PUBLIC ACCOUNTS AND
ESTIMATES COMMITTEE

FIFTIETH REPORT TO PARLIAMENT

REPORT ON THE REVIEW OF THE
VICTORIAN PUBLIC SERVICE

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DUTIES OF THE COMMITTEE

The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the Parliamentary Committees Act 1968, as amended.

The Committee comprises ten Members of Parliament drawn from both Houses of Parliament and all political parties and includes an Independent Member.

The Committee carries out investigations and reports to Parliament on matters associated with State financial management. Its functions under the Act are to inquire into, consider and report to the Parliament on:

(a) any proposal, matter or thing connected with public administration or public sector finances; and
(b) the annual estimates or receipts and payments and other budget papers and supplementary estimates of receipts and payments presented to the Assembly and the Council.

In consultation with the Auditor-General, the Committee determines the objectives of performance audits and identifies any particular issues that need to be addressed during these audits.
According to the Office of Public Employment, the State Government employs more than 24,000 public servants, excluding teachers, nurses and police. It is the largest employer in the State.

Public servants propose policies, manage a vast number of programs and services and develop and implement administrative practices that affect all Victorians. They are also expected to act in the public interest, to be politically neutral, impartial, dedicated, professional, and to provide efficient, effective and fair services to individuals, groups and the community.

The past decade has seen significant reform in relation to how people are employed and managed in the Victorian Public Service. These changes have included the downsizing of the public service, the outsourcing of many services, the abolition of automatic salary increments, the introduction of merit based employment and the introduction of performance pay. While these changes are not unique to Victoria, they have drastically altered the way the Victorian Public Service operates.

For a large and complex organisation such as the Victorian Public Service, building in the capacity to adjust and keep pace with change represents an enormous challenge.

The Committee’s Inquiry has identified a number of issues that potentially undermine the capability of the public service. These issues are not unique to Victoria, rather, they are a common factor in public services across Australia, including the Commonwealth Public Service. These include a need to:

- develop human resources and workforce planning capabilities;
- address the imbalance between whole-of-government and agency-specific approaches to people management;
- tackle recruitment, training and succession planning issues associated with the rapidly ageing workforce; and
• address significant skills gaps, particularly in policy skills.

There are also a number of inequities and inconsistencies in the current career and remuneration structure (including performance pay systems).

The Committee is aware that the Government is currently in the process of a major Career Structure and Work Organisation Review. This review should be completed before any new career structure is implemented in the Victorian Public Service.

The Committee has made 24 recommendations that it believes will assist with rectifying many of the concerns that have been highlighted by this Inquiry. To ensure the State has a competent and efficient public service that will service Victorians well, now and into the future, the Government needs to give real priority to addressing these issues.

In compiling this report the Committee has drawn heavily on the responses provided by Government Departments. The Committee has also taken account of the views expressed in submissions.

In conclusion, I would like to thank the PAEC secretariat under Michele Cornwell for its work on this Inquiry and in particular the specialist research officer for this Inquiry, Ms Sheila Hollingworth, whose insights and knowledge of this matter were of great assistance to the Committee, and Mr Chris Theodoratos who provided research support at the commencement of the Inquiry.

I commend the report for consideration and I look forward to the Government’s response to the Committee’s recommendations.

Peter Loney, MP
Chairman
Chapter 1: Inquiry in Context

The past decade was one of significant public service reform in Victoria. Some of these changes arose directly from legislative reforms brought about by the enactment of the *Public Sector Management Act* in 1992 and its successor, the *Public Sector Management and Employment Act* 1998. These removed the former highly-prescriptive and legislated approach to people management and replaced it with a devolved model based on greater agency autonomy and principles-based people management.

Other reforms arose from structural changes, such as the reduction in the number of Government Departments, the changing emphasis from delivering public services to managing the delivery of these services and the downsizing of the public service. There is now a greater emphasis on customer service, community consultation and involvement, quality and productivity, professionalism, innovation, partnerships and the effective use of public resources.

These changes are not unique to the Victorian Public Service, however, they have drastically altered the way in which it operates. The purpose of this Inquiry was to review the operation of the current approach and structure, and to identify any barriers to the public service achieving its primary function – namely, providing well informed advice to Government and effectively managing the vast array of services delivered to the public.

The terms of reference for the Inquiry were as follows:

*The Public Accounts and Estimates Committee to inquire into and report on: Changes, including planned or likely future changes, in the level, structure, deployment, remuneration and conditions of employment of the Victorian Public Service.*
The Inquiry was advertised in newspapers in March 2002 and submissions were invited from the Premier and Secretaries of all Government Departments. Only two written submissions were received. A detailed questionnaire was sent to Departmental Secretaries in April 2002 and the responses to these helped identify a number of the current workforce management challenges facing the public service.

The key issues identified by Departments include:

- the ageing workforce and the succession planning and corporate knowledge implications related to this;
- the need to attract and retain younger employees in particular (as well as to address a range of specific skills shortages);
- high turnover rates in certain areas;
- ongoing under-representation of women in senior levels; and
- the need for greater workplace flexibility to help employees balance their work/life responsibilities.

The Government has already recognised that a number of these issues need to be addressed. In June 2002 it created the Office for Workforce Development (OWD) in the Department of Premier and Cabinet. One of its first tasks is to conduct a Career Structure and Work Organisation Review, which will address remuneration, performance pay, career development and career structure matters. The outcomes of the review are due by the end of 2002 with implementation scheduled for 1 July 2003.

**Chapter 2: Workforce Changes and their Impacts**

In addressing the terms of reference for this Inquiry, the Committee considered the changes that have occurred in Australia’s workforce composition, and the Victorian Public Service more specifically, over the past decade. These trends are also apparent in other industrialised countries.

One of the most significant changes is the rapidly ageing Australian workforce, which is partly due to the impact of the
ageing ‘baby boomers’– people born at the peak of the boom turn 55 this year. Australia also has a declining birth rate, due to the relatively low fertility of the 1970s, 1980s and 1990s, life expectancy is increasing and there is lower growth in the labour force. These trends are even more pronounced in the public sector workforce, which now faces some major workforce planning challenges in the next two to five years – particularly in attracting young people, and people in the middle of their careers, into the public service.

There is a need to identify more accurately the retirement intentions of public servants approaching 55 years of age because a number of variables will affect actual retirement patterns. These include: the ‘54.11’ phenomenon, which creates a significant financial incentive to resign before age 55; the baby boomers perception of whether 55 is ‘old’; changed family patterns including second families; possible gender-based differences in being able to afford to retire; and variable superannuation returns.

Another workforce change has been the reduction in the proportion of ongoing employment (compared to fixed-term and casual employment) in the public service over the past decade. Currently 85 per cent of employees are employed on an ongoing basis, 13 per cent are on fixed-term contracts and around one per cent are casual employees. Men are more likely to have ongoing employment than women.

The overall percentage of female representation in the public service workforce continues to increase and is currently 55 per cent. However, almost 70 per cent of all women are employed in the three lowest levels. Women remain under-represented at executive levels although this continues to improve – up from 19.3 per cent in 1992 to 29.3 per cent in 2002.

The Committee was advised there are a number of issues related to gender pay equity that are being considered as part of the current Career Structure and Work Organisation Review. These relate to potential gender biases in existing work value systems.

The public service still has some way to go to achieve a workforce that is more representative of the community it serves. Indigenous people, people from a non-English speaking background and
people with a disability remain under-represented overall – and, where they are employed, they are more often in lower levels and in less secure employment.

Chapter 3: Legislative Framework

The Committee examined the legislative framework for public sector employment in Victoria, as well as other jurisdictions, as part of considering the environment in which public servants are employed. Alongside the significant changes in the workforce composition during the past decade, there have been dramatic changes in the legislative framework. The industrial relations framework or context was not explored in detail.

The overall trend in public services has been the move towards a less prescriptive approach to people management. The Public Sector Management Act 1992 devolved significant powers to Departmental Secretaries, including the power to appoint, determine the work value of jobs, assign, promote, discipline, transfer, demote, retrench and terminate employment. Annual pay increases based on years of service were abolished, performance-based salary reviews were introduced as were new career structures and conditions for both executive and non-executive employees.

With the introduction of the Public Sector Management and Employment Act 1998 there was a further devolution of responsibilities to agencies and a move to a ‘principles-based’ approach to people management in the public service. These principles relate to merit, fair and reasonable treatment, equal employment opportunity, providing reasonable avenues of redress against unfair and unreasonable treatment, providing responsive service, and acting impartially, with integrity and accountability.

Victoria now has one of the most, if not the most, de-regulated public services in Australia.

While Departmental Secretaries have devolved powers to act as employers, some people management issues need to be addressed on a whole-of-government basis. Prior to June 2002, the Commissioner for Public Employment was responsible for service-wide people management initiatives including various training
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and development programs. These responsibilities have now been transferred to a new Office for Workforce Development, in the Department of Premier and Cabinet. The Office for Workforce Development will provide a whole-of-government perspective on the development of the Victorian Public Service workforce and provide support to agencies on people management issues. The Commissioner for Public Employment retains statutory responsibility for promoting the employment and conduct principles, and the Victorian Public Service Code of Conduct, as well as monitoring their application across the public sector.

Chapter 4: The Changing Nature of Public Service Work

There have been significant changes in the Victorian Public Service during the past decade. These changes have also been occurring in other public services in Australia and overseas. The Committee considered some of the impacts of these developments and examined how they are likely to influence the short-term and long-term needs of the Victorian Public Service.

There is now an increasing emphasis in the public service on customer service, quality and productivity, efficiency and effectiveness, innovation, partnerships and the emergence of e-Government. The size of the public service has reduced significantly and the ‘corporate culture’ now emphasises flexibility, continuous improvement, professionalism, trust and integrity.

The changing nature of the public service means that policy development is becoming increasingly complex. As a result there is a growing need to develop and retain people with high level policy skills, which include analytical and innovative thinking, political awareness, effective writing skills, oral and group skills, as well as project, relationship and contract management skills. The likely departure of many senior employees in the next five to ten years will exacerbate the skill shortages, which need to be addressed through a range of strategies including mentoring, on-the-job experience as well as more formal courses.

