feedback.¹³ On the other hand, the Commission has developed and tested a diagnostic tool to assist agency heads to understand how performance is managed in

¹¹ *Public Service Act 1999*, s. 29(3)(c).

¹² Australian Public Service Commission 2012, ‘Chapter 8 Performance management’ in *State of the Service Report 2011–12*, Commonwealth of Australia, Canberra.

¹³ The Core Skills Project is funded under a Memorandum of Understanding subscribed to by virtually all agencies with more than 200 employees. Fifteen modules have been developed to date and are being progressively released. By the end of current funding arrangements (mid 2016), 40 programmes will have been developed for APS use.

practice in their agency. The use made of such tools and the effort devoted to procedural and cultural reform is essentially a matter for agency leadership. Take up of the diagnostic tool has been slow. Employee perceptions of the value of the feedback they receive are generally low (only 44% believe their most recent performance feedback was helpful). That metric has been relatively stable over time. Of itself it suggests there is scope for an investment of management effort to lift those perceptions, especially since supervisors typically believe the feedback they provide is effective at almost twice the rate of their employees. Moreover, in a few agencies employee perceptions have declined in recent years, which is particularly concerning.

The HIP Royal Commission also raised questions about another element of performance culture that may resonate beyond the particular agencies that were the subject of their report. This relates to the degree to which employees accepted (or were required to accept) personal responsibility and personal accountability for their actions or inactions. The HIP Royal Commissioner questioned (as did the 2011 *Review of the Defence Accountability Framework* undertaken by Rufus Black) the roles of committees in decision making and the roles of individual members of committees and their contribution to decision making. He found that collective decision making made accountabilities unclear and led to too much 'group think'. He also found a lack of robust debate and too little challenging of the status quo.

These are significant issues. It would be timely for agencies, in applying available tools, to assess the consistency and validity of their performance management systems in practice, and to take the opportunity to assess the clarity with which roles are specified and the clarity with which responsibility and accountability is defined for each employee. This includes a clear understanding by supervisors of their responsibility to manage performance while delivering on tasks for which they are accountable (and not just to 'work around' poor performance to get tasks done in a timely fashion).

Newly developed APS work-level standards, which become mandatory for agencies to apply from the end of this calendar year, and associated guidance material and workbooks are useful tools to assist agencies in this work. The material has been developed collaboratively across the APS and successfully tested in a number of agencies to ensure they are useful. The tools are available. Their application will be governed by the willingness of leaders to do this work and the cultural fit of the answers it delivers. Work of this kind can also assist agencies to establish spans of control and a management structure that is appropriate for work type, leading to better organisational design and more effective and efficient agencies. The National Commission of Audit (CoA) recommended that agencies examine this issue.¹⁴ Again, work to develop guidance to assist agencies in making these decisions has been progressed under the auspices of the Secretaries Board.

Managing risk

Similar issues occur in respect of risk management. Tools are abundantly available. Expectations have been rising since the late eighties that the APS would manage rather than avoid risk. Yet both external and self-assessments of APS practice suggest that too often risk

¹⁴ National Commission of Audit 2014, *Towards Responsible Government*, The Report of the National Commission of Audit Phase Two, Commonwealth of Australia, Canberra, p. xxii.

management is seen as a compliance exercise rather than a way of working. Again, the HIP Royal Commissioner's observations are informative. It is to be hoped the requirement in the PGPA Act that agencies develop and communicate a 'risk appetite' will prompt a mature dialogue between public servants and Ministers that will permit and require productive cultural change. This is often a difficult conversation for Ministers and officials to have because the public's appetite for what they might perceive to be mistakes can be low and they require failure rates in the public sector to be much lower than are acceptable in the commercial world. Recent research has argued that a traditional risk-mitigation strategy employed in the public sector has been to 'use time as a resource to reduce uncertainty in a way that the private sector cannot'.¹⁵ A tendency towards more compressed implementation timetables may have eroded the efficacy of such a mitigation strategy, the HIP possibly being a case in point.

