UNLOCKING POTENTIAL

If not us, who? If not now, when?

AUSTRALIAN PUBLIC SERVICE WORKFORCE MANAGEMENT CONTESTABILITY REVIEW
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FOREWORD

This review examines ways to enhance workforce management in the Australian Public Service (APS). It offers insights and solutions to assist the APS to serve the Government and community into the future in the best possible way.
I applaud the willingness of the APS to place workforce management under scrutiny, and its appetite for change. In the APS there are areas of excellent practice and these can be applied across the entire Service to embrace a culture of continuous improvement. In my roles with a number of companies and boards, I have had the opportunity to see how a wide range of organisations manage their people. The private sector does not have a monopoly on best practice. However there are aspects of workforce management that apply in all operating environments. There is benefit in the APS looking beyond itself to identify what works and what best looks like.

I have been fortunate to speak on this subject with a large number of people from both inside and outside the APS. I would like to take this opportunity to thank them for their valuable time and input. Although opinions on many issues were diverse, there was strong consensus on the importance of a high performing APS.

It is imperative that the APS is positioned to attract and challenge the very best people. The Government has clearly set out its agenda for a smaller, more agile government. The APS must operate at maximum efficiency while it continues to develop and implement complex policy and delivery solutions. Increasing community expectations and the rapid pace of technological change are also applying continuous and growing pressure to the way all business is done. Citizens live in a digitally connected world and expect interactions with government to offer a user experience similar to that which they experience in daily life. At the same time the APS is facing vigorous competition for talent from the private sector.

The terms of reference for the review directed me to consider current practices around recruitment, employee mobility and separations, specifically in the context of contestability. While legislative barriers exist in some areas, much of the necessary change to process and culture is in the hands of the APS. A number of significant improvements can be implemented now under existing authorities.

The review also identified areas that require further analysis, including existing Human Resources (HR) delivery models and the HR capability mix. The effectiveness of the HR function is a major contributor to the areas under review.

In order to meet the challenges ahead, agency HR must become a strategic partner with business, with an equal voice at the table. Current and future business priorities must be the basis of workforce planning, and issues relating to people—an organisation’s most important resource—must be considered at the highest level.

The role of the Australian Public Service Commission (APSC) was raised on a number of occasions. It has been suggested by agencies that the APSC work more as a business partner with agencies, facilitating continuous improvement by offering assistance where required on particular workforce management issues, identifying excellence, and driving collaboration and knowledge sharing between agencies and other organisations.

The APS is already looking to unlock the potential of its people to support a highly efficient, effective and citizen-centric public service. Deputy Secretaries have recently formed cross agency groups with the APSC and senior experts from the private sector to implement solutions to a range of perennial issues. They are approaching their task proactively with candour and enthusiasm. This is in the spirit of ‘If not us, who? If not now, when?’

Their most important challenge will be to embed long term cultural change to workforce practices that will underpin an agile and high performing APS into the future.

I would like to acknowledge Nous Group and Boston Consulting Group, each of which acted as valuable sounding boards in this process. I would also like to thank the dedicated team that helped me in this review, and I am pleased to present the following report.

Sandra McPhee AM 15 December 2015
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YOU’VE GOT TO GET ACROSS TO PEOPLE THAT WE ARE LIVING IN AN AGE OF IMMENSE VOLATILITY AND THEREFORE YOU HAVE TO BE NIMBLE AND INNOVATIVE.

– THE PRIME MINISTER
THE HON. MALCOLM TURNBULL

1 September 2014, at the launch of ‘The Mandarin’ website, aimed at public service leaders
EXECUTIVE SUMMARY

CONTEXT
In an environment of increasing complexity and growing community expectations, the Australian Public Service (APS) is expected to provide innovative policy and delivery solutions. In addition, the Smaller Government agenda is challenging the APS to serve government and the Australian people in the most efficient way possible, including through alternative delivery models.

More than ever before, the APS must attract the very best people and actively encourage them to perform at an exceptional level. Workforce practices must be flexible enough to allow agencies to continually challenge talented employees and respond quickly to changing business priorities.

In order to remain relevant and continue to offer the best policy advice and service, the APS is transforming the way it does business. This review has been conducted as part of the Department of Finance’s Efficiency through Contestability Programme.

EVIDENCE BASE
The review conducted extensive analysis of current and best practice and consulted widely with:
- Secretaries, Agency Heads, Deputy Secretaries and other senior APS leaders
- senior leaders from state jurisdictions and international public sectors
- senior leaders and Human Resources (HR) managers from the private sector
- APS HR managers and practitioners.

PRIORITY AREAS FOR CHANGE
Four priority areas are identified where change can be made for immediate benefits. Each of these is explored in detail in the report.
1. Optimising talent and driving high performance
2. Attracting and recruiting
3. Improving flexibility
4. Re-designing HR
A list of proposed actions is at Appendix A.
KEY ACTIONS TO ACHIEVE CHANGE INCLUDE

REVIEW LEGISLATION
- Temporary employment arrangements
- Separation provisions
- Description of merit — simplify
- The APS classification system
- The system for appealing management decisions

IMPROVE PROCESS
- Ensure Secretaries are visibly accountable for talent management
- Remove complex processes surrounding recruitment
- Elevate the role of HR and re-shape HR capability
- Australian Public Service Commission (APSC) to partner with agencies in a more practical manner

CENTRALISE
- Centralise some transactional recruitment actions for specific cohorts — e.g. graduates
- Centrally develop tools to facilitate mobility, secondments, induction and talent management
- The Secretary of the Department of the Prime Minister and Cabinet and the Australian Public Service Commissioner to lead talent management of Senior Executive Service (SES) Band 3s and 2s

CULTURE SHIFT
- Recruitment is not just about the classification — it’s about the role and what you bring to it
- Talent is valuable and requires continuous active attention at the highest level
- Roles change — no job is for life
- Business needs determine employment arrangements — increase use of specified term contracts for SES
- Encourage and support managers to address difficult issues such as management of underperformance
- Continuous improvement becomes part of the fabric of the APS

CONTEST
Investigate and accelerate outsourcing of:
- APSJobs website
- Non-strategic HR activities — this may be an extension of the Shared and Common Services Programme
NEXT STEPS

- A number of significant improvements to process can be implemented now, ‘If not now, when?’
- It is also possible to give immediate attention to areas that may be contestable, or benefit from a centralised approach.
- Legislative amendment may be required in some areas. It is acknowledged that developing proposals for such change will require further detailed investigation and analysis.
- Obstructive rules and processes can be more readily identified and dealt with — a more demanding challenge will be in fostering genuine, sustainable cultural change.

Work is already underway in many areas including through newly formed Deputy Secretary working groups that are taking the lead to address perennial problems around attracting talent, workforce agility and optimising performance. This is consistent with the spirit of ‘If not us, who?’ These groups are looking for innovative solutions to enable long-term and effective change, including those that already exist in agencies and can be leveraged across the Service. Their actions will create a more dynamic APS that is better positioned to meet government and community expectations.
INTRODUCTION
More than any other factor, the quality of the people in the APS will determine how well the APS meets the challenges of the future.

In today’s contestable environment the APS is faced with multiple complex policy and delivery challenges. In addition, government and the community expect the APS to be accountable and transparent in the way in which it provides advice, makes decisions and spends taxpayer funds.

The APS must always be vigilant about the way in which it serves the Australian people and uses limited government resources. It must constantly test its approach to policy and service delivery, prioritise spending between business and administration, and critically examine its management practices in order to continually improve and strive for maximum efficiency.

There is no single solution or silver bullet to deliver a workforce that meets business priorities in the most efficient and cost-effective way. Workforce management must evolve alongside business and requires ongoing attention and review. The APS is aware of its need to change in this area, and has talented and committed people working towards continuous improvement, acknowledging there is still progress to be made.

There has been significant public service reform since the Royal Commission Report into Government Administration in 1976. This report identified the importance of responsiveness and results based management to the elected government, and improved efficiency and effectiveness. These themes were reflected in legislative changes culminating in the Public Service Reform Act 1984 that had the catchphrase ‘let managers manage’.

The 1994 Public Service Act Review Group Report (McLeod Review) addressed the challenge of providing a modern and flexible management framework while maintaining the reforms of the previous decade. The Public Service Act 1999 was predicated on the findings of that review. In 2010, Ahead of the Game: Blueprint for the Reform of Australian Government Administration recognised the complex challenges facing Australia and placed people at the centre of public service reform. This led to changes made in the Public Service Amendment Act 2013. Most recently, the 2014 Report of the National Commission of Audit made a series of recommendations in relation to efficiency and capability.
Public Service Reform in Australia 1984–2015

1984
- Public Service Reform Act 1984

1994
- McLeod Review

1996
- Introduction of enterprise bargaining

1999
- Public Service Act 1999

1997
- MAC Report—Performance Management in the APS—A Strategic Framework

2001
- ANAO Performance Audit Reports—‘Performance Management in the APS’ and ‘Workforce Planning’

2004
- MAC Report—Reducing Red Tape in the APS

2007
- Ahead of the Game: Blueprint for the Reform of Australian Government Administration

2008
- ANAO Performance Audit Report—Management of Recruitment in the APS

2010
- Public Service Amendment Act 2013

2013
- Review of Whole-of-Government Internal Regulation

2014
- National Commission of Audit

2015
- Senate Enquiry—Recruitment and training in the Australian Public Service

- MAC Report—Organisational Renewal

- MAC Report—Managing and sustaining the APS Workforce: One APS-One SES

- ANAO Performance Audit Reports—Management of Recruitment in the APS

- Public Governance, Performance and Accountability Act
LOOKING TO THE FUTURE: A vision for the APS

The APS will be smaller, more agile and more expert. Its people will be recognised for providing exceptional service in meeting the changing needs and expectations of Government and the Australian community.

APS WORKFORCE MANAGEMENT CONTESTABILITY REVIEW

The APS Workforce Management Contestability Review was established to examine how workforce management practices can be modernised. The review was asked to consider the appropriateness, efficiency and effectiveness of the following areas of the APS employment framework.

**Recruitment and induction:** Methods used to attract, recruit and appoint talented people with the skills and capabilities the APS needs. This includes the merit principle, temporary employment arrangements, probation and induction.

**Employee mobility:** The movement of people to meet business priorities and develop individual capability. This area includes mobility, secondments and deploying resources to meet emerging needs.

**Employee separations:** The barriers—real or perceived—to efficient and respectful employer-initiated separations. This area includes termination rules and practices, comparison with other sectors and potential for additional grounds for termination of employment.

During the course of this review it became evident that a number of additional elements of workforce management required attention including approaches for optimising talent in the APS, practices designed to lift the productivity and engagement of people, and the effectiveness of the APS HR function.

This review sought evidence to assess the effectiveness of current APS workforce practices and processes. However, there are gaps in the APS data available across a number of indicators, benchmarks and trends. APS quantitative data was supplemented by industry data and extensive consultation with a wide range of stakeholders.

Through consultation, the review identified a number of excellent and innovative practices being implemented in agencies. While it was not possible within the timeframes to investigate all of these, the report does reference some examples and acknowledges that many agencies are actively tackling workforce issues and making improvements. It is also noted that the way in which agencies approach workforce management is impacted by size, maturity and agency function.
**APS REFORMS UNDERWAY**

This review occurs against a backdrop of a number of concurrent reforms.

- The *Smaller Government* agenda has created a platform for consolidating government functions and transferring non-core functions or services to alternative providers.
- Functions are being consolidated to maximise economies of scale for some high-volume transactional HR processes, for example payroll, through the *Shared and Common Services Programme*.
- The Digital Transformation Office (DTO) is accelerating the transformation of APS digital services, augmenting the work already being done by some agencies to provide quick and easy online experiences for citizens dealing with government.
- The *Independent Review of Whole-of-Government Internal Regulation* (Belcher Red Tape review) has drawn attention to excessive red tape and suggests imposing the minimum regulation required to achieve outcomes in proportion with the level of risk.
- The *Independent Audit: National Broadband Network Public Policy Processes* highlighted the importance of subject matter experts capable of delivering strategic objectives.
- Agencies are implementing the findings of their capability reviews. These reviews are a forward-looking assessment of an agency’s ability to meet future objectives and challenges.
- Deputy Secretaries have formed working groups to remove barriers to best practice workforce management and to experiment with new ideas.

**OTHER PUBLIC SECTOR REFORM**

Since the global financial crisis, most Organisation for Economic Co-operation and Development (OECD) countries have gone through a period of public sector workforce reform, including significant downsizing. These reforms are driving public services to be more efficient in their operations, to strive for continuous improvement and innovate to do more with less.

- The United Kingdom (UK) is committed to adapting to future requirements. In 2007, the UK Civil Service conducted a review of its performance management framework and in 2011 ventured into the digital world with the launch of gov.uk and the Government Digital Service. The challenges of supporting government led to the 2012 *Civil Service Reform Plan*. In 2014, two reports, *Civil Service Reform in the Real World* and *Leading Change in the Civil Service* articulated the ongoing drive for evolution.
- In 2011, Canada established the ‘Shared Services Canada’ department, and launched a new Values and Ethics Code for the Public Sector. The *Blueprint 2020* (2013) and *Building the Public Service of the Future* (2014) continued to articulate Canada’s case for change.
- New Zealand undertook a review of the State Services Commission in 2013 and finalised the *State Sector Amendment Act 2013*.
- Since 2011, state governments in New South Wales, Queensland and Victoria have reformed workforce management practices and principles.
Degree of public sector employment reform in OECD countries (2008-2013)

*High increase 3.4%*
*Moderate increase 20.6%*
*No relevant change 10.3%*
*Moderate decrease 48.2%*
*High decrease 17.2%*

*of responding countries

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WHY WORKFORCE MANAGEMENT—why now?
Increasing community expectations, complex policy challenges, tight fiscal pressures and the rapid pace of technological change are driving the need to improve the way governments serve their communities. At the same time, the APS needs to become smaller and more efficient.