The Committee found that all Government Departments believe they need to become ‘employers of choice’ to ensure they attract
and retain suitably skilled employees. Effectively they see themselves as competing with the private sector as well as other public sector Departments and agencies, for a limited supply of skilled and qualified employees. Potential employees consider a range of factors when deciding where to work, including:

- **remuneration** – although research suggests this is not the primary factor that determines most employees choice of employer;
- **terms and conditions** – the public service has traditionally offered more flexible work practices, more reasonable workloads, more generous leave provisions (eg paid parental leave and transferable long service leave) and greater job security;
- **training and development opportunities** – another traditional strength of the public service, and one that particularly appeals to younger people;
- **rewards for high performance**;
- **the community views of the employer**; and
- **the intrinsic value of the work** – for example, being able to make a difference to the community.

The Committee believes the Victorian Public Service must recognise and market the range of features that make it an attractive and competitive ‘employer of choice’.

The Committee also noted some of the key workforce trends that make work/life issues of critical importance to many employees. These trends include the increasing proportion of women in the workforce, particularly women with dependent children or responsibility for the care of elderly relatives; changing family types (eg sole parents and lower rates of child bearing); and the unequal division of labour in the household. If the Victorian Public Service wants to attract and retain valued employees it needs to more actively promote a better work/life balance for many employees, and there needs to be a shift from using the rhetoric of work/life balance to making it a reality.
Chapter 5: Remuneration and Conditions of Service

One of the difficulties for this Inquiry has been that the Government is in the process of a Career Structure and Work Organisation Review.

The Committee sought to identify some of the major issues to be addressed as part of a new public service career structure and its associated approach to remuneration and performance pay.

The 1990s saw the end of the traditional model of recruiting employees, whereby the vast majority were school leavers appointed to entry-level positions. External recruitment now occurs at any level and is agency-based rather than centrally managed. Individual agencies must ensure their processes are consistent with the Commissioner Direction on selecting on merit. However, the Committee was advised that research in other jurisdictions suggests that merit-based recruitment can potentially be undermined in less-regulated environments, and that these issues need to be monitored closely.

Departments identified a number of significant skill gaps, many of which reflect the changing nature of public service employment and are consistent with reports from other national and international public services. These include:

- **communication and people management** – ‘soft’ leadership skills around persuasion, motivation and relationship building, conflict resolution, relationship and partnering capabilities;
- **policy and analysis** – an ability to understand whole-of-government agendas and to assess risk and strategies from a social, economic and financial point of view;
- **financial and accounting**;
- **contract and project management** – commercial skills, due diligence, commercial negotiation, risk management and business process re-engineering; and
• specific needs – including information technology skills for general staff to enable them to respond to an overall move towards e-Government.

Reasons cited for these skill shortages include significant marketplace competition, less competitive remuneration than the private sector, specific difficulties with regional and rural employment, as well as high employee turnover and attrition in specific areas.

Departments have adopted a number of strategies to address these issues including placing greater emphasis on developing internal capabilities through formal education, mentoring as well as opportunities to act in higher positions (despite some financial disincentives to do so).

The Committee found that meaningful succession planning across the public service is problematic with the devolution of people management responsibilities to Departments. If the Government wants to effectively manage the likely loss of skills and knowledge that will arise from the retirement of many senior and experienced employees within the next few years, then a more strategic approach will be required.

The Committee is aware that a number of service-wide training and development courses have been managed by the Office of Public Employment (prior to June 2002 when responsibility for these was transferred to the Office for Workforce Development). These programs offer opportunities to expand participants’ understanding beyond their own Department, promote networks and can encourage greater movement across the service.

In terms of the public service career structure, the current five broad banded structure for non-executives (VPS1-5) and the three bands for executives (EO1-3) were introduced in 1994 and 1995 respectively. A number of anomalies and inequities have become apparent after seven years, many of which were identified in an extensive review of non-executive classification and pay undertaken in early 2001. Some of the identified weaknesses include the following:
problems with the initial translations into the new structure whereby staff in one agency were translated to a different level than staff in another without any real market or service logic. Similarly some people were translated at the top of a band and others at the bottom and so they had different career progression prospects;

- salary bands overlap mean that employees at a higher level may be paid less than the people they supervise;

- while the policy on external recruitment encourages recruitment at the base level, in practice, fully effective externally recruited staff are increasingly appointed at salaries significantly above the base; and

- Departments have different abilities to compete for employees based on funding.

The Committee is aware that the Office for Workforce Development is currently in the process of reviewing the non-executive career structure. It is understood from the Office for Workforce Development that the key features of the new structure will be a removal of any band overlap and a move to ‘value ranges’, which will effectively make the bands more defined and less broad.

While uncompetitive remuneration was often cited as a problem for recruitment, the Committee noted the findings of OECD research that shows that the ability to influence public policy, and a rewarding environment offering personal challenges, are more important for attracting and retaining senior public servants. Therefore the public service needs to recognise the range of factors that create an ‘employer of choice’ and ensure that agencies offer meaningful and rewarding work, greater flexibility to manage work/life balance, appropriate training and development as well as the opportunity to make a valuable contribution to society.

Another significant change in the last decade was the abolition of annual increments whereby staff progressed through each salary point every year until the maximum remuneration level was reached. Employment agreements were introduced and salary progression within remuneration bands was to be on the basis of individual ratings following performance assessments. The
Committee was advised that a number of problems have been identified with the current approach (as reported in the Public Accounts and Estimates Committee Report on the Budget Estimates 2000-2001).¹ These particularly relate to executive bonuses that appear, in terms of public perception, to be defacto pay increases; the question of whether bonuses do actually motivate performance beyond normal expectations; inadequate public accountability through the lack of public disclosure of the individual amounts involved; and the inequities across the public service in terms of classification levels and gender.

Chapter 6: Workforce Planning

This chapter briefly considers the overarching need for a strategic approach to workforce planning, which effectively brings together the various people management challenges already discussed in previous chapters. The Committee believes there is a need for a planned and strategic approach to workforce planning at both the individual agency level and across the whole Victorian Public Service.

At its broadest level workforce planning involves identifying the workforce required to meet business objectives and implement strategies to address these. This can involve:

- systematically profiling the current distribution of workforce characteristics such as age, gender, culture, classification/occupation, skills, length of service, separations data;
- skills profiling including assessing the current and future supply and demand for particular skills and abilities;
- identifying strategies to address future workforce needs including special recruiting schemes, and career and succession planning; and

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- ensuring these issues are integrated with strategic planning processes to address short, medium and long-term business needs.

The Government needs to develop the human resources capability within the Victorian Public Service to ensure agencies, and the public service as a whole, are able to effectively deal with the significant workforce management challenges facing the public service.

A common theme throughout this report has been the importance of balancing individual agency needs, and the powers of agency heads, with the needs of the total public service and the powers of central agencies. This will be one of the major challenges for the newly created Office for Workforce Development as well as Departmental Secretaries.

Chapter 7: Conclusions

The Committee believes it is essential that the public service performs as efficiently and effectively as possible, with the highest levels of integrity, honesty, transparency and accountability to the public that it serves. A motivated, committed and highly skilled workforce that is developed and managed well is required to achieve this.

The Committee is concerned that a number of issues potentially undermine the capability of the public service. These include:

1. an urgent need to develop the human resources and workforce planning capability of the public service, and to identify where it is most effective and appropriate to address issues on an agency or whole-of-government basis;

2. an urgent need for more effective succession planning to address issues that face the whole Victorian Public Service – including the rapidly ageing workforce; the need to transfer corporate knowledge from experienced and long-serving employees to younger and more junior staff; and the need to address any structural disincentives to senior mobility and secondments;
3. downsizing and the changing nature of the work has led to significant skills gaps across most agencies – of particular concern is the need to develop public policy skills which are not learned in the private sector;

4. serious inequities and inconsistencies in the current career and remuneration structure including classification band overlaps that create disincentives to promotion and career progression; anomalies across Departments; and the ability of some agencies to afford to pay higher remuneration to attract employees;

5. deficiencies of the existing performance pay system, including a lack of system transparency and the inequities that occur across levels and agencies;

6. the need to manage a number of risks associated with a less regulated approach to people management, and to ensure the principles of merit, impartiality and integrity are maintained;

7. the public service still has a long way to go to achieve its stated objective of a workforce that is representative of the community it serves. While the levels of representation of Equal Employment Opportunity (EEO) groups have continued to increase overall, they remain clustered in lower levels and in less secure employment; and

8. a need for high quality research to investigate issues such as the likely patterns and impacts of retirements in the short-term; the work/life aspirations, needs and satisfaction levels of employees; what younger employees want from a public service job and how their different expectations can best be managed; what being an employer of choice means in a public service context and how the Victorian Public Service can establish its own competitive advantage.

The Committee believes the responsibilities of the various parties (including agency heads, the Office for Workforce Development and the Office of Public Employment), need to be clearly identified and understood. It is only by adopting a collaborative rather than a competitive approach that the Victorian Public Service as a whole will benefit.
RECOMMENDATIONS

Chapter 2:  Workforce Changes and their Impacts

Recommendation 2.1

The Office for Workforce Development research the career preferences of mid-career people, including mature-age graduates. The research should identify perceptions of the public service as a career option or employer, as well as how important various factors (such as remuneration, flexible work practices and making a contribution to the community) affect the target group’s employment decisions.

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Recommendation 2.2

The Office for Workforce Development conduct more detailed research on the reasons why people leave the public service for other employment. This research should identify areas of concern, the employment sectors to which former employees move, and the extent to which management practices and employment conditions affect the decision to leave the public service.

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Recommendation 2.3

The Office for Workforce Development research how young people perceive public service employment and careers and their overall career expectations.

Page 46
Recommendation 2.4
The Victorian Government research the barriers to women’s progression to executive positions in the public service. This research should investigate the views of VPS4 and VPS5 staff, as well as executive officers, and identify the behaviours and attitudes necessary to support women’s progression to more senior levels.