Both political and public service leaders will have a role to ensure that discussions about risk appetite and implementation timetables are mature. Ministers can more confidently engage in such a dialogue if they believe that risk management skills in the service are well-honed. In some respects there is circularity at work. Ministers and officials need to know that they each share the same appetite and capability to manage risk. Possibly they fear they do not at the moment. If so, these issues are deep seated and may not be easily resolved.

Managing for change

Just under three-quarters of respondents to the 2014 employee census reported they experienced change in their workplace over the previous year. That proportion has been trending up for three years. However, only about one-third of employees agree that change is managed well in their agency and less than half agree that senior managers effectively lead and manage change. In each case significantly fewer Executive Level (EL) employees responded positively. Whereas 56% of SES agreed that change is managed well in their agency, only 30% of EL 1 and EL 2 employees did. The difference is important because it is often middle managers (the EL cohort in most agencies) who operationalise an agency's strategy and effect change within their workgroup.

This general picture is confirmed by agency self-assessments and, often, the findings of Capability Reviews. In 2013, fewer agencies reported their current level of change management capability was meeting their organisational requirements than in 2011. Three-quarters (76%) of agencies identified a need to improve their change management capability. Of these, one-third identified they were at least two levels of capability below their preferred state and 44% were one level below. Most importantly, of the eight capabilities agencies were asked to assess in 2013, change management was rated the second lowest and only above workforce planning.

Pleasingly, the overall APS employee engagement scores show a slight trend increase over the past three years. This may present as a conundrum in view of the pervasiveness of change that employees report they have experienced and the generally low esteem with which APS change management capability is viewed by employees and management alike. Resolving this

¹⁵ Kay, R & Goldspink, C 2012, *What public sector leaders mean when they say they want to innovate*, Incept Labs, Sydney, p. 1.

conundrum may lie in research conducted by a group of Deputy Secretaries under the auspices of the Secretaries Board. This group suggested that the APS relies on project management capability to deliver change.

Project management typically focuses on the delivery of outputs and is sometimes insufficient to drive complex interdependent change processes. A general characteristic is that project management capability is sometimes very technical and does not concentrate sufficiently on the people side of the project. As a result desired outputs are effectively achieved but cultural renewal may be shallow or overlooked.¹⁶ The group argued it is not enough to just incorporate change management into a project, rather agencies need:

- a change culture
- demonstrated senior executive commitment and leadership of change
- a documented framework and process for practitioners
- effective training of its key personnel in its change management framework
- an established, credible and integrated change management capability aligned with policy and programme implementation areas.

This work has highlighted the importance of leaders and the culture they create. The group placed less emphasis on the particular change framework employed. What mattered is that the agency has such a framework, communicates it to its employees and transparently applies it. Although the slight upward trend in employee perceptions reported above is heartening, it is too early to tell if the group's recommendations have been taken up across the APS and, if so, to what effect.

Diversity, attendance and workplace culture

Three of the seemingly intractable issues in human capital management referenced previously were lifting the representation of some diversity groups (especially those identifying as Indigenous or having a disability); addressing uncomfortably high perceptions of bullying; and responding effectively to an unexplained rising trend in unscheduled absence. There is a related issue, which is the rising premiums being paid in the APS to Comcare in respect of compensable injuries at work, especially arising out of psychological injury. Each of these issues is addressed elsewhere in this report.¹⁷ They raise slightly different technical concerns. What matters for the current purpose, however, is that workplace culture and manager skill are linking themes across all of them.

A welcoming workplace that patently values difference is more likely to encourage disclosure and retain employees from diversity groups. Similarly, supervisors skilled at giving and receiving constructive feedback and having productive but at times difficult conversations are more likely to:

¹⁶ See Chapter 5 for more detail on APS organisational culture.

¹⁷ Unscheduled absence is discussed in detail in Chapter 8. Diversity data is included in Appendix 5 and bullying and harassment data in Appendix 6.

- address attendance issues early
- proactively manage an injured employee to undertake functions they remain capable of performing
- create a culture that discourages bullying and harassment and values difference.