THE APS OF THE FUTURE WILL BE SIGNIFICANTLY DIFFERENT FROM THE APS OF TODAY.

It will require a workforce with a different capability profile that is harnessed more effectively and continually refreshed in tandem with the changing business environment.
At its best, the workings of government are almost invisible to the community because services are seamless\(^2\). The community deserves services that are designed around them rather than government structures.

When they access services, “they should not need a degree in constitutional law to navigate jurisdictions … and they expect their digital experience to be as easy as using Amazon or Google”\(^3\). The APS should anticipate community expectations and modernise service delivery accordingly, while maintaining a relentless focus on getting the most from every taxpayer dollar.

The APS requires people who focus on service to the community, have creative new ideas and the discipline to execute them.

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UNLOCKING POTENTIAL — If not us, who? If not now, when?

**REACH** provides a People’s Forum and feedback mechanism for Singaporeans.

**Ensemble Simplifions** allows French citizens to directly participate in modernising their public service.

www.ensemble-simplifions.fr

Dutch citizens ask legislative questions via **TWITTER** and make official complaints via **EMAIL**

@rijksoverheid

www.reach.gov.sg
DOING MORE WITH LESS

The Smaller Government agenda is focused on reducing the size of government and will ensure that the public sector is as streamlined, effective and transparent as possible\(^4\). Currently, streamlining the APS is being achieved through a range of measures, including management of agency average staffing levels consistent with budget estimates and consolidation of functions.

The APS needs to strike a careful balance as it reduces its workforce. The challenge is to balance a healthy level of workforce renewal that brings in millennials and external people with fresh perspectives, while maintaining the benefits of an experienced workforce with deep content expertise and highly developed public service craft. This will mean making deliberate choices about building, acquiring and shedding capability according to business needs. More flexible workforce arrangements can translate these choices into action.


\(^5\) Ibid

*Does not reflect net loss as it excludes recruitment for the period.*
HARNESSING TECHNOLOGICAL CHANGE

Since 2008, the internet has been the community’s preferred way of contacting government. Today, 59% of Australians interact with government online, almost twice the proportion reported in 2008. Technology is also providing new opportunities to reinvent the way the Australian community accesses government services. A survey by the DTO found that only 60% of people and 67% of businesses agreed that they could successfully do all their government interactions digitally.

The move towards digital service delivery requires a shift in the APS workforce capability mix.

Digital transformation will increasingly change the type of work performed in the APS. Some current work will be automated, roles will be redesigned and new roles will be created.

This transition will require more flexible employment arrangements that enable new capability to be managed in line with shifting business needs. This includes bringing in new capability for time-limited project work and rapidly redeploying existing critical capability.

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WE SIMPLY CAN’T DENY THAT THE BEST INTERACTIONS WITH GOVERNMENTS ARE THE ONES THAT DO NOT REQUIRE A VISIT TO A GOVERNMENT OFFICE. OUR MISSION IS TO OVERHAUL THE WAY THE GOVERNMENT DELIVERS SERVICES TO ENSURE THAT PEOPLE CAN GET THE INFORMATION THEY NEED WHEN THEY NEED IT.

– MINISTER FOR COMMUNICATIONS
SENATOR THE HON. MITCH FIFIELD

October 2015
COMPLEX POLICY CHALLENGES

The Government and the APS face policy challenges that are increasingly complex. These challenges cut across levels of government and multiple agencies, and are further complicated by the interconnected nature of today’s world.

Developing first-rate policy responses that meet community needs will require ongoing workforce renewal to ensure a regular injection of fresh ideas and energy. This means making the best use of the APS’s most talented employees, directing their efforts to critical challenges and providing meaningful work that keeps them focused and engaged.

COMPETITION FOR TALENT

There is a tight labour market in Australia for:
- cloud specialists
- IT developers
- digital analysts
- HR business partners
- business analysts
- procurement and purchasing specialists
- digital marketing analysts
- social media marketing and communications specialists.

These skill sets are needed in the APS to harness technology, transform business models and contract non-government providers to deliver services.

Against this backdrop the APS has ongoing and urgent professional skills gaps. Since 2008, the APS has reported skills shortages in vital areas such as ICT, communications and HR, particularly workforce planning. Additionally, the trend towards engaging other organisations to deliver services on behalf of government through arrangements such as outsourcing or partnerships will create an increased demand in the APS for people with highly developed project and contract management skills.

The APS offers interesting, varied and rewarding work and this should be part of a compelling employee value proposition used to attract the best and the brightest people to serve government and the community.

More flexible workforce management arrangements will also enable the APS to offer roles that appeal to the career preferences of today’s workers and generate value to the business. This may include better catering for portfolio careers based on project work rather than linear upwards promotion, or providing greater flexibility around work hours and location.

Skills shortages displayed are those identified as moderate or severe by agencies. Australian Public Service Commission, State of the Service Report 2012-13, p.129.
THE AGILE EMPLOYEE

Maintaining capability into the future will mean catching the attention and the imagination of the agile employee. Agile employees are increasingly in demand. Agile teams work at pace, ‘sprinting’ to produce new products or outputs. Once the objective has been achieved, agile teams disband and move onto new challenges. Agile working generally involves a high level of collaboration and a high level of mobility across projects and roles.

Agile employees are problem solvers, collaborative and resilient through change. They work best in small, cross-functional mission teams to address emerging business threats and opportunities. They are a resource that can be mobilised to work on complex or perennial challenges.

Their work is characterised by rapid decision-making, design thinking and controlled risk taking. Preliminary models or drafts are generated quickly and then tested for feasibility and impact – they test early and fail fast.

OUR CAPABILITIES ARE WELL KNOWN ACROSS THE APS AND WE ARE DRAWN INTO PROJECTS IN ANY AGENCY BASED ON MERIT AND OUR POTENTIAL CONTRIBUTION.

– APS GRADUATE

future vision of an agile APS

OPTIMISING TALENT AND DRIVING HIGH PERFORMANCE
THE MOST IMPORTANT ROLE FOR LEADERS IS FINDING, DEVELOPING, AND MOTIVATING PEOPLE TO COLLECTIVELY SOLVE THE BIGGEST PROBLEMS IN REAL TIME.

– CHRIS BLAKE
EXECUTIVE GENERAL MANAGER, CORPORATE AFFAIRS AND PEOPLE, AUSTRALIA POST

December 2015

Talent management is a top priority for CEOs around the world. Talent management is a business strategy focused on ensuring that an organisation has the deep bench strength needed to rapidly respond to changing business needs and ensure the right people with the right skills are ready to step into critical business roles.


Talent management is a fundamental and accepted part of business.

- Senior leaders know who their top talent are and unapologetically differentiate them from the rest.
- Succession planning is routine and there is a healthy bench of people with the skills and experience needed for business critical roles.
- Talent management is used strategically to help an agile APS quickly identify and deploy the right people for taskforces, projects and other emerging priorities.
- Mobility, secondments and development opportunities are highly targeted within agencies, across the APS and with the private sector.

There is a balance between investing in top talent and investing in the ‘vital many’.

- All employees are challenged, engaged and developed.
- There is a positive and honest feedback culture for everyone.
BUSINESS LEADERS INDICATE THAT HIGH POTENTIAL EMPLOYEES ARE MORE THAN 50% MORE VALUABLE TO THE BUSINESS THAN CORE EMPLOYEES... THIS IS BECAUSE HIGH POTENTIAL EMPLOYEES EXHIBIT 21% HIGHER PERFORMANCE LEVELS LEADING TO ENHANCED BUSINESS OUTCOMES ACROSS THE ORGANIZATION\textsuperscript{17}.

\textsuperscript{17} Corporate Executive Board, \textit{Business Case for High-Potential Management and Development}, Arlington, VA, 2009.
WHAT WE FOUND

THE APS IS NOT SUFFICIENTLY DEVELOPING TALENT TO PREPARE THE BUSINESS FOR THE FUTURE

Despite the clear business reasons for managing talent, not all APS agencies are adequately identifying, developing and managing the career development of their talent.

• In 2013-14, 61% of agencies reported that they did not have or were still developing a talent management program.\(^{18}\)

• Results from the 2014-15 APS agency survey\(^ {19}\) indicate that talent management is one of the least mature capabilities assessed through the survey. Agencies were asked to rate the maturity of their talent management capability.
  - The highest proportion of agencies felt their current level of capability was ‘in development’.
  - In the next three years, the highest proportion of agencies aim to have developed and deployed a talent strategy throughout their organisation.

For further data, see the APS HR Snapshot in the Re-designing HR section of this report.

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EVERYONE ON OUR TALENT MANAGEMENT PROGRAM IS ON A SUCCESSION PLAN — THERE HAS TO BE A PURPOSE TO HAVING THEM ON THE PROGRAM.

— LYNTA DEAN
NAB, September 2015

TALENT PRACTICES ARE NOT SUFFICIENTLY LINKED TO THE LONG-TERM NEEDS OF THE BUSINESS

Talent management is normally used to address long-term critical business needs, which are identified through workforce planning. In the APS, agencies that have implemented talent management often use practices that are unsophisticated and disconnected from the long-term needs of the business.

- There is a risk that poor or absent workforce planning means that talent management is not serving the business.
- Talent management is too often led by HR, which risks a disconnect from future business needs. This is supported by perceptions of APS employees — in 2015, only 30% of employees who responded to an APS-wide census agreed that leaders spent time managing talented people.\(^\text{20}\)
- Linking talent management to succession planning helps ensure that investing in talent serves a future business need.
- Where it exists in the APS, talent management is rarely linked to succession.
- 43% of agency Capability Reviews highlighted succession planning as a specific concern for agencies.\(^\text{21}\)


\(^{21}\) This includes agency Capability Reviews up to June 2015. It excludes three reviews that are designated cabinet-in-confidence.
POOR OR IMMATURE PRACTICES PLACE THE APS’S INVESTMENT IN TALENT AT RISK

Poor identification practices, ranging from self-identification to a tap on the shoulder, risk an investment being made in the wrong people. In particular, there is a risk of investing in high performers who do not have future potential.

• Discussions with the private sector, including Telstra and ANZ have reinforced the importance of effective talent identification. In particular they have a rigorous approach for distinguishing between current performance and future potential. The APS Talent Management Guide provides guidance on rigorous talent identification, which is being implemented as part of an APS-wide talent management trial for SES Band 1s.
• In many instances, talent management is simply a learning program. This risks turning talent management into a short-term activity with a discrete start and end point. Talent management should be an ongoing activity that prepares high potential people for business critical roles in the longer term.

Effective talent management delivers numerous benefits. Organisations that understand which employees have high potential compared with those who are highly valued at level can use these insights to make decisions about:

• gauging internal bench strength for critical roles, and reducing reliance on candidates from the external market
• strategically using mobility to prepare talented people for business critical roles or to keep valued performers at level highly engaged
• quickly identifying talented people for taskforces, projects and other emerging priorities
• targeting candidates for secondment to the private sector and vice versa
• more effectively targeting investments in learning and development.

22 A study by the Corporate Executive Board found that only 15% of an organisation’s highest performing employees have the potential to develop and adapt enough to be successful in more senior, complex roles. Source: Sharkey, L.D & Eccher, P.H., 2011, Optimising talent: What every leader and manager needs to know to sustain the ultimate workforce. Charlotte, N.C.
TALENT MANAGEMENT
in the public sectors

UK CIVIL SERVICE
In the UK, there are multiple layers of talent management.
• A Secretaries Committee centrally manages senior executive talent
• Heads of Profession lead talent management for their job families (e.g. finance, HR)
• Agencies manage junior and middle management talent.
Talented employees may be identified in more than one talent pool, e.g. their profession and their agency.
Senior executive talent management has been implemented incrementally. Secretaries began by assessing the performance and potential of their direct reports. The results were mapped onto a nine box talent grid. This information is being used to move people into new roles to stretch their development. The same approach has now been rolled out for the next two levels of senior civil servants (around 4,400 people). All departments use the same talent grid to map their next level down (around 40,000 people).

NEW ZEALAND PUBLIC SERVICE
In New Zealand, the entire top cohort of senior public servants (about 500 leaders) are in the process of being assessed against the Leadership Success Profiles, and for their aspiration, readiness and potential. Chief Executive led Career Boards are responsible for stewarding senior talent. As the Career Boards mature, the intention is to include representatives from the private sector, opening up opportunities for mobility across sectors.
A range of talent practices have been standardised across 29 agencies. All agencies use a consistent talent toolkit created by a cross-agency team in 2014, and refreshed in 2015. In addition, all agencies are in the process of aligning key HR practices to a single leadership success profile to support a common language on leadership capability, outcomes and behaviours.
New Zealand is implementing a common Talent Information Management System for all agencies. The system will act as a single repository of talent data about senior leaders, providing a better understanding of current capability, and the ability to determine investment priorities and development needs. Over time, the data will be compared and contrasted against other key data sets to better predict future leadership needs and gaps.