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Recommendation 2.5
The Office of Public Employment and the Office for Workforce Development work together to ensure Departments provide consistent and adequate data to enable more robust analysis of any gender pay equity issues identified.

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Recommendation 2.6
The Victorian Government research Victorian Public Service employees’ satisfaction with the work/life balance that they are able to achieve, and what organisational and management practices may be barriers to such a balance.

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Recommendation 2.7
The Victorian Government consider further initiatives aimed at improving employment opportunities in the public service, in terms of representation levels and classification spread, for Indigenous people, people with a disability and people from a non-English speaking background.

Page 59
Recommendation 2.8

The Commissioner for Public Employment conduct a further census in two years to assess progress towards a Victorian public sector workforce that is more representative of the community it serves.

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Chapter 3: Legislative Framework

Recommendation 3.1

A whole-of-government approach to common Victorian Public Service people management issues, as identified and promoted by the Office for Workforce Development, be adopted.

Page 67

Recommendation 3.2

Agencies be required to address any relevant issues that arise from the Workplace Integrity Survey.

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Chapter 4: Department of Education, Employment and Training

Recommendation 4.1

The Victorian Public Service, through the Office for Workforce Development, develop a service-wide approach to developing its policy skills capability. This approach may involve the co-ordinated and planned use of secondments, higher duties and other developmental opportunities.

Page 80
Recommendation 4.2
The Department of Premier and Cabinet implement an effective management reporting system in relation to the Australian Graduate School of Government to ensure that accurate performance information is regularly reported to all relevant stakeholders and information on the success of this initiative is included in the annual report of the Department of Premier and Cabinet.

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Recommendation 4.3
The Government undertake research to better identify the features of the Victorian Public Service that make it a competitive ‘employer of choice’. This research should identify the level of importance that current and prospective employees place on factors such as remuneration, terms and conditions, flexibility, training and development, and work satisfaction.

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Recommendation 4.4
Agencies promote and emphasise the positive aspects of Victorian Public Service employment in the advertising and promotional work that they undertake.

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Recommendation 4.5
The Victorian Government research whether a gap exists between stated agency support for a better work/life balance and the experience of Victorian Public Service employees. This research could identify existing barriers to such a
balance and make appropriate recommendations.

Chapter 5: Remuneration and Conditions of Service

Recommendation 5.1
The Office for Workforce Development undertake a review of its existing suite of service-wide training and development programs to ensure these programs are relevant in addressing the various skills shortages identified by the majority of Departments.

Recommendation 5.2
The Office for Workforce Development, with support from Departmental Secretaries, develop appropriate strategies to address succession planning and executive mobility needs across the Victorian Public Service. These strategies may include secondments and the development of incentives to executive mobility.

Recommendation 5.3

Recommendation 5.4
The Government ensure greater transparency and equity in the allocation of performance pay in the Victorian Public Service, particularly in regard to executive
bonuses, and evaluate whether performance pay actually encourages or rewards superior performance.

Chapter 6: Workforce Planning

Recommendation 6.1
The Victorian Government develop a planned and strategic approach to workforce planning at both the individual agency level and across the whole Victorian Public Service.

Recommendation 6.2
The Government develop the human resources capability within the Victorian Public Service to ensure agencies and the public service as a whole are able to deal effectively with the significant short-term and medium-term workforce management challenges.

Recommendation 6.3
The Office of Public Employment and the Office for Workforce Development work together to identify the strategies required to develop the human resources capability of the Victorian Public Service.

Recommendation 6.4
Victorian Government departments and agencies ensure their human resources areas are adequately staffed to develop human resources capabilities and to become a more strategic business partner.

Recommendation 6.5
The Office for Workforce Development and the Office of Public Employment clarify the areas in which they work cooperatively, to ensure the workforce planning and human resources capabilities of the Victorian Public Service are effectively developed. The information relating to their respective roles and responsibilities should be communicated to all agencies.

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CHAPTER 1: INQUIRY IN CONTEXT

1.1 Background to the Inquiry

On 21 November 2001 the Victorian Legislative Council referred the following matter to the Public Accounts and Estimates Committee for inquiry and report by 31 October 2002:

Changes, including planned or likely future changes, in the level, structure, deployment, remuneration and conditions of employment of the Victorian Public Service.

1.2 Why this matter is important

The Parliament has an interest in maintaining a competent and efficient public service that will service Victorians well, now and in the future. The past decade was one of significant public service reform in Victoria. Some of the changes include:

- the replacement of a highly-prescriptive and legislated approach to people management with a devolved model based on greater agency autonomy and principles-based legislation;
- a substantial reduction in the size of the Victorian Public Service and a relocation of some employment to regional and rural areas;
- a move to managing the delivery of services rather than direct delivery;
- a significant reduction in the number of Departments and the creation of eight ‘super’ Departments;
- a move away from separate jobs and a diverse classification structure to a broad-band structure for non-executive and executive employees;
- the abolition of automatic salary increments, so pay is more directly linked to performance; and
• a greater emphasis on customer service, community consultation and involvement, quality and productivity, professionalism, innovation, partnerships and effective use of public resources.

These changes are not unique to the Victorian Public Service, but they have drastically altered the way in which it operates. It is important that these changes are reviewed to ensure that there are no barriers to the public service achieving its primary function – that is, its ability to provide well informed advice to Government and to manage effectively the vast array of services that taxpayers fund, and that the public expects to be delivered.

The public service must also aim to have the highest levels of accountability and transparency in its operations and its use of public monies. At all times public servants must act with integrity and honesty.

1.3 The Inquiry process

The Committee appointed the following Sub-Committee on 6 February 2002 to undertake this Inquiry:

Mr P Loney, MP (Sub-Committee Chairman);
Mr R Clark, MP;
Mr T Holding, MP;
Hon. G Rich-Phillips, MLC.

The Committee advertised the Inquiry in the Melbourne metropolitan newspapers on 16 March 2002. Invitations to provide submissions were forwarded to the Premier and the Secretaries of all Government Departments. The closing date for receipt of submissions was 28 June 2002.

The Sub-Committee received two written submissions. The Sub-Committee also forwarded a detailed questionnaire to the Secretaries of all Government Departments in April 2002. The questionnaire was designed to establish how Departments are identifying current workforce trends, including skills shortages and labour market trends; and their recruitment, retention, training and succession planning needs and priorities. A further
aim was to clarify the nature of the Departments’ relationship with central agencies such as the Department of Premier and Cabinet and the Department of Treasury and Finance – regarding Victorian Public Service issues.

Appendix 1 contains a list of the submissions received and the responses to the Committee’s questionnaire.

1.4 Issues identified by Government Departments

The submissions and responses received to the Committee’s questionnaire raised the following areas of interest:

- **the ageing workforce** – has significant implications for succession planning and highlights the need to recruit younger employees, and address retraining and knowledge management matters;

- **the trend to early retirement** – highlights the need to develop strategies to prevent a loss of corporate knowledge and to identify the extent of the likely impact of the ‘54.11’ phenomenon, whereby many older and senior employees may retire in the next few years;

- **youth employment is vital** – linked to the ageing workforce is the need to attract and retain younger employees, who have different career expectations and needs;

- **turnover rates** – are a significant problem in some work areas, such as direct care workers in the health sector;

- **gender representation and diversity are still issues** – despite an overall increase in female representation levels, the majority of female public servants are still clustered in the three lowest VPS classification levels and women continue to be under-represented in senior levels, particularly in some Departments. Few agencies are doing anything specific to address the under-representation of Equal Employment Opportunity (EEO) groups in the public service workforce;
• *work place flexibility is increasingly necessary* – to help employees balance their work/life responsibilities (including child and elder care);

• *recruitment issues* – mean that Departments need to be ‘employers of choice’ to attract and retain skilled employees; and

• *specific skills shortages exist* – there is a need to build the public sector’s skills in communication and people management, policy and analysis, finance and accounting, and contract and project management.

For the purposes of this Inquiry the public service is defined as only those involved in central or core departmental activities, even though teachers, health workers and police are public servants under the *Public Sector Management and Employment Act* 1998.

The Government has already recognised that a number of issues need to be addressed. As a result, the Office for Workforce Development (OWD) in the Department of Premier and Cabinet, is conducting a Career Structure and Work Organisation Review which will address a number of the issues raised by the 2001 examination of non-executive classification levels and pay.

The scope of this review includes remuneration, performance pay, career development and career structure matters. The review is due to report by the end of 2002 with implementation scheduled for 1 July 2003.

In June 2002 the Office for Workforce Development assumed the non-statutory people management functions of the Commissioner for Public Employment. According to the Department of Premier and Cabinet the Office will:

• provide a whole-of-government perspective on the development of the Victorian Public Service;

• raise the profile of human resource management with Departmental Secretaries and managers;
• help link future corporate objectives with workforce requirements; and

• help agencies develop people management practices.

Given that the Commissioner for Public Employment retains responsibility for promoting and reporting on the application of the public sector employment and conduct principles, the Office for Workforce Development and the Commissioner’s Office will need to work co-operatively.

1.5 The Committee’s approach

The Committee reviewed a number of reports, articles, surveys and studies while preparing this report. Informal discussions with public services in other jurisdictions, academics and other relevant parties also helped inform the Inquiry. These investigations confirmed that most of the challenges facing the Victorian Public Service are not unique to Victoria, and that much can be learned from developments in other jurisdictions.
CHAPTER 2: WORKFORCE CHANGES AND THEIR IMPACTS

Key Findings:

2.1 The Victorian Public Service has a rapidly ageing workforce and faces some major workforce planning challenges in the next two to five years.

2.2 There has been a reduction in ongoing employment (compared to fixed-term and casual employment) in the public service over the past decade. This trend has the potential to affect women more than men.

2.3 The percentage of female representation in the public service workforce has continued to increase at all levels, but women remain under-represented at senior levels.

2.4 There is a need to more proactively improve the employment opportunities for groups that remain under-represented in public service employment. These groups include Indigenous people, people from a non-English speaking background and people with a disability.