This suggests a potentially significant return from paying close attention to developing the skills and confidence of front-line supervisors and APS leaders. A rules-based approach to developing a disability and diversity confident workplace is likely to be less than fully effective. Rules and clear behavioural norms provide a firm foundation, however they need to be complemented by individual managers who have confronted and resolved fears or unconscious biases they may have about difference¹⁸, who recognise and respond to disability (especially mental illness) and who are not afraid to confront and resolve bullying and similar inappropriate behaviour in the workplace. For example, participation in the Jawun programme has been highly successful in building the confidence and cultural awareness of 141, typically, EL employees. Improvements effected over the past two years to SES leader development and to building manager capability (including through the core and management skills projects) are timely. So, too, are increased guidance and support for managers dealing with mental illness or unwarranted unscheduled absence or managing an injured worker back into the workforce.

Greater collaboration in procurement

The preceding discussion identifies some challenging issues confronting the APS. Addressing these challenges is a work in progress. However, there are also other challenges including that the pendulum is moving back on some elements of decentralisation of decision-making authority. The following three examples help illustrate this point.

First, changes in technology and market dynamics have invalidated the economic assumptions upon which some devolved procurement has been based. An example is information and communications technology. The desktop has long been regarded as a commodity where economies of scale can be achieved through aggregation of demand beyond the purchasing power of a single agency, especially a small one. But the opportunities to capture economies of scale are growing. Canada, for example, is in the process of moving to a single email system based on a single platform with consolidated servers providing centralised email support to all Canadian Government agencies. Some 100 separate email systems are being consolidated into a centrally provided system by the end of 2014–15, with substantial savings expected. Work is in hand in the APS to examine the scope for economies through consolidating enterprise resource management systems (for example, human resources, payroll and financial management information). This work is prospective, though progress will need to be planned carefully to minimise transitional costs.

¹⁸ Options becoming available to broaden the experiential component of professional development include Jawun, mobility with state and territory governments, interchanges and exposure to the private sector through organised forums involving professional services firms and exchanges.

Second, examples abound of ‘invent once (centrally) and use many times’. Previous State of the Service reports have reported incipient work to secure scale economies from more centralised development and procurement of a number of learning and development offerings by the Strategic Centre for Leadership, Learning and Development under the auspices of the Secretaries Board. The Core Skills Project, for example, which is reported on more fully in Chapter 5, is now approaching critical mass in the number of modules developed and their take up by agencies. Significant progress has been made. The realisation of the full potential of this approach will depend on how widely agencies adopt it and how well the work is maintained and extended upon after the current Memorandum of Understanding between agencies and the Commission expires in mid-2016. However, collaboration in driving down costs is occurring across a broad range of activities. Two recent examples are the work underway to improve the consistency, efficiency and effectiveness of Code of Conduct investigations and the investigation into securing better management and procurement of Employee Assistance Programs. This work is overseen by seven major agencies but new approaches may be attractive to other APS agencies.

Third, evidence is accumulating that well-executed adoption of shared and common services can significantly contain back-office costs. The United Kingdom recently introduced a mandated transition of all of its significant agencies onto a defined number of shared service platforms to supply transactional services in respect of payroll, human resources (such as employee services, performance management, and learning and development), finance and accounting, and procurement services.¹⁹

Work is also in hand in Australia, partly triggered by the recommendations of the CoA, to examine such possibilities. Two notable early adopters of this approach are the Department of the Treasury, which has work in hand to investigate shared-services possibilities in that portfolio, and the establishment of a dedicated shared services centre to supply the needs of the new departments of Education and Employment, formed after the abolition of the Department of Employment, Education and Workplace Relations in the 2013 machinery-of-government changes. A far more limited approach to shared services was attempted when Employment and Education last split in 1998. That arrangement did not endure. The prospects for greater longevity look better this time because of the better governance of the current approach and the strategic intent of both Secretaries to make a nucleus of a larger operation that will deliver scale economies for originating departments and others that purchase services from the centre.