QUEENSLAND PUBLIC SERVICE
Over the last two years, almost 600 senior executives across the public service have completed the Executive Capability Assessment and Development (ECAD) Program. The ECAD offers an independent assessment of participants’ leadership capability, their readiness for greater leadership challenges, and provides participants with a tailored development plan.
The Public Service Commission facilitates targeted development opportunities for high-potential, high-performing leaders identified through the ECAD, focusing on its Leader Connect initiative. Leader Connect assists participants to gain intensive, practical experience and stretch their leadership skills in a different organisation or sector.

AUSTRALIAN DEPARTMENT OF EMPLOYMENT
The Department of Employment has a formal approach to talent management. The Executive uses a range of data to understand the performance and potential of its SES and Executive Level 2 (EL2), including career portfolios, length of tenure in role and performance data. Talent data is used to make decisions about mobility opportunities, development pathways and secondments.
TALENT MANAGEMENT NEEDS TO OCCUR IN AN ENVIRONMENT WHERE THERE IS A POSITIVE PERFORMANCE CULTURE FOR ALL

There is circumstantial evidence that agencies fear disenfranchising solid performers who aren’t identified as top talent. Effective talent management is part of a broader performance and development system that recognises the vital contribution of those who are not included in formal talent programs. This means avoiding the temptation to treat the ‘vital many’ as a single generic group by creating a high performance culture focused on providing meaningful work, career development and honest feedback for all.\(^{23}\)

IN THE APS, PERFORMANCE DISCUSSIONS ARE POORLY CONSIDERED

In the private sector, there is pressure between competing organisations for customers, market share, shareholder returns and talent. At its best, this competition drives continuous improvement and a focus on individual contribution. Performance discussions in the private sector are an opportunity to highlight achievements and explore career directions. By contrast, APS performance discussions are poorly perceived.

- Performance processes are often driven by a requirement to complete a form twice a year. In 2015, more than one third of employees rated the level of red tape for performance management processes between eight and 10 on a ten-point scale (10 being the highest level of red tape).\(^{24}\)


24 Australian Public Service Commission, 2015 APS Employee Census, unpublished data.
• Performance management is generally perceived to be about managing underperformance, rather than a positive two-way discussion that drives improvement and makes work more rewarding.
• Managers are fearful that negative feedback will result in claims of bullying and lengthy compensation claims. In part this is due to a lack of understanding of the relevant legal framework.
• Agency Capability Reviews identified individual performance management as a specific concern for 71% of agencies reviewed.

A focus on process and compliance comes at the expense of creating a positive performance culture, where managers and employees can have honest conversations about optimising performance, and where everyone is inspired to give their best. A number of agencies are making progress on shifting the performance culture.
• The Attorney-General’s Department has moved to regular and ongoing performance discussions. All employees have at least four dedicated performance discussions per year. This allows managers to match performance discussions to the evolving priorities of the business and aims to focus discussions on continuous improvement for all.
• The Australian Taxation Office is taking a new approach to performance. To move away from compliance, a coaching focus encourages individuals to be the best they can be through regular, open, genuine conversations. These discuss goals, progress and provide constructive feedback with ‘on-track’ or ‘not on track’ ratings.

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25 This includes agency Capability Reviews up to June 2015. It excludes three reviews that are designated cabinet-in-confidence.
LIFT ENGAGEMENT TO DRIVE PERFORMANCE

A highly engaged workforce enables organisations to compete for and retain highly sought after talent. Studies show that engagement drives performance. Companies with a more engaged workforce can hire more easily, deliver stronger customer services and have lower voluntary turnover rates\(^\text{26}\). A comparison of responses in the APS employee census against private sector median benchmarks indicates that the APS workforce is less engaged on characteristics such as pride and advocacy\(^\text{27}\).

![Circle diagrams comparing APS and private sector responses on engagement]

Recent research has found that culture and engagement is a priority for 87% of organisations around the world, prompting companies to focus on HR activities that lift workforce engagement: leadership, coaching, performance management, flexible working and career development\(^\text{28}\).

\(^{26}\) Great Place to Work Institute, *What are the benefits? The ROI on Workplace Culture*, 2015.

\(^{27}\) APS statistics are from the Australian Public Service Commission, *2015 Employee Census*, unpublished data. Private sector benchmarks are from ORC International’s *Perspectives* database, which was used for external benchmarking of individual questions in the *2015 Employee Census*.

FOSTER ENGAGEMENT AND PERFORMANCE FROM THE OUTSET

In the APS there is a particular opportunity to consider the role of induction in nurturing employee engagement and top performance from the outset.

• Research suggests that leading private sector organisations take a centralised approach to common learning requirements such as induction to drive corporate priorities, build a common culture and ensure their people have the management and leadership capabilities they need to excel.

• The Canada School of the Public Service launched a renewed Public Service Orientation in early 2015 to help drive transformation and lay the foundations for a high-performing organisation. The central program offers a shared foundation for employees across government in a range of big picture topics that are relevant to all public servants. Although the new orientation is mandatory for new public servants, it is also available to existing public servants as a way to refresh their public service knowledge.

In the APS, some agencies are failing to prepare new employees properly on high level issues important to working in the APS. In particular, senior external recruits to the APS have identified that induction could be more effective in helping them learn government processes and the underlying rules of working in the public sector.

The APS has a number of special accountability requirements. Induction is an opportunity for new employees to understand the spirit and intent of these obligations. This will lay the foundation for public servants to meet these obligations confidently, rather than in a risk averse way.

Research shows that effective induction provides a range of benefits including29:

• reducing the risk of turnover amongst new employees, who are often most vulnerable in their first weeks of employment

• making the most of early optimism to build employee engagement

• shaping the employee’s understanding of the organisation’s purpose, culture and values

• enabling a new employee to survive and quickly thrive.

An APS induction would add value by covering essentials for success, an introduction to public service craft, public service accountabilities and the nature of the Service. This can be especially relevant for more senior employees coming from private industry.

APS induction should continue to be complemented by agency-specific induction modules. These provide an important opportunity for newcomers to develop the specific knowledge and skills needed in their agency, as well as building an understanding of the agency’s context.

ENSURE SECRETARIES ARE VISIBLY ACCOUNTABLE FOR TALENT MANAGEMENT AND SUCCESSION

When talent is led by HR or line areas, talent management can be driven by a narrow business perspective. The involvement of Secretaries can shift talent from being a HR agenda to a highly focused business strategy directed towards the long-term interests of their agency and the APS. Additionally, Secretaries are uniquely placed to identify the roles in their agency, in the broader APS and externally, that can offer intensive on-the-job development for talented people.
INTRODUCE FORMAL TALENT MANAGEMENT FOR SES BAND 3S AND 2S, TO BE LED BY THE SECRETARY OF THE DEPARTMENT OF THE PRIME MINISTER AND CABINET AND THE AUSTRALIAN PUBLIC SERVICE COMMISSIONER

Senior people have a major impact on organisational culture and performance. This makes it particularly important for organisations to have a healthy pipeline of talented people with the skills and experience needed to lead at the most senior levels.

In the APS, talent management should be routine for SES Band 3s and 2s. Talent management of the Band 3 cohort should inform strategies for:

- developing top talent with the potential to be future Secretaries or Agency Heads
- keeping strong contributors engaged, challenged and continually improving
- selecting the right people for development and mobility opportunities, including high value learning programs, strategic secondments and critical projects
- initiating discussions with those who are no longer a good fit with the needs of the agency or the APS.

At the Band 2 level, talent management should be focused on identifying and guiding the development of those with the long-term potential to be Secretaries.

The Secretary of the Department of the Prime Minister and Cabinet and the Australian Public Service Commissioner should lead the talent management of these critical cohorts, with support provided by the APSC.

INTRODUCE A CENTRALLY DESIGNED APPROACH TO TALENT IDENTIFICATION

Rigorous talent identification processes require an investment in formal assessment tools and professional advice, which can be costly. However, they reduce the risk of poor talent identification resulting in time and money being invested in the wrong people. A common approach should require use of the APS Nine Box Grid\textsuperscript{10} to map cohorts, build a shared framework for discussing talent and enable comparisons across agencies. Agencies would be able to supplement the centrally agreed approach with additional agency-specific approaches.

Adopting a standardised talent identification approach will:

- provide Secretaries with consistent data and a common language
- assist agencies to understand what talent looks like in the APS, with the ability to tailor to agency needs
- ensure agencies use proven tools that are reliable and valid
- enable Secretaries to identify key talent groups and implement targeted development and engagement strategies
- enable sophisticated data analytics on talent pipelines across the APS.

ROLL OUT APS-WIDE TALENT COUNCILS TO MAKE DECISIONS ABOUT DEVELOPING AND DEPLOYING CRITICAL TALENT ACROSS THE APS

Whole-of-APS talent management should be rolled out for a small number of critical cohorts and roles. Talent management of APS-wide cohorts would generally involve planned moves across agencies, breaking down agency siloes and working across agency boundaries.

APS-wide talent councils would extend talent management beyond the SES Band 3 and Band 2 cohorts. Council members would be drawn from Agency Heads, Band 3s, and Band 2s, who would be charged with making talent decisions in the best interests of the wider APS. The councils would report to the Secretaries Board.

APS-wide talent councils would only be established for cohorts that are of vital importance to APS business. Critical cohorts that might be considered for APS-wide talent management include recent graduates with the long-term potential to be future senior executives or specific professions where there are capability gaps or labour supply risks, for example high-level IT skills (Chief Information Officers) or finance skills.

APS-wide talent councils would be responsible for:

- identifying a small number of critical talent cohorts
- guiding the career development of identified talent
- developing tailored engagement and retention strategies for talented people
- regularly re-assessing identified talent to ensure they continue to have the aspiration and engagement needed to justify ongoing inclusion
- reporting regularly to the Secretaries Board to provide visibility of the talent pipeline.

CENTRALLY DEVELOP DESIGN PRINCIPLES FOR A POSITIVE HIGH PERFORMANCE CULTURE

In many agencies, a change in process and behaviour is needed to encourage a strong performance and development culture where honest, individualised feedback drives performance improvement.

Consistent performance management principles that have been centrally developed will:

- assist agencies to refocus performance management to be a positive conversation that fits the rhythm of the business
- support managers and employees to have honest discussions
- support managers to make decisions that consider risk but are not dominated by seeking to avoid it.
INTRODUCE A CENTRALLY DESIGNED INDUCTION MODULE THAT CAN BE ADAPTED BY AGENCIES

A centrally designed module should be developed covering APS-wide topics. This can be tailored by agencies to meet their individual needs and will assist them with their own induction program. This will:

• improve the new starter experience across the APS, bring employees ‘into the fold’; and increase engagement, productivity and retention
• provide consistent messaging on APS-wide matters including the APS Values, Code of Conduct, parliamentary process, briefing ministers and accountabilities.

For an APS induction to build genuine skills and knowledge, agencies will need to commit to new employees spending a period of time undertaking formal, on-the-job and peer-based learning.
Healthy organisations continually build and renew their existing workforce by bringing in a mix of people with a wide range of skills and experience. A regular influx of people brings fresh enthusiasm, stimulates healthy competition and injects new perspectives into the business.

The private sector invests heavily in attracting and recruiting the best people, including graduates. The cost is weighed against the long term gains to productivity and business success. Organisations promote the many benefits of their brand and actively sell both the company and the role.

To continue to deliver the best service to the community, the APS needs the best minds and most dedicated people. However, the APS is up against vigorous competition from the private sector. Potential employees are looking for a dynamic, challenging and flexible work environment, and the APS will need to work hard to attract them.
I WANT THE BEST AND BRIGHTEST PEOPLE TO ASPIRE TO WORK FOR SOME OR ALL OF THEIR CAREERS IN THE AUSTRALIAN PUBLIC SERVICE. TO DO THIS WE NEED TO THINK CAREFULLY ABOUT THE EMPLOYMENT BRAND WE PROJECT. THIS INCLUDES THINKING ABOUT WHAT DISTINGUISHES THE APS FROM OTHER ORGANISATIONS.

— JOHN LLOYD PSM
AUSTRALIAN PUBLIC SERVICE COMMISSIONER
August 2015
WHAT WE FOUND

CURRENT ADVERTISING PRACTICES ARE NOT EFFECTIVE.

Current practices do not establish the APS as a dynamic and desirable place to work.

There is a need to lift the employment value proposition of the APS and to promote the opportunities for interesting and varied work.

For the most part, APS job advertisements do not reflect the type of work today’s employees want and do not encourage potential applicants to apply. APS job advertisements should promote the APS as an employer that offers the opportunity to do exceptional work that is challenging, varied and valuable. Also, in a digital world where there is an opportunity to work differently, advertisements often fail to offer flexibility in relation to working arrangements, including hours and location, even though these options may be available.

AN EXAMPLE OF PROVIDING A FLEXIBLE AND ATTRACTIVE WORK ENVIRONMENT—JOB SHARING

Job sharing is more commonly practised in the private sector, not just for existing company staff but in order to attract the most talented people who also need flexibility. The APS has the potential to offer flexible work arrangements, including job sharing. However, these arrangements are not always used, with more traditional arrangements preferred, reflecting past practices that do not recognise the very real benefits job sharing can bring.

The potential for job sharing should be considered for jobs at all levels to ensure the broadest internal and external market of candidates is considered for all roles.