2.1 Introduction

In addressing the terms of reference for this Inquiry, the Committee considered the changes that have been occurring in the composition of the Australian workforce in general and the Victorian Public Service workforce more specifically. Enormous changes in the way in which Australians work have occurred in the past decade in particular. There is less employment security, an increasing representation of women and different employment arrangements, including a greater casualisation of the workforce. These trends are also apparent in other industrialised countries.
2.2 The ageing workforce

2.2.1 Changes in the general and public service populations

Australia’s population is ageing. One of the major causes is the impact of the ageing ‘baby boom’ generation (born between 1947 and 1961). Those born in the peak year of the baby boom, 1947, will be 55 years old this year.2

The declining birth rate is another major cause of the ageing population. According to the Australian Bureau of Statistics, the relatively low fertility of the 1970s, 1980s and 1990s means relatively fewer people are in younger age groups: ‘In 1998, 21 per cent of the population were aged 55 or over; by 2016, this is projected to increase to 29 per cent’.3 Increasing life expectancy will also contribute slightly to the ageing population.

In addition to contributing to Australia’s ageing population, the lower birth rates since the 1970s are resulting in a slower growth of the labour force. On average, the labour force is projected to grow by 0.8 per cent per year over the period 1998–2016, compared with an average annual growth of 1.9 per cent for the period 1979–98.4

These trends are even more pronounced in the public sector workforce. For the purpose of this report, public sector data refers to the public service and public authorities combined. Depending on the data source, or if there was no readily available public service data, the broader public sector is sometimes commented on for illustrative purposes.

The Victorian public sector workforce had proportionally more people aged 50 years or over, for example, with a median age of staff of 43 years in 2000 compared with 38 years for the total Victorian workforce. Similarly, the Victorian public sector had proportionally fewer younger people (under 25 years, 4.3 per cent)

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3 Australian Bureau of Statistics, Labour force projections (Cat. 6203.0)
4 Ibid
compared with the total Victorian workforce (18.2 per cent). These figures altered slightly by 2002, as shown in Exhibit 2.1.

Exhibit 2.1: Age Distribution in the Non-Executive Victorian Public Service, June 2002

It is estimated that more than 50,000 public sector staff will reach 55 years of age in the next 10 years. Other estimates are that the number of Victorian public sector employees aged 55 years and over may double in five years, triple in 10 years and quadruple in 15 years. These projections are for the broader sector, rather than the public service alone, but if they are correct, then the number of people able to retire each year will increase considerably.

Some slight gender-based differences are also evident: men are older than women across all employment types; proportionally more men than women hold ongoing jobs and more men than

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5 Victorian Office of Public Employment, op.cit; p. 3
6 Data provided to the Inquiry by the Office of Public Employment
7 Victorian Office of Public Employment, op.cit; p. 3
8 Ibid

35
women have been in the Victorian Public Service longer across all VPS bands.\textsuperscript{9}

Other Australian and overseas public services are also identifying similar trends. In the Australian Public Service at June 2001, for example, the median age of all employees was 41 years (43 years for men and 39 for women). By comparison, at June 1992, the median age was 36 years (38 years for men, 33 years for women).\textsuperscript{10}

In British Columbia, Canada, the proportion of public sector employees aged 45–54 years increased from 26 per cent in 1991 to 40 per cent in 2001. Similarly, the proportion aged 55 years and over increased from 7 per cent to 11 per cent for the same period. In terms of projections for retirement, close to one in four employees will retire during the period 2007–12. More than one in five employees will be over the age of 54 years in ten years, compared with the current level of one in ten.\textsuperscript{11} In Canada more broadly, an estimated 50 per cent of senior managers and 35 per cent of the overall workforce will be eligible to retire in five years; and in ten years, 85 per cent of senior managers and 50 per cent of the general workforce will be eligible to retire.\textsuperscript{12}

\textbf{2.2.2 Implications}

Over the past decade in the public sector, the focus on ‘older workers’ appears to have shifted from identifying any undervaluing (and preventing unlawful discrimination) to re-valuing what these workers offer. In the early 1990s, ‘age’ became covered by State and Commonwealth anti-discrimination legislation. This statutory change offered protection to older workers, who were often viewed in more negative than positive terms and who, along with younger workers, were seen to be at greater risk of less favourable and unlawful (discriminatory) treatment. This anti-discrimination approach may still be the

\textsuperscript{10} Australian Public Service Commissioner, Australian Public Service Statistical Bulletin 2000-01, p. 5
\textsuperscript{11} British Columbia, Canada, Succession Planning 2001 Report, 2001, pp. 8, 27-28
\textsuperscript{12} ‘The View from the Top’ February 2002, Conference Board of Canada Conference, p. 4
emphasis in the broader workforce where the ageing trends are less apparent, but discussion in the public sector has shifted in a more positive direction. Older workers are now being described in terms of ‘the enormous levels of skill, talent and expertise mature aged workers represent’.\textsuperscript{13}

All of the departmental responses to the Committee’s Inquiry recognised the issue of the ageing workforce. The Department of Education and Training, for example, noted that its:

\begin{quote}
...age profile and associated resignation/retirement rates, particularly at senior levels, has significant implications for attraction and recruitment, induction, the development of replacement staff, succession planning programs and knowledge management,
\end{quote}

and that:

\begin{quote}
...the age profile may require the continued development of strategies to retain younger staff through better induction, attractive working conditions and career and development opportunities.\textsuperscript{14}
\end{quote}

These workforce changes create significant planning and management challenges for the public service. According to the Victorian Office of Public Employment, this issue requires immediate attention:

\begin{quote}
An immediate priority is to improve workforce planning, especially to better understand demand and supply issues and likely future scenarios. An ageing population will have an impact on the need for goods and services as well as on the age structure of the workforce … Specific focus should also be given to the extent to which organisations can encourage key older workers to remain in the workforce longer.\textsuperscript{15}
\end{quote}

\footnotesize
\textsuperscript{13} B Fallon, ‘Working for Ages’ (Winter 2002) Focus, p. 1
\textsuperscript{14} Department of Education and Training response to the Committee’s questionnaire, p. 11
\textsuperscript{15} Victorian Office of Public Employment, ‘Planning for an ageing workforce’ Edition 2, scOPE, p. 4


2.3 Retirement trends

While the estimates for the ageing population are likely to be fairly accurate because fertility and life expectancy figures are reasonably reliable, they do not automatically translate into a clear retirement trend. A number of variables will affect the actual retirement patterns, particularly in the public service workforce. The ‘54.11’ phenomenon is probably the most frequently cited factor.

It was brought to the attention of the Committee that the ‘54.11’ phenomenon – the ‘defined benefits’ superannuation scheme, of which many of the long-term public servants are presumably members, presents a distinct financial incentive to resign just before the age of 55 years. If the person resigns, rather than retires, then they receive a resignation benefit comprised of their superannuation contributions plus interest. This amount can be substantial and is frequently cited as a six-figure sum. At 55 years of age, the individual is then able to collect a pension, which will be five-sevenths of the amount that they would have been eligible to receive if they had retired at 55 years of age. For many people, the resignation benefit outweighs the two-sevenths of pension that is forgone, thus creating the incentive to resign at the age of 54 years and 11 months.

However, as these individuals have resigned rather than retired, there is no employment bar preventing them from reapplying for a public service position while also receiving their defined benefits pension. As with all recruitment, the merit principle must be applied. While not common practice, this re-entry to the public service workforce has already occurred and it is therefore an unknown factor in terms of likely retirement trends. At this time, the Committee is unaware how many public servants may be affected by the 54.11 situation.

The Australian Public Service is facing a similar situation in relation to the Commonwealth superannuation scheme, which was open to new members until 1992. According to the Australian Public Service:
In some cases, a person would have to continue in employment well beyond 55 years to make up the difference to their benefits … ComSuper nevertheless advises that 27 per cent of members of the CSS scheme (11,849) are between the ages of 50 and 55. It also advises that 45 per cent of all resignations from the CSS scheme occur at age 54 years.16

In addition to the 54.11 phenomenon, the following unknown variables could substantially affect retirement trends for the next few years:

- the baby boomers’ perception that 55 years of age is not as ‘old’ as thought by previous generations may mean more baby boomers will choose to continue working beyond this age. Conversely, large numbers of people may be looking forward to retiring and pursuing other interests (including other employment in the private or public sectors);

- the impact of changed family patterns, including second families and the trend towards having children at a later age, has meant there is a need for many to maintain a higher income until children are financially independent;

- possible gender differences can also affect retirement trends. Women are more likely to have had broken career patterns, and the vast majority of all women employed in the Victorian Public Service are in the three lowest VPS classifications and thus receive lower pay than most males. Women therefore typically have lower superannuation benefits. This difference may mean more women are less able to afford to retire at a relatively early age, and many will not be in a position to rely on a partner’s pension or payout, as would have typically been the case for previous generations; and

16 Australian Public Service Commissioner, State of the Service Report 2000-01, pp. 35–6
variable superannuation returns, including negative returns, are significant in affecting when people can afford to retire if they are not in the defined benefits scheme.

In view of these factors, the Committee believes some research is necessary to identify the retirement intentions of employees who may be eligible to retire from the Victorian Public Service workforce over the next five to ten years. Issues that should be investigated include:

- the desirability of graduated part-time work (effectively a staged or staggered retirement);
- whether different agencies will face different patterns of retirement due to their unique workforce compositions;
- how agencies will manage succession planning issues to ensure or create opportunities to transfer knowledge (particularly corporate knowledge) and skills through mentoring, part-time work and other processes; and
- how to address workforce training needs, especially if younger employees end up managing older ones who used to manage them but who have elected to work in lower level roles as part of a phased retirement.

The Committee was advised that the Equal Opportunity Commission and the Office of Public Employment are undertaking a joint project, Working for Ages, in the second half of 2002. The project will examine the position of mature aged workers in the VPS in more detail and ‘will also investigate retirement intentions and factors influencing the satisfaction with retirement by workers who have left the Victorian public sector.’#17 The Committee believes the research must address the issues outlined above and, in particular, try to establish the likely extent of the 54.11 phenomenon. The latter will have important implications for the Victorian Public Service in the long term.