These are examples where technology and market dynamics are delivering a wider range of opportunities to secure economies of scale and scope than were earlier available. The uptake of some options, however, may be hampered by now deep enculturation of agency autonomy and the plethora of non-standard systems, policies, practices and entitlements permeating the APS today. The latter may impose speed limits on the transition to sensible longer-term arrangements. Leadership, however, will be necessary to overcome the former. In the absence of such leadership some governments have resorted to compulsion to force desirable changes.

¹⁹ The United Kingdom is also looking to strengthen through centrally driven collaboration between agencies the capability of enabling services such as human resources, finance, procurement, legal services, project management and commercial contracting. This is in conjunction with the development of a five-year capabilities plan for the whole civil service.

The risk is that compulsion breeds compliance which does not necessarily yield maximum savings. It is far better for agency managers to secure serious economies in pursuit of their own best interests. The progressive tightening of agency budgets is likely to support progress in that direction. If so, transitional costs will need to be managed carefully.

The state of the service

By any measure the APS is an effective, resilient institution that delivers on the agenda of the government of the day. Episodes like HIP (or ‘green loans’) are remarkable because they are the exception. The APS has implemented quite significant change in the past year or so: the first full year of a new Government with new priorities; a budget intended to give effect to some of those priorities coupled with a major push to cut red tape and amend redundant legislation; the consummation of significant rearrangement of portfolio responsibilities through machinery-of-government changes; the reduction of about 8,000 in the APS headcount in 2013–14, roughly half of which was achieved by natural attrition.²⁰ The APS has responded to its changing environment, and it has done so at pace. However, the environment continues to evolve rapidly and the evidence is accumulating, as this chapter began, that incremental change is not the option that will best equip the APS to meet the challenges of the future. Rather change of a transformational kind is required—not just in what the APS does on behalf of government but also in terms of how it manages itself.

The Secretaries Board was formally constituted when amendments to the Public Service Act took effect just over a year ago. Increasingly, the Board is working collegially to exercise effective stewardship of the APS. It has invested considerable intellectual energy and supported it with significant funding, including of the Commission, to address capability gaps and the seemingly intractable issues that beset the APS. Under its auspices considerable work has been undertaken to strengthen the APS approach to leadership development and senior talent management and explore new options to broaden the experience of senior leaders. Effort has been expended to research and share good practice in addressing capability gaps and other elements of some critical seemingly intractable human capital issues and to progress opportunities for greater collaboration in procurement that are now available.

As a result, the APS is now well placed to address such opportunities. However, the job is not yet done. The next year or so will be critical to chart a future course for the APS that:

- recognises the Government’s ‘smaller government agenda’
- reconciles competing claims of different sections of the community for services and influence
- exploits technology to enhance delivery options available to government while driving down costs
- exploits emerging opportunities to secure economies of scale and scope through more collaborative procurement and, at the margin, possibly some increased centralisation of decision making

²⁰ Two agencies have resorted to involuntary processes to complete their downsizing.

- develops a confident leadership cohort with the skills to communicate clearly with Ministers, ‘tell truth to power’ when required without sacrificing the relationship with the government of the day, and engage creatively and authoritatively in policy discourse within government.

With a Government with a large agenda to prosecute and the fifth anniversary of the publication of the Blueprint looming the Secretaries Board is well placed to accelerate the pace of change. The APS has achieved transformational change before. There is no reason why, with a committed and experienced leadership and a committed and resilient workforce, both of which the APS has, that it cannot do so again.

A second round of Capability Reviews would certainly sustain the momentum for agencies to embrace a culture more focused on building capability and organisational effectiveness. As the HIP Royal Commission illustrates, it is certainly cheaper to build that capability upfront than to engage in remediation after disaster occasioned by capability gaps. It is to be hoped that the programme of Capability Reviews is repeated and results published. Among other advantages, an external assessment like a Capability Review assists the Secretary of PMC and the Commissioner to broaden the performance discussion with each Secretary beyond the tasks they are required to deliver for government to fulfil its policy agenda. A question worthy of consideration, however, is whether more enduring amendments to the accountability framework may assist to better balance the incentives that agency heads face to both deliver for the government of the day and be effective stewards of an enduring organisation.