49% of Australians telework or work digitally outside normal hours
In many cases, advertisements use confusing, bureaucratic language that is off-putting for many potential applicants, particularly those from outside the APS.

They often list complex selection criteria that applicants must address in detail. The APS publication *Cracking the Code* is an indictment on just how impenetrable these criteria can be, and how addressing them depends on knowing the right formula, rather than having the right skills.

Advertisements are also designed to recruit to a particular classification level, locking out the opportunity to recruit on the basis of the skills and experience an individual can bring to a particular role.

A FRESH APPROACH TO RECRUITMENT

To identify Australia’s best digital talent, the DTO is looking at recruitment from the perspective of potential candidates, and seeking motivated digital specialists with experience in teams using agile methodologies. It recognises that much of Australia’s top digital talent has never considered a career in government and prefers defined period contracts that allow them to move regularly across interesting projects. Most roles are advertised for engagements of up to three years.

The DTO is not seeking detailed applications, but asks applicants to submit expressions of interest via its website outlining their areas of expertise. Applicants are asked to provide basic information, upload a resume and respond to a couple of questions as briefly or in as much detail as the applicant chooses. They have the option of providing links to their social media profiles (e.g. LinkedIn, Twitter).
Jobs for a period of more than twelve months must be advertised on the APSJobs website. Many agencies have been slow to employ other possible advertising methods including social media. Advertising in APSJobs is connected to legislative requirements to notify government recruitment decisions in the Public Service Gazette within certain timeframes.

As a central point for advertising vacancies in the APS, APSJobs should provide consistency and a sense of presence. It should promote the APS as offering the opportunity to experience an enormous and exciting range of work, that has the ultimate goal of serving the Australian public. However, APSJobs is not fulfilling this role. APSJobs uses old technology and looks tired. It does not offer the user experience expected by potential employees. Its design is inefficient, it is not user friendly and it cannot be used on mobile devices, which is increasingly the preferred method of interaction.\footnote{Research, ACMA, Report 1 – Australians’ digital lives, Communications report 2013-14 series, ACMA, Commonwealth of Australia, 2015.}

THE APS EXPECTS PEOPLE TO COME TO IT—IT DOESN’T TRY TO ATTRACT PEOPLE.

— GENERAL MANAGER, CORPORATE AFFAIRS
SNOWY HYDRO
October 2015
The legislative description of merit is unclear and the real meaning of merit has become distorted. The Australian public and private sectors support the principle of merit-based recruitment. There is no suggestion that the APS move away from the principle of merit, rather that there is a meaningful definition that can be applied properly. Government and the public expect that the APS will make recruitment and promotion decisions based on a fair and transparent process that leads to the most suitable applicant winning the job, based only on the skills and qualities they have. The meaning of merit and its application in the APS should clearly support these expectations.

The intent of the merit principle is to guard against patronage, bias and any other undue influence, through competitive entry.

Merit in recruitment is also an underlying principle in the private sector, but in contrast to private sector companies that apply a general interpretation of merit, the Act describes what merit means in the APS (section 10A(2)). The Australian Public Service Commissioner’s Directions 2013 (the Directions) include minimum requirements required to uphold merit (Chapter 2).

However, the description of merit in legislation is unclear and, as a result, agencies have built layers of unnecessary process. For example, at times:

- the existing requirement to provide a reasonable opportunity to all eligible members of the community to apply for a vacancy has led agencies to advertise widely
- the requirement for a competitive selection process has led agencies to use complex, cumbersome and ineffective selection processes to compare individual candidates against one another.

In 2015, only 34% of APS employees agreed that their agency applied merit appropriately.\(^{32}\)

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MYTHS about MERIT

THESE COMMON MYTHS LIMIT POTENTIAL APPLICANTS AND DELAY THE RECRUITMENT PROCESS

MYTH – Complex selection criteria are mandatory
Applicants need only be asked to provide enough information to allow an initial assessment of their capacity to do the job. This may be as simple as a resume of their skills and qualifications.

MYTH – Interviews are essential
Applicants need to be assessed against one another and against the requirements of the job. An interview is not the only way of doing this and other methods should be explored. At interview, candidates do not need to be asked identical questions.

MYTH – A reference is required for all applicants
A referee’s report is one way to get information to help to assess a candidate. It is not a mandatory requirement.

MYTH – An advertisement must specify a particular classification level
An advertisement can cover a range of remuneration levels, with the final decision on classification based on an assessment of what the successful candidate brings to the job.

MYTH – It’s all about classification
It’s about the role. The classification is a backroom assessment based on the work value of the job. This can be impacted by the skills and experience the person brings to the role.
COMPLEX RECRUITMENT PROCESSES GET IN THE WAY

Within the existing legislation, the proper application of merit is simpler than current practices suggest. A number of myths have evolved over time, leading to advertising practices and complex selection processes that result in poor recruitment outcomes and unnecessary costs, including:

- loss of potential applicants, particularly external applicants who will not engage with complex process and language
- failure to get the right person because the emphasis is on process not the individual
- loss of good people who do not wait for the process to be concluded
- productivity cost of carrying a vacancy. In 2014-15, the APS median time to start was 60 working days (see the following page for the productivity loss).
In 2014-15, the APS median time to start (from job advertisement to commencement) for internal and external candidates combined was 60 working days\(^{33}\), compared with the industry sample benchmark of 50 working days\(^{34}\).

Notably, external candidates face additional delays in recruitment. In 2014-15, the median time to start for external candidates was 68 working days.

The APS is funded to deliver government priorities and services, with the expectation that the right people and capabilities are in place. Long recruitment timeframes have a significant productivity impact for government and the community. Productivity loss across the APS is more measurable where candidates are recruited from outside the APS. Internal candidates generally continue to contribute to productivity regardless of recruitment timeframes.

The estimated productivity lost during the median time taken to recruit external candidates in 2014-15 equated to approximately 689 Full Time Equivalent (FTE) or $53.8 million.

Reducing the median time to start by 18 working days to the industry sample median of 50 working days would have reduced the productivity loss by approximately 183 FTE or $14.2 million\(^{35}\).

Clearly, while a reduction in the number of days to recruit from 68 to 50 may not be large, the overall impact on productivity is significant.

It is important to note that productivity improvements do not equate to financial benefits such as cash savings. While the public sector faces challenges in measuring productivity\(^{36}\), it is still useful to consider the effect of lost output associated with carrying a vacancy for an extended period of time. Despite agency efforts to cover the workload of a vacant role, there will inevitably be an impact to the overall productivity of the APS.

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33 Working days include the number of days from the date the opportunity was gazetted to the earliest of: the candidate’s start date for new engagements; the date of gazettal plus 10 working days for promotions at the APS 1-6 level; or the date of gazettal for all other promotions and transfers. APS data is sourced from APSJobs and is based on data entered by agencies.

34 Time to start for professional, non-sales positions in the Mercer (Australia) Human Resource Effectiveness Monitor 2014 is defined as the total number of working days taken to recruit candidates, starting from the date a job requisition is approved, to the date the candidate commences employment.

35 Productivity loss associated with extended recruitment timelines for external candidates is the median time to start as a percentage of the number of working days in a year across the workforce (approximately 228 days). The percentage loss is converted into the equivalent FTE by multiplying the proportion of loss by the number of engagements. The equivalent FTE is then multiplied by the median APS base salary from the 2014 APSC Remuneration Survey for an estimated cost. A similar methodology was used to estimate the productivity cost of employee sick leave and is described in the Australian Public Service Commission, State of the Service Report 2013-14, p. 129. Calculation steps are provided in Appendix B.

A MERIT PROCESS IS REQUIRED FOR ALL PROMOTIONS

A merit process is generally applied to promote an existing employee, even in circumstances where the employee has consistently shown that they can perform at the higher level, or where an employee has been identified on a succession plan. This causes delays for the business and incurs costs associated with unnecessary process, including the time of other applicants and evaluation panels. It also fails to appropriately recognise or reward an individual’s performance.

"WE HAVE TO GET MANAGERS IN THE PUBLIC SECTOR TO USE DISCRETIONARY PROVISIONS AVAILABLE TO THEM—THERE IS AN ADDICTION TO RULES."

– SENIOR LEADER
NEW SOUTH WALES PUBLIC SERVICE
October 2015

MERIT IN CANADA’S PUBLIC SERVICE

Merit in the Canadian Public Service was redesigned to provide agencies with greater flexibility in recruitment. Canada’s Public Service Employment Act 2003 allows agencies to choose whether to advertise a vacancy, and whether to conduct an internal or external recruitment process. These choices must be consistent with the agency’s HR plan, workforce planning targets, and the core public service values (including merit).

Successful candidates in the Canadian Public Service must meet the essential qualifications for the position, and should support present and future organisational or operational requirements. The Canadian legislative description of merit does not include a reasonable opportunity to apply. Hiring managers do not need to consider more than one person for a role. Agencies are able to promote employees based on performance or identified talent management.

THE EXISTING APS CLASSIFICATION SYSTEM

The existing APS classification system has 11 levels. In most circumstances, movement to the next level is only through promotion to a new position following a competitive selection process. It is unclear how this rigid system supports a flexible workforce or enables employees to be recognised and rewarded for their individual skills, contribution and performance.
EMPLOYEES CAN APPEAL PROMOTION DECISIONS

Current rules provide that APS employees who are unsuccessful in their application for a promotion to a position at the APS 2-6 level may be able to appeal the decision to the Merit Protection Commissioner (MPC) without the responsible agency undertaking an initial review.

Comparatively few promotion decisions were reviewed in 2014-15. Out of 2,910 promotion decisions, only 41 were considered by the MPC. Of these, one was overturned. There were similar outcomes in 2013-14, when 233 decisions were reviewed from a total of 5,052 promotions. Only two were overturned.

Although the total number of decisions overturned is low, the right to review promotion decisions adds to the time it takes to fill vacancies at the APS 2-6 levels. It also perpetuates an overly risk averse approach, with practitioners setting in place complex processes ‘in case of review’.

There is a view that the potential for review of a promotion decision by the MPC supports merit, as it provides assurance that processes are conducted properly, and presents an opportunity for the MPC to assist agencies to further develop their recruitment skills. However, limiting access to promotion reviews need not compromise merit.

There should be a balance between agency accountability for their management decisions and external oversight.

This should also be the case for other management decisions that can be referred to the MPC for review.

PROMOTION REVIEWS IN THE NEW SOUTH WALES PUBLIC SERVICE

Prior to the Government Sector Employment Act 2013 (GSE Act), New South Wales public service employment practices were managed through the Industrial Relations Commission. Promotion appeals progressively fell into disuse with very few appeals lodged and almost none successful. Under the GSE Act, the Industrial Relations Commission no longer hears promotion appeals. Instead, Part 4 of the GSE Rules sets out the requirements in relation to internal reviews of promotion decisions. In short, the Rules state that an unsuccessful candidate may request a review on the grounds that the process was improper. The review is conducted by a senior executive appointed by the Agency Head and is conducted within 10 business days. The decision of the reviewer is final.
ALLOW A MODIFIED APPROACH TO MERIT FOR PROMOTIONS IN DEFINED CIRCUMSTANCES

A modified approach to merit should be developed in circumstances where an employee has already established their credentials as the best person for the job, including through a talent program.

RENEW APSJOBS

An approach to market for outsourcing APSJobs is anticipated. Benefits include improving the APS brand positioning and providing a better, more engaging, exciting and contemporary user experience, leading to better reach and improved quality of applicants.

EXAMINE THE LEGISLATIVE DESCRIPTION OF MERIT, WITH A VIEW TO SIMPLIFYING

Section 10A(2) of the Act and Chapter 2 of the Directions should be reviewed to ensure they are clear about the circumstances where:

- a limited field may be reasonable and appropriate, and/or
- an assessment of the candidates against the requirements of the job is sufficient.

It is noted that any legislative review will require further analysis, legal advice and consultation.
APPLY MERIT THROUGH SIMPLE AND APPROPRIATE RECRUITMENT PROCESSES

Agencies should be encouraged to remove unnecessary processes that have evolved over time, but are not required by legislation and are not finding the best person for the job. There is no one single process that suits all recruitment needs; HR practitioners should not be locked into always advertising in a certain way, recruiting to classification levels or running complex interview processes.

It is important to invest in selecting the right person, but there can be different ways of doing this. The process should not lead the outcome.

- Decisions around where and how to advertise, and how to run a fair and transparent selection process will depend upon the:
  - nature of the work
  - number and type of applicants who may be suitable
  - existing operating environment, including external competition for talent.
- Finding the best applicant for a job—the person with the greatest merit—will involve a transparent process that fairly assesses the skills and qualities of an individual against what is needed by the business.
- Process should not take the focus away from the real value an individual brings. A rigid approach to recruiting for levels can restrict the applicant pool.
- Recruitment processes should facilitate participation by all diversity groups. A fair and effective process should provide a level playing field. It cannot embed bias against a particular group of candidates.
- A complicated merit process should not be justified by a perception that it is a requirement particular to the APS. Merit is also an underlying principle in the private sector.

REVIEW THE APS CLASSIFICATION SYSTEM

Review the APS classification system and its application to determine how it can more effectively support an agile and high performing workforce.

CENTRALISE TRANSACTIONAL RECRUITMENT ACTIVITY FOR SOME COHORTS

For some cohorts—e.g. graduates—there may be an advantage in managing advertising and recruitment centrally. In this way, positions can be offered across a number of departments and agencies.