2.4 Youth employment

2.4.1 Changing demographics

With the declining fertility rates, as mentioned, fewer younger employees will enter the workforce. The public service workforce already has a lower representation of younger workers than in the Australian and Victorian workforces. As indicated, 4.3 per cent of Victorian public sector employees at June 2000 were younger than 25 years of age, compared with 18.2 per cent of the Victorian workforce. Similar trends are reported in other public services, such as the Australian Public Service, in which employees younger than 25 years of age at June 2002 comprised only 4.7 per cent of the workforce.

This low representation of young employees partly reflects the tertiary level qualifications required or desired for many public service positions. It also reflects the gradual reduction in entry level positions across the public service. In 1998, 36.4 per cent of all positions in the non-executive structure were VPS1 and VPS2 positions, and 27.8 per cent were VPS4 and VPS5 positions. By 2002, the VPS1 and VPS2 positions accounted for 24.2 per cent of positions and the VPS4 and VPS5 positions accounted for 39.5 per cent, as shown in the following Exhibit 2.2.

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19 Australian Public Service Commissioner, State of the Service Report 2000-01, p. 34
20 Data provided to the Inquiry by the Office of Public Employment
Two main programs facilitate the entry of younger employees into the public service: the Graduate Recruitment Scheme, which may lead to ongoing employment, and the Youth Employment Scheme, which provides opportunities to gain work experience and potentially an ongoing position. Departments also offer specific cadetships programs, such as the program run by the Department of Natural Resources and Environment. The Graduate Recruitment Scheme has been gaining increased support from Departments, and the number of graduates has increased progressively from 37 in 1999 to 100 in 2002. According to the Department of Premier and Cabinet’s response to the Committee, more than 2,000 graduates have applied for the 2003 intake. The number of specialist streams has also increased and now includes generalist, economics, accounting, and information and communication technology streams.

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21 Victorian Commissioner for Public Employment, Commissioner for Public Employment 2001 Annual Report
22 Department of Premier and Cabinet response to the Committee’s questionnaire, p. 11
The Committee has been advised that the Office for Workforce Development in the Department of Premier and Cabinet is commissioning a study assessing the retention patterns and successes of the Graduate Recruitment Scheme. The Committee supports this research and looks forward to reviewing the outcomes.

2.4.2 Changing expectations

A Canadian study examined recruitment issues with university students before their graduation. The report, Facing the Challenge, notes that it is:

… critical that managers in all sectors of society gain a clearer understanding of the preferences unique to each age cohort. Recognising the unique characteristics of each cohort will allow organisations to more specifically tailor recruitment programs to the needs and expectations of individuals. This skill is particularly essential to public sector managers, as downsizing and restructuring come to an end, and their focus turns to renewing and rejuvenating the federal public service.23

The study found that students anticipated quite different career paths from those of their parents, which often entailed one career in one organisation. Only 14 per cent of the students anticipated a career in one organisation, 44 per cent foresaw careers in two to three organisations, and 21 per cent anticipated working in four to five organisations. Students’ preferences did not reflect their anticipations, however, because 30 per cent reported preferring a career in one organisation. In terms of where students believed the most job opportunities existed, over 70 per cent thought the private sector, while just under 20 per cent nominated the federal Government. The researchers noted, however, that twice the number of students who expected to work for the federal Government expressed a preference for working there.

One challenge of attracting a younger workforce is dealing with the often negative views that they may hold about public sector employment. In the Canadian study, 60 per cent of the students believed that:

… the federal public service has an ageing workforce, who are employed in a 9-to-5 job (70 per cent) with excellent benefits (76 per cent) and a wide variety of career opportunities (53 per cent), along with opportunities for advancement (52 per cent). Only 29 per cent of the respondents believed that public servants are committed to serving Canadians and 31 per cent felt that the federal workforce is disconnected from the average citizen.24

It would be interesting to know how Australian and Victorian graduates perceive public service employment and careers.

Another interesting study is the New Zealand Career Progression and Development Survey, conducted by the State Services Commission. The survey report states that the research provides, for the first time, robust information about the career expectations and experiences of public servants overall and of the various population groups that make up the public service:

Younger people are much less likely than those of previous generations to have expectations of a life-long career in a single organisation, institution or even sector. They place high value on training and development opportunities that enable them to keep moving ahead in what will be multi-dimensional, as opposed to traditionally linear, career trajectories. They are more likely to move from one organisation to another if their development needs are not being met … Under these conditions, to attract and retain skilled and talented staff the public service will have to enhance its traditional competitive advantages and develop new ones.25

24 Ibid, pp. 2-4
Later discussion of the public service as a career option will include the concept of becoming an ‘employer of choice’.

In terms of why people leave the public service, the Committee was advised that the practice of individual agencies conducting ‘exit interviews’ is ad hoc and inherently problematic. As written references are used less and job applicants increasingly need to rely on the ongoing goodwill of an ex-employer, departing employees may feel there is little personal benefit in providing negative feedback at exit interviews. This means there is a lack of more robust information on why people are leaving the public service or if they are being employed by another public service agency and thus effectively transferring across the service. More accurate information would assist better workforce planning by agencies and the Victorian public sector as a whole.

Accordingly, the Committee recommends that:

**Recommendation 2.1**

The Office for Workforce Development research the career preferences of mid-career people, including mature-age graduates. The research should identify perceptions of the public service as a career option or employer, as well as how important various factors (such as remuneration, flexible work practices and making a contribution to the community) affect the target group’s employment decisions.
Recommendation 2.2

The Office for Workforce Development conduct more detailed research on the reasons why people leave the public service for other employment. This research should identify areas of concern, the employment sectors to which former employees move, and the extent to which management practices and employment conditions affect the decision to leave the public service.

Recommendation 2.3

The Office for Workforce Development research how young people perceive public service employment and careers and their overall career expectations.

2.5 Status of employment

Another general trend in the Australian workforce over the past decade has been the increased casualisation of the workforce. According to the Australian Bureau of Statistics, the proportion of casual employees substantially increased between 1988 and 1998, up from 19 per cent to 27 per cent. Females continued to represent a greater proportion of casual employees: in August 1998, 54 per cent of casual employees were female. Age-based differences were also found, with the proportion of casuals reportedly highest in those aged 15–19 years and 55 years and older.26

Industries with the highest rates of casual employment include: accommodation, cafés and restaurants (58.1 per cent); retail trade (46.1 per cent); and cultural and recreational services (42.2 per cent). Government administration and defence (which includes all three levels of Government) has one of the lowest rates (9.0 per cent).27 For the Victorian Public Service, 85 per cent of employees

26 Australian Bureau of Statistics, Casual Employment (Cat. 6203.0)
27 Ibid
in the five-band structure have ongoing jobs, 13 per cent have fixed-term contracts and just over 1 per cent are employed on a casual basis. As shown in Exhibit 2.3, men are more likely than women to have ongoing jobs (89 per cent compared with 83 per cent), and women are more likely than men to have fixed-term contracts (16 per cent compared with 10 per cent.28

Exhibit 2.3 Employment Status of Victorian Public Service, by Gender, December 2001

Employers often perceive the changing composition of the workforce as an essential part of the flexibility required to effectively and efficiently manage their resources. But as noted in the later discussion of the public service as a career option, this trend has created greater insecurity and has the potential to disproportionately disadvantage female employees who remain over-represented in fixed-term and casual employment relative to men.

2.6 Workforce diversity

2.6.1 Gender

(a) Representation levels

According to data from the Office of Public Employment, the overall proportion of the Victorian Public Service who are female continues to increase – up from 52 per cent in 1998 to 55 per cent in 2002.\(^{29}\) The public service figure is higher than the female representation level in the overall Victorian labour force (44 per cent),\(^{30}\) partly reflecting the occupational segregation patterns in education and health (which have a predominantly female workforce and which comprise a large proportion of the public sector) and the absence of traditionally male blue collar work (such as in the power and water industries) in the public sector.

The age profile of female employees of the public service is evenly distributed across most of the age categories, whereas men are more concentrated in the age group of 40–54 years.\(^{31}\) Given the proportion of more senior men who will be eligible to retire in the short term, gender representation may continue to change at more senior levels. While overall female representation has increased, however, female representation continues to be lower within higher VPS classifications. In 2002, 66 per cent of VPS2 and 57 per cent of VPS1 employees were female, compared with 35 per cent of VPS5 and 49 per cent of VPS4.\(^{32}\) As shown by Exhibit 2.4, however, these figures have continued to improve. In 1998, representation was only 29 per cent and 40 per cent in the VPS5 and VPS4 classifications respectively.\(^{33}\)

\(^{29}\) Data provided to the Inquiry by the Office of Public Employment


\(^{31}\) Ibid

\(^{32}\) Data provided to the Inquiry by the Office of Public Employment

\(^{33}\) Ibid
Chapter 2: Workforce changes and their impacts

Exhibit 2.4  Female Representation in the VPS Classifications, 1998 and 2002

The majority of women employed in the public service are employed in the three lowest VPS classifications. According to data from the Office of Public Employment, an estimated 70 per cent of all non-executive women are employed under the VPS1-VPS3 classifications in 2002.\(^{34}\)

At the executive level, female representation has increased from 19.3 per cent in 1992\(^{35}\) to 23.3 per cent in 1998 and 29.3 per cent in 2002. As shown in Exhibit 2.5, increases have occurred within each of the three executive bands. At the most senior levels, female representation has risen from 4.8 per cent (one person) to 23.5 per cent (four people) at the EO1 level, and from 25.5 per cent to 32.6 per cent at the EO3 level.\(^{36}\) By comparison, 51.4 per cent of all Australian Public Service staff are female, as are 35 per cent of the executive group and 27.4 per cent of the senior executive service (SES).\(^{37}\)

\(^{34}\) Ibid
\(^{35}\) Victorian Public Service Commissioner, *Public Service Commissioner's Annual Report*, 1993
\(^{36}\) Data provided to the Inquiry by the Office of Public Employment
In terms of public sector boards, the Committee understands from the Office of Women’s Policy that the Victorian Government is committed to continue to improve female representation, with an initial target of 40 per cent and an ultimate target of 50 per cent. While appointment recommendations brought to Cabinet still require consultation with the Women’s Register, to identify suitable female candidates, the Office of Women’s Policy is encouraging a more proactive approach. Such an approach would include identifying other barriers to women’s representation, such as legislative prescription for the membership composition of boards and the lack of female representation on industry bodies.