The arrangements could be managed by an identified centre of excellence. Agencies could opt-in to any centralised arrangements, depending on their in-house capabilities and business needs.

Such an approach has benefits that include:

- a focus on the APS brand and the breadth of opportunities—this may attract more applicants and improve APS competitiveness
- an improved experience for new recruits by removing the need to complete multiple applications
- facilitating a coordinated approach to mobility and development
- potential savings from economies of scale in marketing, assessment and administration.

REVIEW THE SYSTEM OF APPEAL FOR MANAGEMENT DECISIONS, INCLUDING PROMOTION DECISIONS

The current system of appeal is out of step with wider employment practices and should be reviewed. Appeals for most employment matters should be managed at the agency level.
INCREASING flexibility
WHAT THE APS needs

- Business needs determine employment arrangements, and there is an appropriate balance between ongoing and temporary employment arrangements.
- Continuous renewal in senior ranks is facilitated by transitioning SES to specified period employment arrangements.
- A capability interchange approach, supported by management, facilitates mobility and talent management across the APS so that:
  - critical skills are matched to critical business needs
  - employees are motivated and challenged by opportunities and new experiences.
- Secondments across the APS, to and from other jurisdictions, and with the private sector, are facilitated through a central service.
- Employer-initiated separations are respectful and blame free, where possible.

An APS that is highly responsive to the community and government needs a dynamic workforce. Business priorities should determine employment arrangements, so that there is the right balance between those employed for specified periods and ongoing employees depending on the nature of the work and anticipated future needs. **Capability should be easily accessed and refreshed, and the best people mobilised to address emerging priorities.** This means freeing up restrictions around temporary employment and workforce renewal as well as enabling employees to move more freely within the service, and in and out of other jurisdictions and the private sector.

In addition to legislative amendments, the APS needs a cultural shift so that separation becomes an accepted part of continuous workforce renewal, and is respectful and blameless, where appropriate. Separations are conducted in a reasonable timeframe and employees exit as ambassadors for their agency, not as an aggrieved party.
WHAT WE found

THE EMPLOYMENT OF PEOPLE FOR SPECIFIED PERIODS IS TOO RESTRICTIVE

The Act provides that the usual basis of employment in the APS is as an ongoing employee (section 10A(1)(b)).

Rules governing the engagement of non-ongoing employees other than SES employees are provided in the Public Service Regulations 1999 (the Regulations) (Regulation 3.5). An Agency Head can engage a person to undertake duties that are irregular or intermittent, for a specified task, or for a specified term. These are most commonly used where the duties to be performed are not predicted to extend beyond a given period. The maximum period of a specified term is generally three years, with the possibility of a one year extension if approved by the Australian Public Service Commissioner.

In addition to the restrictions on the maximum length of the specified period of employment, the Directions (Chapter 2) include minimum requirements for advertising temporary positions.

To fill a vacancy for a specified period of more than 12 months, or to extend a term of employment to more than a total period of 12 months, the position must be advertised, and the selection of a successful candidate must be on the basis of a competitive selection process.

If there continues to be a business need for the position at the end of the maximum period, the vacancy must be advertised and applicants assessed through a competitive process. This is the case even when the employee who has occupied the position is available to continue and has performed well.

Agencies find the provisions for filling vacancies for specified periods are not only overly restrictive, but confusing and difficult to navigate.

Decisions on the type of employment arrangements used to fill a vacancy should reflect the predicted future priorities of the business. Core business is not necessarily stable or predictable. As policy and delivery challenges become increasingly complex and interlocked, it is difficult to anticipate how long projects and programs will need to be resourced, and it is no longer appropriate to restrict the employment arrangements to a maximum period of four years.

There is value in having an experienced, longer term workforce with corporate knowledge to underpin the work of the APS. However, there is a need to have the capacity to quickly mobilise skills required at any point in time. The APS also predominately promotes from within without realising the full benefits of bringing in new skills and fresh perspectives.

FIXED TERM EMPLOYMENT IN THE PRIVATE SECTOR

The APS and the private sector use very different language to describe employment arrangements. The private sector generally refers to permanent, fixed term and temporary employees. By contrast, the APS refers to employees as ongoing, non-ongoing or labour hire. In the private sector, permanent employment can generally be terminated within a 3-6 month period.
The APS requires the flexibility to match its workforce to business priorities. It must use its employment arrangements more strategically to accommodate longer term needs and, when necessary, to resource specific projects or bolster capability in key areas.

At 30 June 2015, almost 16,000 APS employees were employed on a non-ongoing basis, representing just over 10% of the total APS workforce. Over the past decade the proportion of non-ongoing employees in the APS has increased, however, these employees are concentrated at lower levels and in casual work.

- 90.9% are at APS 1-6 levels with 8.5% at EL and 0.6% at SES
- 54% are casuals and 42% are specified term.

Aligning business objectives with the strategic use of employment arrangements, and striking a balance between longer term and specified period employment is particularly important at higher levels. Research indicates that a degree of refresh at the senior executive level can help organisations adapt to changing environments. The introduction of competitive tension also encourages a focus on continuous improvement.

The APS does not appear to be assessing and using its SES capability strategically, with only 3.6% of all SES on specified term contracts, at 30 June 2015.

**TARGETED MOBILITY CAN HELP STRIKE A BALANCE BETWEEN DEPTH AND BREADTH OF EXPERIENCE**

When used strategically, mobility can build a workforce that strikes the right balance between employees with a breadth of experience spanning different agencies and sectors, and employees with deep subject matter expertise in their field. The targeted use of mobility provides a range of benefits by:

- maintaining the engagement levels of top talent by quickly moving them to work on the most challenging emerging problems
- exposing employees to a range of approaches to policy development, service delivery, leadership styles and management practices, which they then take back to their home agency
- building employee networks, which forge closer partnerships across agencies and sectors. This also helps employees understand how policy issues cut across agencies and impact business and the community
- providing an opportunity for employee development. This includes building the portfolio of experiences needed to become a well-rounded employee and building resilience by moving out of their comfort zones.

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UK CIVIL SERVICE INTERCHANGE AND SECONDMENTS

The UK Civil Service Reform Plan identified the need to encourage the flow of people between the Civil Service and other sectors, in order to develop better understanding of how other sectors work, broaden skills and develop talent. The Secondments and Interchange Programme is building momentum so that movements in and out of the Civil Service are part of a successful career, where it is normal for civil servants to have periods working in other sectors. Partnerships with other organisations resulted in 60 placements during 2014; 43 outward and 17 inward. This target has increased to 100 placements in 2015.

APS-JAWUN SECONDMENT PROGRAM

Since 2011, APS middle managers have been able to complete a secondment with an Indigenous organisation as part of the APS-Jawun Secondment Program. The program is a partnership between the APS and Jawun, a not-for-profit organisation that brokers secondments for corporate and public sector employees to Indigenous communities. The secondments provide a valuable opportunity for APS middle managers to gain insights into Indigenous communities, culture and the impact of government policy on Indigenous Australia. They are a tangible way for the APS to contribute to the reconciliation process in Australia.

Since the pilot program, which offered 11 secondments in 2011, the APS-Jawun partnership has progressively grown. In its first full year in 2012, the program brokered 36 APS secondments. By 2015, the program was offering up to 75 secondments per year. The APS’s involvement in the program is centrally coordinated by the APSC.
APS CROSS SECTOR SECONDMENTS

The APSC is currently piloting a secondment program to provide senior public servants with an opportunity to complete secondments to private sector companies, other government jurisdictions and the not-for-profit sector. The program is part of an overarching strategy to promote more effective engagement with other sectors, and expand the skills and perspectives of public servants. The aim of the secondments is to ensure that senior public servants have deeper insights into the pressures shaping other sectors, including by directly experiencing the impact of government policy and regulation on them. The secondments will also expose senior public servants to a range of different leadership and management practices. The program is expected to improve the capacity of senior public servants to design programs and services based on a deeper understanding of the operating environment and constraints faced by business and organisations directly supporting the Australian community.

The secondments will complement programs already in place in individual agencies such as the Department of the Treasury and the Department of Industry, Innovation and Science.

Mobility unlocks organisational agility by enabling capability to be quickly moved to emerging priorities.

At an APS-wide level, in the absence of comprehensive strategic workforce planning and systematic talent management, it is difficult to have confidence that the best people are doing the most critical work. Where specific capability is needed to meet an emerging business need, the absence of an effective APS-wide mobility mechanism means that agencies generally rely on their own workforces, personal networks and expressions of interest processes.
MOVEMENT BETWEEN AGENCIES AND IN AND OUT OF THE APS IS LIMITED

The APS would benefit from a more targeted approach to mobility, both within the APS and externally.

Mobility in the APS is highly variable. Some agencies have a strong culture encouraging employees to move between agencies to build experience, while others have primarily long-serving employees who have worked in a single agency.
Evidence suggests that, taken as a whole, mobility within the APS is relatively limited\textsuperscript{41}.

- Over the past 15 years mobility rates have fluctuated between 1.1% and 3.1% of the APS workforce\textsuperscript{42}.
- In 2014-15 1.6% or 2,294 ongoing APS employees moved between agencies.
- In the last five years, only 2.4% of ongoing APS employees had been on a temporary transfer\textsuperscript{43}.
- Limited mobility risks employees with a narrow range of perspectives and experiences:
  - in the APS, only 40% of Executive Level (EL) middle managers have worked in more than one agency
  - this improves at the SES level, where 63% of employees have worked in more than one agency.

\begin{itemize}
\item Note: In the APS, mobility refers to transfers and promotions that involve moving to another agency. The number of employee secondments between agencies is not recorded in the APS Employment Database and is therefore excluded from APS mobility data in this report. Mobility is calculated as a percentage of the average APS population.
\item Analysis from APSC APS Employment Database (APSED), noting secondments cannot be captured in APSED.
\end{itemize}
The APS has a long-serving and experienced workforce. For example, at the SES level the median length of service is 20.3 years.

While substantial APS experience has the benefit of building a workforce that is highly skilled in public service craft, this should be balanced with external experiences that promote a broader perspective and enable public servants to better understand the impact of government policy on business, the community and other sectors.

A number of programs that have been put in place to build experiences beyond the APS, including the APS-Jawun Secondment Program and a new APSC pilot program offering secondments for senior public servants to private sector companies. However, in general, options for gaining a period of experience outside the APS, including in other jurisdictions and the private sector, are limited. Generally, APS employees who wish to gain outside experience with a guaranteed position on return can only do so if a period of leave without pay is approved.

The APS would benefit by establishing mobility relationships that enable employees from the private sector, not-for-profit sector and other jurisdictions to complete secondments or exchanges with the APS. This will build two-way insights, collaboration and ongoing networks.
MOBILITY AT THE DEPARTMENT OF EDUCATION AND TRAINING

In December 2014, the Department of Education and Training launched a mobility program. The program is open to all employees who self-nominate to take part. Participants indicate whether they are seeking a move inside the department—either within their career cluster or outside their cluster—or outside the department.

As at 1 December 2015:
- 356 employees had registered for the program
- 121 successfully moved to other roles in the department
- 29 had moved temporarily or permanently to other departments.

SEPARATION IS OFTEN SEEN AS PUNITIVE. LEGISLATION IS PRESCRIPTIVE, PROCESSES ARE LENGTHY AND COMPLEX, AND MANAGERS ARE RISK AVERSE

Section 29 of the Act specifies the grounds for terminating the employment of ongoing APS employees. The grounds for termination include being excess to the requirements of the agency, having lost an essential qualification, unsatisfactory performance, and breach of the APS Code of Conduct.

These grounds are overly prescriptive and are inconsistent with the practices that apply in the broader community. For example, there may be a need to provide for circumstances where an Agency Head no longer has confidence in an employee’s capacity to perform a role or uphold the interests of the APS.

Where grounds can be established, there is a perception that all employer-initiated separations are a punishment meted out for poor performance or bad behaviour.

For most separations, processes are unnecessarily lengthy and prescriptive. This is particularly the case for terminations on the grounds of poor performance. Managers are risk averse, at least in part due to a limited understanding of the law and fear of having a decision challenged. Neither agencies nor employees are well served by processes that delay separation. Agencies experience a loss of productivity, while employees suffer uncertainty.

WHEN PEOPLE SEPARATE, WE TALK ABOUT THEM EXITING AS AMBASSADORS.

— SENIOR LEADER
NEW ZEALAND PUBLIC SERVICE

October 2015
**REDUNDANCIES ARE NOT USED STRATEGICALLY**

Unlike many private companies, the APS continues to use voluntary redundancies (VR). Anecdotally, there is evidence that these are not being used strategically to deliver the right capability for business.

*Redundancy provisions should only apply where an employee is genuinely excess or where their capability is no longer required.* This reflects the approach that is being increasingly adopted in the private sector, where the use of voluntary redundancies is declining. For example, it was reported in September 2015 that Telstra has recently adopted new rules that mean employees will not be offered a redundancy if they have the skills to be redeployed into an alternative role.

The decision on whether a person is redundant should be based on an assessment of their capability against business priorities. This does not mean an overly complex or lengthy process. However, it requires a clear description of the role to be performed and a consistent methodology that matches capability to business needs.

Such an assessment may result in the identification of capability gaps. **Every opportunity should be taken to redeploy excess employees.** However, changing business often lead to a need for new skills.

The imperative to make strategic decisions about capability equally applies in circumstances where overall staffing numbers need to be reduced when a ‘spill and fill’ approach is taken. A ‘hands up’ approach to reduce numbers—or an invitation to apply for a limited number of positions—can see agencies lose vital capability. **There is anecdotal evidence that when employees have the opportunity to volunteer to be made redundant, the people most capable and confident of getting a job elsewhere often self-nominate.**

In such cases, morale is often damaged and organisational productivity is impacted by employees remaining in the workplace while they wait to be offered the opportunity for a VR. The unintended outcome is that less effective performers can be rewarded by remaining.

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**PROBATION SHOULD BE USED TO TEST ‘FIT’**

A period of probation provides the opportunity for the employer to assess whether or not a recruitment process has led to the right outcome.

*If probation is not used effectively, it can lead to the ongoing engagement of an unsuitable employee and the need to manage underperformance after employment has been confirmed, resulting in avoidable complexities.*

Employer-initiated separation during probation is not typical in the APS. Over the last five years, less than 1% of new entrants were separated from the APS during their probationary period.45

One large agency reported that only two people were separated during probation in 2014-15.

45 Analysis from APSC APS Employment Database. Probation is one of several conditions that may be imposed on new entrants to the APS. Separations data is for the aggregate number of employees who were separated due to failure to meet a condition of engagement. Other conditions include citizenship, health checks and security clearances.
Ineffective use of probation was raised at focus groups with agency HR practitioners. This was attributed in part to overly complicated processes applied inconsistently across the APS, as well as to a need to further educate and empower managers to exercise existing people management responsibilities. Ineffective use of probation is also the result of a culture that sees employer-initiated separation as punitive, rather than a legitimate management action that can be respectful and blame free.

46 Australian Public Service Commission, Statistical Bulletin 2014-15, Table 45; Analysis from APSC APS Employment Database.
CONSIDER THE LEGISLATIVE PROVISIONS ON SPECIFIED PERIOD EMPLOYMENT ARRANGEMENTS

Decisions about the type of employment should be based on the needs of the business, rather than arbitrary rules. A flexible APS workforce would have a balance of ongoing and non-ongoing employees at different levels to meet business priorities.

Regulation 3.5 and Chapter 2 of the Directions should be reviewed with a view to:

- removing or extending the current three year limit on specified period employment arrangements
- reviewing the process for engaging a person at the end of a specified period, for a further specified period. As part of a broader review of merit, consider what process is reasonable and appropriate in circumstances where there is opportunity for an employee to have a specified employment arrangement extended or renewed.

It is noted that any legislative review will require further analysis, legal advice and consultation.
INCREASED USE OF SPECIFIED PERIOD EMPLOYMENT ARRANGEMENTS FOR SES

SES employees should be engaged on a basis that reflects business needs. Use of specified term employment arrangements for SES will facilitate workforce refresh and improve alignment with business priorities.

There needs to be a cultural shift where it is acknowledged that people are employed in response to organisational needs, and that decisions on whether to extend a contract are based on those needs, not performance. This is part of the broader shift where separation is respectful, blame free and an accepted part of legitimate workforce renewal.

This may also reduce the prevalence of employer-initiated separations for SES employees currently available under section 37 of the Act.

IMPLEMENT AN APS CAPABILITY INTERCHANGE

A central APS capability interchange will facilitate the movement of employees with critical skill sets who will benefit from gaining experience in other areas. This will provide a good pathway for building employees with a wide-angle lens.

It is essential that the capability interchange be supported by managers, and viewed in the context of whole-of-government outcomes and positive opportunities for employees and employers alike.

DEVELOP A CENTRAL SECONDMENT BROKERAGE SERVICE

Establish a secondment brokerage service to expand on current offerings. The secondment service should offer targeted secondments within the APS and externally, including to the private and not-for-profit sectors, and to state and territory jurisdictions.
CONSIDER THE LEGISLATIVE PROVISIONS FOR SEPARATIONS. ALLOW GREATER FLEXIBILITY FOR NO-BLAME SEPARATIONS

There should be greater flexibility for respectful, blame free separations.

- Grounds for termination under section 29 of the Act should be reviewed to determine whether they are necessary or whether section 20 of the Act and provisions in the Fair Work Act 2009 offer an adequate framework for termination of employment.
- If it is determined that the grounds for termination under section 29 of the Act should remain, then consideration should be given to whether there is a case for additional grounds for termination in legislation.
- Legislation should also provide agencies with the flexibility to offer appropriate monetary incentives for separation, where this is in the interest of the business or the APS.
- Specified period employment arrangements should include options for blame free separation.

It is noted that:

- any legislative review will require further analysis, legal advice and consultation
- more appropriate options for blame free separations may reduce the use of voluntary redundancies.

SUPPORT A CULTURE WHERE SEPARATION IS NOT PUNITIVE AND IS AN ACCEPTED PART OF WORKFORCE RENEWAL

The APS needs a cultural shift so that roles are not viewed as static. As the operating environment changes, the skills required for a particular job also change. No single job is for life, and in circumstances where an employee no longer meets the needs of a particular role, separation should be viewed as part of the normal employment cycle.

Managers also need to re-assess their approach to separation and remove unnecessary processes that have evolved over time but are not required by legislation. They need the support of senior management and HR to make good decisions in the best interest of the agency.
REINFORCE USE OF THE PROBATION PERIOD TO CONFIRM FIT

Support the effective use of the probation period to confirm that the engagement suits the agency and the APS.

A probation period:

• is a check on the recruitment decision
• provides the opportunity for the agency to assess whether or not an appointment meets expectations and benefits the APS
• reduces the need to deal with an unsuitable appointment, or poor fit, after employment has been confirmed
• reduces the need to manage poor performance after employment has been confirmed.
RE-DESIGNING HR

What we found
“THE DAYS OF AN HR LEADER BEING A PEOPLE PERSON WITH SOFT SKILLS HAVE LONG PASSED. THERE ARE NO SOFT SKILLS, THERE IS ONLY BUSINESS ACUMEN. EVERY DECISION, PLAN, OR PROCESS HAS TO BE ALIGNED WITH THE CORE BUSINESS STRATEGY… IT IS ALL ABOUT CREATING AND DELIVERING VALUE ALIGNED WITH THE ORGANIZATION’S OBJECTIVES. HR LEADERS MUST FIRST BE STRATEGIC BUSINESS PARTNERS WHO JUST HAPPEN TO MANAGE THE MOST VALUABLE ASSETS OF THE ORGANIZATION — ITS HUMAN CAPITAL.”

According to research by the Hackett Group, organisations with world-class HR outperform their peers. A typical large company with an average of 21,000 employees and world-class HR can deliver services at 23% lower cost compared with a peer group. Their HR mostly devotes their time to high value processes such as strategic workforce planning.


In high performing organisations, HR is mission-driven and people focused. It plays a pivotal role in driving and enabling strategic change.

It transforms workforces, skills and organisation structures to harness opportunities and manage challenges. HR is an architect of high performance, a driver of agility and a lever for lifting workforce engagement. **HR experts have a seat at the executive table and contribute to decision making to achieve maximum business performance.**

High impact HR understands the needs of the business. This is made possible by 49:

- a fit-for-purpose service delivery model:
  - linking with internal clients to connect people strategies to the business
  - prioritising the things that matter most to the business
  - a focus on higher value work, e.g. strategic workforce planning and talent
  - a strong focus on operational excellence
  - a commitment to simplifying processes and continuous improvement
  - effective use of outsourcing.
- the right HR capability mix, including analytical and consulting skills
- effective use of technology, including high levels of automation and self-service
- a focus on measuring HR performance underpinned by data to contribute to strategic discussions.

49 Adapted from Hackett Group, op. cit., and Boston Consulting Group, *Creating People Advantage*, 2015.
“HR IS AT A CROSSROADS. ONCE DESIGNED PRIMARILY AS A COMPLIANCE FUNCTION, TODAY’S HR ORGANIZATION MUST BE AGILE, BUSINESS-INTEGRATED, DATA-DRIVEN, AND DEEPLY SKILLED IN ATTRACTING, RETAINING, AND DEVELOPING TALENT.”

WHAT WE FOUND

HR IS BEING RE-DESIGNED IN THE PUBLIC AND PRIVATE SECTORS

According to research, the most effective HR functions devote most of their time to very high-value activities such as strategic workforce planning.

Advances in technology have made it possible for HR to move away from manual processing activities and play a stronger role in guiding long-term business strategies. Yet a global survey by Deloitte University suggests that HR functions are generally struggling to make the transition from being sound administrators to trusted strategic advisors:

- 42% of companies surveyed reported that the impact of HR on organisational success is weak
- 85% of companies surveyed believed that HR needed to transform to meet new business priorities.


51 Hackett Group, op. cit., p.1.
A number of public and private sector organisations are going through a process of re-designing HR functions and capability.

**SINGAPORE PUBLIC SERVICE** The Singapore Public Service is driving public sector transformation in recognition of increased policy complexity, changing demographics and growing citizen expectations. As part of this effort, a program of work is underway to professionalise HR. Singapore’s Public Service Division has partnered with the Chartered Institute of Personnel and Development (CIPD) to help its HR teams play an active role in building a workforce that is ‘future ready’, highly effective, agile and resilient. A pilot group of 20 HR directors from the Public Service will have their experience assessed against CIPD benchmarks, based on international standards of practice.

**TELSTRA** Over a period of 12 years, Telstra has shifted from an HR model aligned to the industrial environment to a modern and strategic model. In the process, Telstra has moved to an HR delivery model comprising automated hubs, tactical advisors (for issues such as remuneration) and strategic partners. Telstra has reduced the size of its HR function in a number of areas and upskilled those that have remained to make them more capable. Telstra continues to refine its HR model.

**QUEENSLAND PUBLIC SERVICE** To support HR professionals to be well positioned as strategic business partners, the Public Service Commission partnered with an external company to develop and deliver the Strategic HR Capability Assessment and Development (SHR-CAD) initiative. The initiative encompassed a fit-for-purpose strategic HR competency framework that includes an assessment of capability through multi-rater feedback: self, supervisor and up to eight customers. Results from SHR-CAD have provided a baseline of HR capability across the sector and have identified capability areas for targeted development. The development of a sector-wide development strategy is currently underway.

**NEW ZEALAND PUBLIC SERVICE** In New Zealand, the Government Chief Talent Officer is also the Head of Profession for Human Resources. This appointment aims to galvanise the HR profession, raising the level of capability, capacity and confidence in the HR function.

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**APS HR IS NOT SUFFICIENTLY FOCUSED ON HIGH-VALUE STRATEGIC ACTIVITIES — SOME OF THIS IS DUE TO CAPABILITY GAPS**

According to research by the Hackett Group, “world-class HR organizations are distinguished by their commitment to operational excellence, their mastery of strategic talent management and their ability to act as true partners to the business … the key enabler is strategic workforce planning”53.

In the APS, HR models vary considerably by agency. However, as shown in the APS Strategic HR Snapshot54, evidence suggests that taken as whole, the APS HR function is not sufficiently focused on high value activities such as strategic workforce planning and talent management.

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53 Hackett Group, op. cit., p.7.
54 It should be noted that the Snapshot captures whole-of-APS aggregate data. 2014-15 data is not available for all data points.
APS STRATEGIC HR SNAPSHOT

Strategic Workforce Planning

World class HR organizations ... have largely completed building a sophisticated strategic workforce planning (SWP) process. Two-thirds of these organizations employ staff with advanced SWP skills.a

Strategic Workforce Planning 2014-15

60% of agencies had a workforce plan for at least part of their agency6

Strategic Workforce Planning 2013-14

Agencies reported common barriers to workforce planning, including lack of specific workforce planning skills and insufficient data sets9

Strategic Workforce Planning 2012-13

Workforce plans were weakest in addressing critical future risks, e.g. scenario planning, workforce affordability1

76% of Capability Reviews identified workforce planning as a specific concern6

Talent and Succession Planning

One of the main differentiators of world class HR organisations is their proven ability to strategically manage talentb.

Talent and Succession Planning 2014-15

As of this period, 39% of agencies had a clear strategy for talent managementf

Talent and Succession Planning 2014-15

Only 3% of agencies had achieved a level of maturity where they regularly evaluated or continuously improved their talent strategyg

43% of Capability Reviews highlighted succession planning as a specific concernh

55 a) Hackett Group, op. cit., p.3.
b) Ibid
e) This includes agency Capability Reviews up to June 2015. It excludes three reviews that are designated cabinet-in-confidence.
g) Ibid
h) This includes agency Capability Reviews up to June 2015. It excludes three reviews that are designated cabinet-in-confidence.
Strategic workforce planning is a particular area of ongoing concern for the APS. Data over successive years\(^{56}\) indicates there are ongoing capability and data gaps that can prevent workforce planning from moving beyond a budget-planning headcount approach.

Additionally, the APS’s greatest weaknesses are in the areas that are most critical for shifting workforce planning from an operational to a future-focused strategic activity.

### Weaknesses in Critical Workforce Planning Areas

- In 2012-13, workforce plans were weakest in addressing critical future risks, e.g. scenario planning and workforce affordability\(^{57}\). These are two of the most technically difficult but critical components of strategic workforce planning.
- In 2012-13, 68% of agencies reported that they had not formally analysed their existing workforce occupations. This information is a critical input to workforce planning processes to enable agencies to successfully shape their workforce to meet changing business requirements\(^{58}\).