Accordingly, the Committee recommends that:

**Recommendation 2.4**

The Victorian Government research the barriers to women’s progression to executive positions in the public service. This research should investigate the views of VPS4 and VPS5 staff, as well as executive officers, and identify the behaviours and attitudes necessary to support women’s progression to more senior levels.
(b) Pay equity

Much has been written about the persistent gender pay gap in Australia and other industrialised countries. The Office for Workforce Development is considering this issue as part of the career structure review discussed in Chapter 1. The Committee has considered the September 2002 report, *A Best Practice Guide to Gender Equity in the Development of Classification Systems*, which has been provided for the career structure review deliberations.

A number of points are worth noting. The most commonly cited measure of pay equity is the Australian Bureau of Statistics Average Weekly Ordinary Times Earnings (AWOTE). Using this index, women earned 84.4 per cent of male earnings at May 2001, and there were differences for broad occupational groupings: female managers/administrators earned 84.5 per cent of their male counterparts’ earnings, female professionals earned 82.1 per cent, and advanced clerical and service delivery women earned 72.9 per cent.\(^{38}\)

A difficulty in using the AWOTE is trying to control variables such as men’s and women’s different access to overtime and other payments, plus the ongoing occupational segregation. A recent analysis by the Office of Public Employment attempted to control variables such as length of service and age, to establish whether a gender wage gap exists in the five VPS classifications of the public service. It found that:

> In the traditional areas of contention, such as career development opportunities and pay, no significant or systematic gender imbalances seem to exist among this group of employees when men and women with similar education and work histories are compared. However, there is some gender segregation of jobs, with women more likely to work in the ‘so-called’ caring occupations, which is also reflected in the high proportion of women qualified in the

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38 Australian Bureau of Statistics, Average Weekly Earnings (Cat. 6302.0)
fields of society and culture, education and health. These jobs also tend to be lower paid.\textsuperscript{39}

A limitation of this analysis is that the data does not show total length of service — only current and uninterrupted service — so it is difficult to establish whether women’s often broken careers (for child rearing reasons) have an impact on their comparable earnings and employment opportunities.

The Centre for Applied Social Research at RMIT University produced the report \textit{A Best Practice Guide to Gender Equity in the Development of Classification Systems}, exploring different issues associated with gender pay equity. The report highlights limitations of existing work value methods and how these methods continue to undervalue work that has been, and continues to be, done by women. Specifically, the report noted that:

\begin{quote}
Gender pay differences are obviously deeply rooted in a society’s assumptions about the sexual division of labour. This is probably true of all liberal democracies. What is distinctive about Australia is the way these assumptions have been institutionalised in the industrial relations and vocational training systems.\textsuperscript{40}
\end{quote}

It also states that:

\begin{quote}
Job evaluation techniques are often put forward as a means to more objectively analyse jobs. These techniques rank a job according to elements like knowledge, problem solving, responsibility and accountability and within each of these elements a weighted scale is applied. The aim is to provide a numerical score that can then be set against the score for other jobs, and a market rate for similarly ranked jobs can then be obtained.\textsuperscript{41}
\end{quote}

\begin{flushleft}
\textsuperscript{40} B Probert, ‘A Best Practice Guide to Gender Equity in the Development of Classification Systems’ Centre for Applied Social Research, RMIT University, 2002, p. 6
\textsuperscript{41} Ibid, p. 6
\end{flushleft}
This means that financial accountabilities and formal qualifications are weighted more heavily than skills or attributes which may be informally acquired.

The Committee acknowledges the complexities of gender pay equity and supports the RMIT report’s recommendation that ‘the parties move beyond a discrimination-based test on gender equity matters, and commit themselves to a policy framework that will involve a variety of measures to promote pay equity’. It also supports the recommendation that more robust data be collected to enable more rigorous assessment of these issues.

**Recommendation 2.5**

The Office of Public Employment and the Office for Workforce Development work together to ensure Departments provide consistent and adequate data to enable more robust analysis of any gender pay equity issues identified.

(c) Working arrangements

A related issue is the availability of flexible work options and meaningful part-time work, which are necessary because women continue to shoulder more of the responsibilities for family care and household work. As mentioned, women continue to be over represented in part-time work and in the increasingly casualised areas of the workforce. There are relatively few part-time positions at senior levels, for example, in the Victorian Public Service in 1999:

...11 per cent of positions in the salary range $60,000–80,000 were part-time and 54 per cent of these were occupied by women. Some 14,681 (23 per cent) of positions in the salary range $40,000–60,000 [were] part-time, 90 per cent of which were filled by women. Of these latter

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42 Ibid, p. 19
Report on the Review of the Victorian Public Service

positions, 42 per cent were in the education portfolio and 56 per cent in human services.\(^{43}\)

Part-time opportunities in executive positions continue to be the most difficult to find. At June 1999, only 14 executives were employed on a part-time basis, with equal numbers of males and females. The Department of Human Services employed 10 of these executives, while the remainder worked in four other Departments.\(^{44}\) In a climate where more people are working longer hours, it seems that the aim of flexible work options, particularly at more senior levels, remains difficult to achieve. One of the challenges is to ensure senior public servants set an example of more reasonable and balanced working hours and lives. Such features would help make the public sector a desirable place to work.

There is considerable research evidence that shows there are a number of factors that continue to make senior part-time work an unattractive or impractical option. These include:

- the persistence of traditional beliefs about the nature of work – namely that ‘real’ work can only be accomplished full-time, that those who are serious and committed will be available at all times and that ‘face time’ (being seen to be working long hours) is still highly valued and is associated with perceived commitment and productivity;\(^{45} 46 47\)

- a lack of recognition that part-time employees, particularly in senior positions, are often highly focussed and highly productive. Studies have shown that ‘the productivity of part-time employees does not falter… over half of part-time people reported gains in their

\(^{44}\) Ibid, p. 23
\(^{46}\) New Zealand State Service Commissioner, *Career Progression and Development Survey 2000: Results for the New Zealand Public Service*, 2000
productivity, and supervisors and colleagues agreed’,48 and that part-time managers ‘saw themselves working differently – more outcomes-oriented, more assertive in decision-making, more time-driven but having better contingency planning and time management skills and being better organised’;49

- part-time work is often seen as a sideways step into a less critical role – ‘It is a common belief that permanent part-time work can only be accommodated in a limited range of jobs that are project or operationally oriented … experienced managers who wish to work part-time are often required to move to ‘off line’ positions where staff supervision, financial management and decision making are limited or not required’;50 and

- a lack of support from senior men and women (who often hold similar views to senior men but different views from non-managerial women) who have either not had to personally deal with child care responsibilities, because they are either childless or their spouse has shouldered this responsibility, or they ‘did it the hard way’ and expect future generations to juggle work and family the same way they did.51 52

Given the projected need to retain some older experienced employees to address the shrinking labour market, it is important that part-time work is perceived as a valid and valuable form of work at all levels. Part-time work can provide men and women with an option for staggered retirement and also assist those balancing work and family responsibilities.

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50 Ibid, p. iii
51 New Zealand State Services Commissioner, *Career Progression and Development Survey 2000: Results for the New Zealand Public Service*, 2000
It was brought to the Committee’s attention that despite a flexible work policy in Departments, many women at all levels are finding it difficult to negotiate meaningful part-time work after their return from maternity leave. The Government needs to address these issues if it is to retain valued employees.

While the 2001 Victorian Public Service census conducted by the Office of Public Employment sought information on flexible work options used by public service employees, it did not determine employee satisfaction with these options. (The broader work/life balance is discussed further in Chapter 4.) The Committee believes that these issues need to be explored further as part of overall workforce planning.

Accordingly, the Committee recommends that:

**Recommendation 2.6**

The Victorian Government research Victorian Public Service employees’ satisfaction with the work/life balance that they are able to achieve, and what organisational and management practices may be barriers to such a balance.

**2.6.2 Other equal employment opportunity (EEO) groups**

The four groups traditionally recognised as having experienced disadvantage in employment are Aborigines and Torres Strait Islanders (Indigenous people), people from a non-English speaking background, people with a disability and women. During the 1980s, the Government implemented various service-wide and agency-specific EEO strategies and initiatives to recruit, develop and retain employees from these groups. These initiatives were under an ‘EEO umbrella’. In 1993 the Victorian Public Service adopted a managing diversity policy that encouraged a broader approach to recruiting a more diverse workforce, not just an approach based on EEO group status. This move was in line with developments in other public services and the private sector.
With the introduction of the *Public Sector Management and Employment Act* 1998, EEO became one of the four public sector employment principles. The Commissioner for Public Employment issued a Managing and Valuing Diversity Direction, which sets out the minimum standards for applying the EEO principle across the public service. The Direction identified four designated EEO groups and also specified ‘disadvantaged groups’ for the purposes of employment without advertising. The three disadvantaged groups are Indigenous people, people with a disability and young people (16–20 years of age) who successfully complete a youth traineeship.

The lack of reliable data (other than on gender) has made it difficult to assess progress, or lack of progress, in improving employment opportunities for traditionally disadvantaged groups. This difficulty has arisen from concerns about the reliability issues of self-identification. For example, not all members of the EEO groups identify themselves as such, particularly if they perceive that they may draw negative attention or if they do not want to participate in any targeted programs.