### Ongoing Workforce Planning Data and Skills Gaps

- In 2012-13, workforce planning was the most critical HR skills gap: 41% of agencies reported a moderate or severe shortage; 38% reported a limited skills gap\(^{59}\). Agencies with a workforce plan reported that skills gaps in areas such as statistics, data modelling and analysis were barriers to workforce planning\(^{60}\).
- In 2013-14, agencies reported common barriers to workforce planning included lack of specific workforce planning skills and insufficient data sets\(^{61}\).

Although recent data points to some improvement, workforce planning continues to be an area of concern. In 2014-15, 60% of agencies reported having a workforce plan in place for at least part of the agency, up from 35%\(^{62}\) the previous year. Agencies were also asked to rate the maturity of their workforce planning capability. The highest proportion reported that plans were ‘in development’ to put systems in place to manage workforce planning metrics and ensure the workforce planning capabilities of employees\(^{63}\).

\(^{56}\) Note: There are variations in the specific data gathered each year in the period 2012-2015. Collectively, the data points indicate ongoing gaps.


\(^{58}\) Ibid, pp. 133-134.


\(^{60}\) Ibid, p.130.


\(^{62}\) This covered 73% of the APS workforce.

\(^{63}\) Australian Public Service Commission, 2015 Agency Survey, unpublished data.
LACK OF CONSISTENT HR DATA HINDERS ANALYSIS AND STRATEGIC INPUT

According to research, great HR functions prioritise the most urgent HR needs using data-driven insights, and use key performance indicators (KPIs) to demonstrate impact. “Without a clear, data-driven understanding of how the organization is leveraging its human capital, HR leaders have little to contribute to big-picture strategic discussions”\(^\text{64}\). Leading private sector organisations regularly report against metrics that keep them in touch with strategic objectives. Metrics also provide a focus on ongoing HR transformation.

In the APS, a lack of insightful data limits HR’s ability to provide meaningful analysis and contribute to strategic discussions. The quality and strategic value of metrics varies considerably across agencies depending on their HR systems.

At the whole-of-APS level, a lack of consistent data makes analysis of HR metrics difficult. Apart from the APS Employment Database which is updated monthly, the APSC primarily relies on an annual employee census and an annual agency survey to generate whole-of-APS data sets. This method means that reporting on important indicators such as employee engagement is limited to a once-a-year retrospective snapshot, rather than driving a continuous focus on agreed APS priorities.

HR METRICS THAT UNDERPIN BUSINESS PERFORMANCE

“World-class organizations focus more than the peer group on what is most important to measure, as opposed to simply what it is possible to measure”\(^\text{65}\). Communicating meaningful performance measures allows HR to build visibility and trust with executive stakeholders. It is also critical to supporting business agendas and strategic workforce planning.

Key metrics used by private sector companies to inform current and future business scenarios, and highlight potential areas of concern include:

- recruitment and resourcing: time to offer, time to hire, spans of control
- workforce profiles including life stage demographics, and gender and diversity ratios
- internal mobility.

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\(^{64}\) Boston Consulting Group, op. cit., pp.4, 18-19.

\(^{65}\) Hackett Group, op. cit., p.6.
APS HR is relatively large

Currently, the APS HR function is relatively large at a median of 3.11% for APS agencies surveyed compared to a peer group median benchmark of 1.87%. The largest proportion of APS HR (65.3%) work in business advisory areas, which are also referred to as value-added services. Appendix C outlines the methodology used to compare the size of APS HR with a peer group.

Currently around 21% of APS HR undertakes transactional services, specifically payroll and conditions. Outsourcing these transactional services would reduce the APS median HR size to 2.31%. This is still relatively large compared with the peer group benchmark.

In the APS, reductions in the size of HR could be achieved by outsourcing all transactional and some value-added services. Reductions may be further achieved by moving to expert shared services for some value-added services. Transitioning to this model would generally involve upskilling HR people with strategic skills such as data analysis and consulting.

66 Shared and Common Services Programme, 2015. HR data is from a survey of 49 APS agencies with an average staffing level (ASL) of just under 1,300 people for 2014-15.
67 Boston Consulting Group. HR size (including the OHS function) is benchmarked against a group of peer group entities with 2,500 employees or less.
68 Shared and Common Services Programme, 2015. Value-added transactional HR as a proportion of total HR.
Only do what matters most: streamline HR by shedding low-value activities, build specialist skills.

While additional public sector accountability requirements may account for some of this variance in size, recent experience in other public sectors and in the private sector indicates that some of this difference is structural.

- In the UK Civil Service, acute pressure to reduce public spending has led to a transformation of the UK Civil Service’s HR function.
  - Over six years, the core HR function has been reduced by approximately 50% to 4000 people, which is around 1% of the Civil Service.
  - It is estimated that the size of HR would still be reduced by 25% if outsourced functions were brought back into the Civil Service.
  - Since 2009, the cost of HR has been reduced from £524 million per annum (or £1,060 per employee) to £257.5 million by 31 March 2014 (or £614 per employee), providing a reduction of 51%.
  - Now that the HR function is the right size and shape to deliver, the focus is on deepening capability and the quality of HR services.

- A private sector organisation reports that over the last five years it has transformed its HR function. The size of HR has been reduced by 60% through outsourcing low value-add functions and only retaining staff with high-level specialist skills.

LEADING ORGANISATIONS ARE EXTENDING SHARED SERVICES, OUTSOURCING AND UPSKILLING HR

HR activities can be divided into three groups: transactions, business advice (also referred to as value-add transactions) and strategy. Technology is providing opportunities to re-design the way these services are delivered. This should lead to leaner HR functions, an improved customer experience and enable HR to focus on strategic activities.

The shared services model has traditionally been used for transactional work such as payroll. This model is now being adapted to deliver business advisory services such as recruitment, industrial relations, compensation case management, and learning and development.

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69 This figure represents about 80% of people in classic HR functions. It excludes people in teaching functions such as the tax academy or defence academy.
70 Based on a UK Civil Service of 430,000 people.
There are a number of HR functions being deeply re-engineered.

- The **UK Civil Service’s** HR transformation included moving to a new delivery model comprising:
  - Central expert services for learning and development, resource management, employee policy and workforce planning
  - Outsourcing functions, including payroll, learning programs and staff surveys
  - Establishing business partners in agencies at a 1:1000 ratio.
- The **Department of Defence** has implemented shared services for some HR functions. This has involved building client focused teams to support line managers, and introducing the role of HR Business Partner to work with senior leadership teams. At the same time, business processes have been improved.
- The Australian Government **Department of Human Services** has a four-tier model that includes a self-help service for basic services, a People Advisory Centre for routine advice, dedicated teams for complex queries, and specialised teams for services requiring deep subject matter expertise.
- The **Shared and Common Services Programme** is driving efficiencies in the APS by consolidating transactional and other common activities. The programme is reducing the number of providers delivering services to APS agencies and ensuring that the benefits of scale are being realised in the market. The model allows agencies to provide or receive services.
- This review consulted with a range of **Australian private sector organisations** and **other public sectors** that are already transforming their HR delivery models by outsourcing functions and creating shared services. These organisations all reported that while new models reduced the size of HR, upskilling was required to ensure remaining staff shifted their focus to higher value work.

**THERE IS AN OPPORTUNITY TO RE-DESIGN APS LEARNING AND DEVELOPMENT (L&D)**

There is an opportunity to reduce the APS’s spend on L&D.

- In 2014-15, over $900 million in single and multi-year contracts for learning and development were recorded on AusTender. This figure excludes on-the-job learning, coaching and mentoring. Additionally, AusTender does not record contracts worth less than $10,000.
- The **UK Civil Service** has centralised purchasing for L&D contracts. As a result, it has removed duplicated products and reduced the number of service providers. Comparable clusters of learning programs are now 75% cheaper than they were five years ago for similar content; these cost savings have been confirmed by independent audits.
- The Australian Government **Department of Human Services** has centralised L&D purchasing, reducing the number of service providers by over 1500.

The APS L&D business model allows agencies to duplicate spending on similar products, resulting in inconsistent products of varying quality for common topics.

The APSC’s Centre for Leadership and Learning (the Centre) was established to improve the quality of capability development and to reduce duplicated spending on L&D through a ‘build once, use many times’ model. It works with agencies to centrally co-design the APS-wide leadership, core and management skills learning products needed across the APS. Core and management skills products are able to be tailored to meet agency-specific needs.

In recognition that 70% of learning takes place on-the-job, the Centre has shifted away from expensive classroom-based learning as the default option. The APSC’s work should allow agencies to direct their L&D spend towards agency-specific training, such as training people to apply agency-specific legislation. However, it is not mandatory for agencies to use APS-wide products and there is evidence of significant duplication of spending.

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72 Contracted values and length of contract on AusTender are estimates and may not match actual agency spending or contractual timeframes.
There is no suggestion that the APS move away from building capability. However, there is an opportunity to:

- reduce the overall cost of L&D by removing duplication
- achieve better value for money by taking advantage of collective purchasing power
- improve the consistency and quality of L&D products.

**TECHNOLOGY CAN TRANSFORM HR PERFORMANCE AND DELIVERY**

World-class organisations use common platforms and tools that provide consistent information needed for strategic workforce planning. In the APS, the large number of HR systems is limiting the capacity to collect consistent whole-of-APS workforce metrics. While the APS Employment Database provides useful workforce statistics, there is a heavy reliance on annual surveys for APS data. Agencies will always need to collect different workforce information based on their individual business needs. However, a greater level of consistency would support better whole-of-APS workforce planning and talent optimisation.

Additionally, technology can be used to change the experience of HR customers. A number of Australian companies are taking advantage of mobile apps and chat functions to better support managers and employees.

- **Snowy Hydro** is using self-service hubs for transactional functions such as leave applications and online chat for routine HR questions.
- **ANZ** is currently re-engineering processes to improve the experience of HR customers and to streamline contacts with HR.
- **Telstra** has introduced self-service hubs and mobile apps for its employees to manage HR transactions.

**THERE IS LACK OF CLARITY ABOUT THE ROLE OF THE APSC**

There are differing perceptions about the role of the APSC and how it can best add value.

The Australian Public Service Commissioner has statutory functions in relation to the continuous improvement of workforce management, and APS capability and performance. This includes some regulatory functions. The APSC sees itself as providing support to agencies through leadership, guidance, advice, networking, and encouraging agencies to apply flexible and innovative HR strategies.

However, there is a perception by agencies that the APSC releases complex guidance material and imposes red tape from the mountain top, while failing to follow up with further assistance. Agencies see that the APSC could offer greater support in getting the basics right and more active promotion of better practice by showing me how.

Agencies expressed the view that they would like to see the APSC taking more of a partnership role and collaborating with agencies to help solve problems and improve practices. It is important that the APSC offer different levels and types of support according to the needs of different agencies. Large agencies with a service delivery focus have different operating environments and different needs to those that deliver policy. Large agencies also have different challenges compared to smaller agencies.

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74 Hackett Group, op. cit., 2014.
75 For example, headcount, engagements, separations, workforce diversity, workforce location, classification and employment type.
AGENCIES TO ENSURE HR HAS AN EQUAL SEAT AT THEIR EXECUTIVE TABLE

For HR to be a genuine business partner and architect of high performance, it is important that HR has a voice in strategic business decisions.

HR experts should be in a position where they can inform and contribute to business decisions, including through high quality data analysis. HR input should be considered alongside other significant strategic enablers such as the Chief Finance Officer and the Chief Information Officer.

ASSESS AGENCY HR DELIVERY MODELS TO ALIGN THEM WITH THE NEEDS OF THE BUSINESS

There is an opportunity for the APS to make choices about the way HR supports the business.

Assessing the HR delivery model will provide an opportunity to ensure that HR activities, including activities that result from additional levels of accountability in the APS, are as efficient and effective as possible. Assessments should be completed within twelve months. Using an assessment model or tool will help agencies:

- identify where efficiencies can be gained by moving to alternative delivery models for business advisory activities such as recruitment, industrial relations, compensation case management or learning and development
- make active choices about which activities or parts of activities should be kept in-house versus delivered externally
- plan for future HR capability and technology needs.

There are a number of tools available. An example follows.  

78
UNLOCKING POTENTIAL — If not us, who? If not now, when?

1. UNDERSTAND THE BUSINESS

   Business strategy
   - Assess importance to business
     Which HR functions or parts of functions are essential to delivering on the business and people strategy?
   - Assess time and resource allocation
     What time and resources are allocated to each HR function? Is resourcing in line with the function’s strategic value?
   - Assess benefits and risks
     What are the costs, benefits and risks of the current approach?

2. ASSESS THE CURRENT DELIVERY MODEL

   For each element of the HR function:

   People strategy
   - Sets out how the organisation will attract, manage and motivate a workforce that can deliver the business strategy.

3. DESIGN THE FUTURE DELIVERY MODEL

   For each element of the HR function:

   - Assess alternatives
     What delivery models reflect the strategic value of each activity? What are the costs, benefits and risks of alternate models?
   - Design
     - Delivery model: who will deliver (in-house, outsource, other)
     - Infrastructure: processes, people and skills, technology
     - Measurement: data and metrics
   - Analyse
     Current and future capabilities
   - Build
     Invest in people and technology
   - Evaluate
     Design future operating model

4. IMPLEMENT THE MODEL

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TRANSITION TO ALTERNATE DELIVERY MODELS FOR ALL NON-STRATEGIC TASKS

To make the most of economies of scale and other efficiencies that can be achieved by moving to alternative HR delivery models, agencies will need to identify where it makes sense to join together to deliver functions through shared services or expert hubs.

The APSC should act as a point of coordination responsible for:

- reviewing the results of agency HR model assessments
- challenging agency perceptions about which functions could be delivered differently
- identifying opportunities for agencies to work together or implement shared service hubs
- connecting agencies with better practice to drive continuous improvement for HR functions that are not transitioning to alternative models.

The APSC will monitor transition to new models and report progress directly to the Secretaries Committee on Transformation.

**New HR delivery models will most likely lead to a different HR capability mix and a reduction in the size of the HR function, aligning with the Smaller Government agenda.** The experience in the UK Civil Service indicates that reductions in the size of HR will generate substantial savings over time. Significant savings will not be realised immediately as a successful transition will require an upfront investment in much needed strategic capability and technology.

INVEST IN PEOPLE–CONDUCT A HR SKILLS AUDIT AND GET THE RIGHT CAPABILITY MIX

A move to a more strategic role requires HR to have a greater understanding of the business and the way it supports organisational strategy. This will change the mix of HR skills required. **A more business-focused HR function will require more specialised HR professionals who are business and technology savvy, and who have the top skills and knowledge in their field.** They need to be deep specialists who understand:

- business strategy
- policy design
- talent optimisation
- behavioural economics.
**INVEST IN TECHNOLOGY—IMPROVE WORKFORCE DATA AND ENHANCE THE EXPERIENCE OF HR CUSTOMERS**

The APS should invest in HR technology to improve HR data and inform better people decisions. The investment should be closely aligned with the selected future delivery model. **Where it makes sense to do so, the APS should also consider moving to an APS-wide IT system for select HR functions**, e.g. talent management.

The APS should look to embrace technology that can add to its understanding and management of its workforce, as well as provide a more compelling, consumer-like experience for its employees. Investing in improved HR systems can:

- improve workforce metrics
- enable both employers and employees to better manage their HR interactions
- manage recruitment, talent, online learning, employee communications, engagement and workplace wellness
- provide a better employee experience including real-time responses
- support alternative delivery models, e.g. outsourcing low value activities.

**REVIEW THE MODEL FOR APS L&D**

The APS L&D model should be independently reviewed. The review would aim to:

- quantify the APS’s current L&D spend
- estimate the scale of duplication across the APS’s L&D spend
- identify and cost alternative models to
  - move to consistent and high quality L&D products for common topics
  - remove costly duplication and make better use of the APS’s collective purchasing power.

**CLARIFY THE ROLE OF THE APSC**

In diversified businesses such as the APS, it is important that there is clarity about the role of the central HR function compared with the role of HR in business. **There is scope for the APSC to develop more of a consulting role, to assist where professional skills gaps exist in agencies, and act as a professional facilitation hub to encourage networking and the sharing of information.** The APSC can adopt practices that:

- assist agencies to embed skills and better practice using a ‘show me how’ approach
- identify where best practice and areas of excellence exist, and encourage agencies to leverage and promulgate high performance
- encourage cross-collaboration with agencies and the private sector.
appendices
APPENDIX A: PROPOSED ACTIONS LIST

OPTIMISING TALENT AND DRIVING HIGH PERFORMANCE

i  Ensure Secretaries are visibly accountable for talent management and succession
ii Introduce formal talent management for SES Band 3s and 2s, to be led by the Secretary of the Department of the Prime Minister and Cabinet and the Australian Public Service Commissioner
iii Introduce a centrally designed approach to talent identification
iv Roll out APS-wide talent councils to make decisions about developing and deploying critical talent across the APS
v Centrally develop design principles for a positive high performance culture
vi Introduce a centrally designed induction module that can be adapted by agencies

ATTRACTING AND RECRUITING

vii Renew APSJobs
viii Examine the legislative description of merit, with a view to simplifying
ix Allow a modified approach to merit for promotions in defined circumstances
x Apply merit through simple and appropriate recruitment processes
xi Review the APS classification system
xii Centralise transactional recruitment activity for some cohorts
xiii Review the system of appeal for management decisions, including promotion decisions

INCREASING FLEXIBILITY

xiv Consider the legislative provisions on specified period employment arrangements
xv Increased use of specified period employment arrangements for SES
xvi Implement an APS capability interchange
xvii Develop a central secondment brokerage service
xviii Consider the legislative provisions for separations. Allow greater flexibility for no-blame separations.
xix Support a culture where separation is not punitive and is an accepted part of workforce renewal
xx Reinforce use of the probation period to confirm fit

RE-DESIGNING HR

xxi Agencies to ensure HR has an equal seat at their executive table
xxii Assess agency HR delivery models to align them with the needs of the business
xxiii Transition to alternate delivery models for all non-strategic tasks
xxiv Invest in people—conduct a HR skills audit and get the right capability mix
xxv Invest in technology—improve workforce data and enhance the experience of HR customers
xxvi Review the model for APS L&D
xxvii Clarify the role of the APSC
APPENDIX B: PRODUCTIVITY LOSS METHODOLOGY

COSTING PRODUCTIVITY LOSS DUE TO EXTENDED RECRUITING TIMEFRAMES

There are demonstrable, immediate and permanent productivity improvements to be found by reducing the median time to start for external candidates.

Assumptions:

- Median time to start for external candidates in 2014-15 was 68 days.
- Estimated number of working days for 2014-15 was 228 days.
- Median APS salary from the 2014 Remuneration Survey was $78,054.
- 2309 external candidates were engaged in 2014-15.

Costing calculation:

With **68 days** as the median time to start

<table>
<thead>
<tr>
<th>Step 1: Productivity loss</th>
<th>68/228 = 29.82% lost productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2: Equivalent FTE</td>
<td>.2982 × 2309 = 689 people's worth of productivity</td>
</tr>
<tr>
<td>Step 3: Productivity loss in $</td>
<td>689 × $78,054 = $53.8 million</td>
</tr>
</tbody>
</table>

With **50 days** as the median time to start

<table>
<thead>
<tr>
<th>Step 1: Productivity loss</th>
<th>50/228 = 21.93% lost productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2: Equivalent FTE</td>
<td>.2193 × 2309 = 506 people's worth of productivity</td>
</tr>
<tr>
<td>Step 3: Productivity loss in $</td>
<td>506 × $78,054 = $39.5 million</td>
</tr>
</tbody>
</table>

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78 Estimated productive working days is the number of days per year minus 104 weekend days, standard 20 annual leave days, and minus approximately 13 public holidays (based on the ACT). Note that this doesn’t include the Christmas stand-down that many agencies also receive.
APPENDIX C: METHODOLOGY FOR HR SIZE

**COMPARING THE SIZE OF HR**

The HR size for each agency was calculated using data from the Shared and Common Services Programme using the following calculation:

\[ \text{HR size} = \frac{\text{HR FTE}}{\text{total organisation size}} \times 100 \]

HR size varies across APS agencies, from 1% of agency Average Staffing Levels (ASL) to 9.54% of ASL. The median of these results is the mid-point, i.e., 50% of agencies have an HR size less than 3.11% and 50% of agencies have an HR size greater than 3.11%.

### Median HR size in the APS is 3.11%
- HR data sourced from the Shared and Common Services Programme (49 agencies excluding 3 outliers).79
- The average ASL of agencies included in the data was 1,263.
- HR includes:
  - **Transactional**—pay and conditions, payroll administration
  - **Value-add transactional**—recruitment, employee relations (including OHS), L&D, HR policy & advice80
  - **Strategic HR**—HR reporting & analysis, HR strategy & planning

### HR size in the Peer Group is 1.87%
- HR data sourced from Boston Consulting Group’s (BCG) Excellence in Support Functions database.
- The peer group entities comprised organisations across industries, including public administration, with 2,500 employees or less.
- HR includes:
  - **Transactional**—HR administration/services (including payroll and employee data management)
  - **Value-add transactional**—including compensation & benefits (designing policy and benchmarking), employee relations, L&D, resourcing (including recruiting), OHS
  - **Strategic HR**—including HR strategy & planning, performance and career management.

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79 Three agencies had reported no HR-specific FTE. These were excluded as outliers to avoid skewing the results.
80 Note: Shared Services allocated HR policy & advice to ‘strategic HR’. This review deemed it a ‘value-add transactional’ service based on functions described in the Business Services Catalogue.
APPENDIX D: REVIEW TEAM, METHODOLOGY AND SOURCES

REVIEW TEAM

The review was staffed by a multi-disciplinary team located in the APSC. The team comprised:

- Lucy Poole, Group Manager Employment Strategy Group
- Erin Selmes, Contestability Review Project Manager
- Anne Baz, Staffing Policy
- Joy Clarke, Capability Review Team
- Kate Dobson, APS Recruitment Solutions
- Katherine Power, Talent Strategies
- Caroline Roga, Australian Statistician’s Fellow, ABS

The review team would like to thank members of the APSC Employment Planning and Communications teams who have made a valuable contribution to the preparation of this report.
METHODOLOGY

This review used a gap analysis methodology. There were four key phases:

1. **Identify the drivers shaping workforce management practice.** This phase involved identifying the external drivers impacting the APS and its workforce, and examining the implications of these drivers for APS workforce management practices.

2. **Analyse the current state.** Broad stakeholder consultation took place to understand current practices and possible barriers preventing change. This included examining pockets of better practice across the APS. Data on current practice was gathered from a range of APS data holdings and contestable activities were costed to determine whether savings could be made by moving to a different delivery model.

3. **Design the future state.** The future state design responds to the external drivers impacting the APS and its workforce (phase 1). Work involved broad consultation outside the APS to identify alternative approaches to workforce management, extensive research into contemporary practice and comparison against better practice benchmarks.

4. **Propose actions for improvement.** This phase involved proposing actions to improve APS workforce management practice.

DATA AND EVIDENCE SOURCES

The review sought to assemble an evidence base about the effectiveness of the APS’s workforce practices and processes. The evidence base was drawn from quantitative data and consultation with a wide range of parties from the public and private sectors.

In relation to data, it should be noted that there are gaps in available APS data for some indicators, comparative benchmarks and trends. Data sources included:

- APS State of the Service agency survey
- Agency Capability Reviews
- APS employee census
- APS employee database (APSED)
- APSJobs
- Agency provided data
- Australian Bureau of Statistics
- Boston Consulting Group
- Deloitte
- The Hackett Group
- Mercer Consulting Australia
- Merit Protection Commissioner
- Productivity Commission
- Organisation for Economic Co-operation and Development
- ORC International
- Shared and Common Services Programme
- Desktop research
CONSULTATION

INTERVIEWS

APS agencies
Aboriginal Hostels Limited
Attorney-General’s Department
Australian Taxation Office
Bureau of Meteorology
Comcare
Department of Communications and the Arts
Department of Defence
Department of Employment
Department of Finance
Department of Human Services
Department of Immigration and Border Protection
Department of the Prime Minister and Cabinet
Department of Veterans’ Affairs
Digital Transformation Office
Future Fund Management Agency
The Treasury

Australian Public Service Commission
Australian Public Service Commissioner
Chief Human Capital Officer
Group Manager, Centre for Leadership and Learning

Merit Protection Commissioner

Jurisdictions
Canada
New Zealand
New South Wales
Queensland
Victoria
United Kingdom

Private Sector
ANZ Bank
Ascentor
Australia Post
BHP Billiton
Boston Consulting Group
Deloitte
Hudson
NAB
Peter Shergold
Qantas
Rachel Hunter
Snowy Hydro
Suncorp
Telstra
Wesfarmers
DISCUSSION

The following agencies on the Secretaries Committee on Transformation (SCoT):

Attorney-General’s Department
Australian Taxation Office
Department of Agriculture and Water Resources
Department of Communications and the Arts
Department of Employment
Department of the Environment
Department of Finance
Department of Health
Department of Human Services
Department of Immigration and Border Protection
Department of Industry, Innovation and Science
Department of the Prime Minister and Cabinet
Department of Social Services
Department of the Treasury

Deputy Secretaries Reference Group
Attorney-General’s Department
Australian Bureau of Statistics
Department of Agriculture and Water Resources
Department of Communications and the Arts
Department of Defence
Department of Education and Training
Department of the Environment
Department of Finance
Department of Foreign Affairs and Trade
Department of Health
Department of Human Services
Department of Immigration and Border Protection
Department of Industry, Innovation and Science
Department of Social Services
The Treasury
Department of Veterans’ Affairs

External Working Group
Australian Institute of Health and Welfare
Australian Securities and Investments Commission
Australian Taxation Office
Department of Agriculture
Department of Veterans’ Affairs
FOCUS GROUPS

Agency HR practitioners

Attorney General’s Department
Austrade
Australian Bureau of Statistics
Australian Electoral Commission
Australian Institute of Health and Welfare
Australian Office of Financial Management
Australian Securities and Investment Commission
Australian Taxation Office
Commonwealth Ombudsman
Department of Agriculture and Water Resources
Department of Defence
Department of Employment
Focus groups (cont.)
Department of Immigration and Border Protection
Department of Industry, Innovation and Science
Department of Infrastructure and Regional Development
Department of the Prime Minister and Cabinet
Department of Veterans’ Affairs
Geoscience Australia
IP Australia
National Museum of Australia
The Treasury
Contact information

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