The first reliable data was not collected until the 2001 Victorian Public Service census. The census revealed that:

- around 20 per cent of Victorian Public Service employees were born overseas, compared to 35 per cent of the general Victorian community, and 15 per cent of respondents reported that they speak a language other than English at home, compared with 21 per cent of the general Victorian community;

- nearly 0.8 per cent of respondents identified themselves as being of Aboriginal or Torres Strait Islander origin, compared to 0.5 per cent of the population of Victoria; and
approximately 3 per cent of respondents identified themselves as having an ongoing disability that affects the way in which they do their work.\textsuperscript{53}

Direct EEO comparisons are difficult because different jurisdictions collect information differently (for example, by sectors and using different definitions). The NSW Office of the Director of Equal Opportunity in Public Employment (ODEOPE), for example, collects data for the whole public sector rather than the public service. However it has collected more rigorous EEO data for a number of years, so some comparisons may be useful. It estimates, based on data from the 1998 Australian Bureau of Statistics Survey of Disability, Ageing and Carers, that 12 per cent of the New South Wales working age population (15–64 years of age) has a disability that does not make them permanently unable to work and 7 per cent has a disability that requires some form of work-related adjustment. The representation of people with a disability in the New South Wales public sector in 2000 was 6 per cent (down from 7 per cent in 1999) and the representation of people with a disability requiring work-related adjustments was 1.9 per cent (down from 2.2 per cent in 1999).\textsuperscript{54}

Racial, ethnic and ethno-religious minority groups make up an estimated 19 per cent of the New South Wales general working-age population. The representation of these groups in the NSW public sector was 13 per cent in 2000 (down from 14 per cent in 1999). The representation of Aborigines and Torres Strait Islanders was 1.5 per cent in 2000 (unchanged from 1999).\textsuperscript{55}

EEO data presented in the Queensland Public Service Commissioner’s 2000-01 Annual Report show that 26.9 per cent of that State’s public service workforce is from a non-English speaking background, 1.7 per cent are Indigenous employees and 8.2 per cent have a disability.

\textsuperscript{53} Victorian Office of Public Employment, ‘New demographic data on the Victorian Public Service’ Edition 3, scOPE, p. 3
\textsuperscript{55} Ibid
Chapter 2: Workforce changes and their impacts

The figures for both States illustrate that the representation of EEO groups in public service workforces is generally well below their representation in the general community or the working-age population. Even where overall representation levels are higher, more detailed analysis reveals that these employees tend to be clustered in lower paid and often fixed-term positions. Considerable work is still required to ensure the public service is representative of the community it serves.

The Committee acknowledges that different strategies — such as the Indigenous Employment Strategy, which was launched in 2001 — are an important step in promoting greater opportunities in employment for traditionally disadvantaged groups. For these initiatives to succeed, however, adequate funding and resourcing and senior-level support are key requirements. While acknowledging the broader managing diversity approach to people management, the Committee believes that more can be done to address the ongoing under representation of certain groups within the Victorian public sector.

Accordingly, the Committee recommends that:

**Recommendation 2.7**

The Victorian Government consider further initiatives aimed at improving employment opportunities in the public service, in terms of representation levels and classification spread, for Indigenous people, people with a disability and people from a non-English speaking background.

**Recommendation 2.8**

The Commissioner for Public Employment conduct a further census in two years to assess progress towards a Victorian public sector workforce that is more representative of the community it serves.
CHAPTER 3: LEGISLATIVE FRAMEWORK

Key Findings:

3.1 Significant legislative reform of public service employment has occurred over the past decade. Greater agency autonomy and a principles-based approach to employment have replaced the traditionally centralised and highly prescriptive people management approach.

3.2 While Departmental Secretaries have been devolved powers to act as employers, some people management issues need to be addressed on a whole-of-government basis.

3.3 An Office of the Public Service Commissioner and an Office of Public Employment replaced Victoria’s Public Service Board. The Commissioner for Public Employment retains statutory responsibility for promoting the employment and conduct principles, and the Victorian Public Service Code of Conduct, and monitoring their application across the public sector.

3.4 In June 2002 a new Office for Workforce Development was created in the Department of Premier and Cabinet. Its functions are to provide a whole-of-government perspective on the development of the Victorian Public Service workforce and to provide support to agencies on people management issues.

3.5 The Victorian Public Service career structure, that was introduced in the mid-1990s, is undergoing a major review - the Career Structure and Work Organisation Review. Changes arising from this review are due to be implemented in or by July 2003.
3.1 Introduction

The Public Accounts and Estimates Committee examined the legislative framework for public sector employment in Victoria as part of considering the environment in which public servants are employed. Alongside the significant changes in the workforce composition during the past decade, there have been dramatic changes in the legislative framework.

The Committee considered the changes to public sector legislation in Victoria and compared these with legislative arrangements in other national and international jurisdictions. The Committee did not explore the industrial relations framework or context in detail.

3.2 Public sector legislation

3.2.1 Early 1990s

In 1992, the Government introduced the Employee Relations Act and the Public Sector Management Act (PSMA), which removed a range of traditional, centralised people management practices. In practical terms, instead of being employed directly by the State under uniform terms and conditions, staff in the Victorian Public Service are now employed by individual Departmental Secretaries. The PSMA gave Departmental Secretaries the power to appoint, determine the work value of jobs, assign, promote, discipline, transfer, demote, retrench and terminate employment. It also provided for contract employment for executive officers; ongoing appointment of public service officers; and fixed-term, temporary and casual employment of employees.\(^\text{56}\)

The Victorian Government also embarked on very significant structural change. This included reducing the number of Departments from 22 to eight; encouraging the outsourcing of a range of the corporate services for these larger Departments; and

\(^{56}\) P Salway, ‘Reform of human resource management in the public service’ in C Clark and D Corbett (eds), Reforming the Public Sector. Problems and Solutions, Allen & Unwin, Sydney, 1999, p. 15
separating the service delivery functions of Government from the core functions using the purchaser/provider model.

Other major changes introduced by the PSMA were the abolition of annual pay increases based on years of service, the introduction of performance-based salary reviews, and a new structure and conditions for both executive and non-executive employees. The non-executive structure, introduced in November 1994, has five broad levels and replaced the old structure that included 120 separate pay and grading structures.

Executive officers moved onto five-year contracts (renewable), with a remuneration package approach within prescribed ranges and an annual performance incentive payment. Executive remuneration scales were broadbanded – from nine to three.\(^{57}\) According to the 1993 Annual Report of the Public Service Commissioner, the intended outcomes of the new executive employment arrangements were:

- competitiveness within the wider executive job market;
- enhanced accountability and sustained performance of executives; greater mobility of executives between the public service, public sector and private sector; and whole-of-government resource optimisation of the executive service.\(^{58}\)

The PSMA also assigned certain functions to the Public Service Commissioner including establishing guidelines for how Departmental Secretaries should exercise their new people management powers and on procedures relating to public sector employment. The Commissioner was assigned a monitoring role to ensure that these guidelines are applied throughout the public sector.

### 3.2.2 Late 1990s

At the beginning of 1990, Victoria referred its industrial relations powers to the Commonwealth, which means that the

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\(^{57}\) Ibid, p. 16

Commonwealth *Workplace Relations Act* 1996 now provides the framework for making individual and collective agreements for Departments and agencies. In Victoria the *Public Sector Management and Employment Act* (PSMEA) became operative on 1 July 1998, which further devolved responsibilities to agencies and moved people management in the public service to a ‘principles-based’ approach.

Specifically the PSMEA prescribes eight public sector employment and conduct principles, and the responsibilities with regard to their application – by public service and public authority Heads as well as employees. The employment principles require public sector employers to ensure that:

- employment decisions are based on merit;
- employees are treated fairly and reasonably;
- equal employment opportunity is provided; and
- employees have a reasonable avenue of redress against unfair and unreasonable treatment.\(^{59}\)

The conduct principles apply to all public sector employees who are required to:

- act impartially;
- act with integrity including avoiding any real or apparent conflict of interest;
- accept accountability for results; and
- provide responsive service.\(^{60}\)

The functions of the Commissioner are to:

- promote the public sector employment and conduct principles;
- publish a Code of Conduct to apply throughout the public sector;

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\(^{60}\) Ibid
• issue written Directions on the application of the principles in the public service;
• obtain information from the heads of public sector organisations on the application of the principles;
• undertake any other such functions as referred by the Minister for Public Employment; and
• report annually to Government and Parliament on the application of the principles of employment and conduct in the public sector.61

Current Public Service Commissioner Directions relate to general information, selecting on the basis of merit, managing and valuing diversity, managing under-performance, reviewing personal grievances and upholding public sector conduct. The Commissioner has a reporting framework that provides a mechanism for collecting information, so as to report to Government and Parliament on the application of the principles across the public sector. The reporting framework includes Organisation Self Assessments, studies into the application of the different principles and the six-monthly collection of workforce data from agencies.

A review of the PSMEA commenced in 2001, however, at the time of conducting this Inquiry the Committee was unable to ascertain the status of this review.

In June 2002 the Office for Workforce Development (OWD) took over the non-statutory functions and activities of the Public Service Commissioner’s Office. These activities include co-ordination of the Graduate Recruitment Scheme, public service-wide leadership programs and overall workforce planning. According to the response from the Department of Premier and Cabinet, the objectives of the Office for Workforce Development are to:

• provide a whole of government perspective on the development of the VPS workforce – in its various forms and requirements;

61 Ibid, p. 2
• raise the profile of resource mobilisation and management in the consideration of Secretaries and in the functional priorities of Managers;
• facilitate the link between future corporate objectives and workforce requirements within the VPS; and
• support Departments to be as effective as possible in recruiting, developing, retaining, mentoring, monitoring and managing their people, in the context of the Public Service Certified Agreement and the Executive Officer arrangements applying across all Departments and agencies.62

3.2.3 Central versus agency powers

One of the issues associated with devolving people management powers and responsibilities to agency Heads is the need to identify when whole-of-government approaches are desirable or necessary, and the most appropriate means of achieving this.

In 2001 the Department of Premier and Cabinet commissioned a review of the non-executive VPS classification and pay systems. The review’s report noted that:

Under the current policy and legal framework, s.13 of the PSMEA vests Departmental Secretaries with the legal responsibility and accountability for the general conduct and the effective and economical management of the functions and activities of their Departments… However, it has been clear in the preparation of this Report that in assigning Departmental Secretaries full responsibility for employment matters, inadequate attention was given to ensuring the overall health, structure, development and sustainability of the VPS labour force as a whole. As such, it is the reviewer’s overall conclusion that the general approach to management of the VPS labour force should be

62 Department of Premier and Cabinet response to the Committee’s questionnaire, pp. 3-4
Chapter 3: Legislative framework

repositioned along the continuum between decentralised agency autonomy and centralised VPS authority.\textsuperscript{63}

The report suggested that this would:

- involve a realignment of the relative roles and responsibilities of Secretaries and the Office of Public Employment (OPE), to achieve a better balance between devolved and central co-ordinated responsibilities.\textsuperscript{64}

These issues are discussed further in Chapters 5 and 6 of this report.

Accordingly, the Committee recommends that:

**Recommendation 3.1**

A whole-of-government approach to common Victorian Public Service people management issues, as identified and promoted by the Office for Workforce Development, be adopted.

### 3.3 Other jurisdictional approaches

#### 3.3.1 Principles based approaches

The overall trend in public services, nationally and internationally, is to move towards a less prescriptive and more principle-based approach to people management, with greater powers resting with agency heads. There is also a trend towards greater outsourcing of non-core activities to the private or not-for-profit sectors. The main difference between jurisdictions is the degree of devolution versus central agency powers and the level of legislative prescription. The Committee was advised that Victoria has one of the most, if not the most, de-regulated public services in Australia.

Examples of different approaches include:

\textsuperscript{63} M Wright, ‘Classification and Pay Review – Non Executive Classifications Victorian Public Service (VPS)’ Miller Consulting Group, 2001, p. 3

\textsuperscript{64} Ibid, p. 3
for the Australian Public Service – the Public Service Act 1999 introduced a new framework, ‘based on devolution and flexibility balanced by increased accountability within a clearly defined set of Values, [and] fundamentally changed the management of the APS’.65 The Public Service Commissioner issues Directions and facilitates continuous improvement in people management by promoting the APS Values and Code of Conduct, co-ordinating sector-wide training and career development and promoting and reporting on workforce diversity. ‘The contemporary APS is increasingly governed by values rather than rules.’66 The Commissioner’s office produces a Workplace Diversity Report, an APS Statistical Bulletin as well as the State of the Service Report (on how the APS agencies are upholding the APS values, such as accountability, client service, performance management, merit and leadership);

Canadian reforms have sought to strike ‘the right balance’ between centralisation and decentralisation:

Central agency staff had to change their long-time orientation toward control (often extending to micro-management of activities in Departments) to focus more on strategy and service. Detailed rules and procedures needed to be replaced with more general guidelines, leaving room for Departmental officials to use their discretion; central agencies could provide a framework of standards for good management and advice on best practices, relying less on detailed reporting by Departments and their own audits of Departmental activity and more on Departmental self-assessments of performance.67

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65 Australian Public Service Commissioner, Australian Public Service Commissioner’s Annual Report, 2001, p. 5
66 Ibid, p. 11
• in Western Australia the Commissioner for Public Sector Standards, under powers prescribed in the *Public Sector Management Act 1994*, establishes minimum standards on merit, equity and probity for specified human resource management activities. Agencies must develop and implement human resources management policies and procedures consistent with the standards. The Commissioner is required to report to Parliament on the status of merit, equity and probity in the Western Australian public sector by reporting on the extent to which agencies comply with the standards, the Code of Ethics and agency-specific codes of conduct.\(^{68}\)

### 3.3.2 Values

One of the key issues associated with the de-regulation of public sector employment and management is the need to articulate, promote and ensure application of certain core values and ethics. For example, in Canada the Government is:

> …committed to managing its business according to the highest public service values. Public Service managers will continue to be guided by democratic values, professional values, ethical values (integrity, trust and honesty) and people values (courage, decency and humanity).\(^{69}\)

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\(^{68}\) Western Australian Commissioner for Public Sector Standards, *Annual Compliance Report*, 2001, p. 2

\(^{69}\) OECD, Issues and Developments in Public Management – various country reports (including Canada) http://www.oecd.org
Similarly, the APS Values promote an apolitical, impartial and professional public service; merit based employment decisions; recognising and utilising diversity; open accountability for actions; the highest ethical standards; responsiveness to Government in providing frank, honest, comprehensive, accurate and timely advice; delivery of services fairly, effectively, impartially and courteously; leadership of the highest quality; providing a fair, flexible, safe and rewarding workplace; focus on achieving results and managing performance; and providing a career-based service.  

These values provide guidance, where in the past prescriptive processes and regulations would have specified the desirable or required behaviours or actions. To ensure these public sector principles and values are upheld there is a need to monitor and evaluate their application – this is one of the functions of public service/sector Commissioners.

The 2000-01 Australian Public Service State of the Service Report commented on how well the Australian Public Service understands and applies the APS Values and Code of Conduct. Agencies were asked to survey staff about their level of understanding and that of colleagues. They found that:

- just over three quarters of employees consider they have a good understanding of the APS Values (79 per cent) or the Code of Conduct (80 per cent) as they apply to their work;
- 68 per cent consider that their colleagues uphold the Values and 66 per cent believe their colleagues behave in accordance with the Code of Conduct;
- only 39 per cent believe their agency makes decisions based on merit;
- only 46 per cent consider their agency values diversity; and

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70 Australian Public Service Commissioner, People and Performance in the APS: A guide for Managers and Staff, 1999
only 40 per cent believe they are fairly rewarded in comparison to their colleagues.\textsuperscript{71}

These results raise concerns, particularly about the application of the merit principle, fair remuneration and employment equity values. The report notes that there are no historical or benchmark data that can be used to compare these results, particularly in relation to merit. The data provides, however, a useful benchmark for future assessment.

In relation to the Victorian Public Service Code of Conduct and application of the integrity and impartiality principles, the Committee was advised that the Office of Public Employment recently undertook a Workplace Integrity Survey. The survey used the instrument developed by the New South Wales Independent Commission Against Corruption and should enable some assessment of how well the Victorian Public Service is performing in this area. The Committee looks forward to reviewing the outcomes of the recent Victorian study when they become available.

Accordingly, the Committee recommends that:

**Recommendation 3.2**

Agencies be required to address any relevant issues that arise from the Workplace Integrity Survey.

\textsuperscript{71} Australian Public Service Commissioner, *State of the Service Report 2000-01*, pp. 18-19
CHAPTER 4: THE CHANGING NATURE OF PUBLIC SERVICE WORK

Key Findings:

4.1 Public service work has changed over the past decade, with an increasing emphasis on customer service, productivity, efficiency and effectiveness, professionalism, innovation, partnerships and the emergence of e-Government.

4.2 The changing nature of the public service means that policy development is becoming increasingly complex and that the recruitment of staff with high level policy skills is difficult. The likely departure of many senior employees in the next five to ten years will exacerbate the staff shortages.

4.3 Public service agencies believe they need to become ‘employers of choice’ to ensure they attract and retain suitably skilled employees. The Victorian Public Service needs to identify its competitive advantage, including better terms and conditions, greater flexibility, training and development and the ability to make a difference to the community.

4.4 The Victorian Public Service needs to more actively promote a better work/life balance for many employees. There needs to be a shift from using the rhetoric of work/life balance to making it a reality for employees.

4.1 Introduction

There have been significant changes in the Victorian Public Service during the past decade. These changes have also been occurring in other public services in Australia and overseas. The Committee considered some of the impacts of these developments and
examined how they are likely to influence the short-term and long-term needs of the Victorian Public Service.

4.2 The changing employment context

4.2.1 The shrinking public service

The main trend in public services, over the last decade, has been the outsourcing of service delivery and ‘non-core activities’. This has led to an overall reduction of the public service. According to the Australian Public Service, the total Australian workforce expanded by 342,000 between 1990 and 1997, while public employment in Australia declined by 257,000.

This has occurred across all levels of Government, with the Commonwealth leading the way with a reduction of 29%. State Government employment, by far the largest sector, has dropped by 11% and local Government by 7%.72

Exact figures are difficult to quote due to the changing inclusion criteria (for example budget and/or non-budget agency staff and the public service or the public sector). However, as an indication of the significant downsizing between 1992 and 1997 the Victorian Public Service decreased in size by 27.5 per cent.73 This downsizing has had a significant impact on amongst other things, people management practices, and the changing roles have highlighted the need for appropriate recruitment and training and development.

4.2.2 Broad statements and directions

Over the past decade there has been a shift in the vision statements and directions that governments have articulated for their public services. The following illustrate the current themes and issues for agencies:

- public service leaders are being encouraged to adopt and apply the values that are common to high-performing

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73 Victorian Office of the Public Service Commissioner, *Workforce Profile Report*, 1997, p. 8
organisations: a focus on customers, quality and productivity; flexibility and continuous improvement; trust and integrity; openness, co-operation and involvement; and personal growth, security and dignity;\textsuperscript{74} 

- public services need to be future focused; provide innovative, professional and impartial public interest policy advice to Government; and provide the best service taking into account quality, accessibility and cost;\textsuperscript{75} 

- public services need to be efficient, using public resources effectively and working on those functions that are best performed by Government; be flexible, and able to respond quickly to changing Government priorities and redeploy resources as necessary; be co-operative, working effectively with other Governments, industry and the community; and be up to date, innovative and able to use available technology to advantage;\textsuperscript{76} 

- it is important to build confidence in the State sector; developing a better emphasis on long-term results; and attracting able people to the public service;\textsuperscript{77} 

- there is an increasing emphasis on Government working in partnerships with not-for-profit and private sectors and working across departmental boundaries and across levels of Government;\textsuperscript{78} and 

- public services need to move their orientation away from process and risk aversion to a focus on innovation, service quality and results; to become a service organisation with more decentralised authority and a greater emphasis on using and nurturing the skills and potential of its workforce; to adopt a culture of

\textsuperscript{74} Australian Public Service Commission, http://www.apsc.gov.au
\textsuperscript{75} Australian Public Service Commissioner, Australian Public Service Commissioner’s Annual Report, 2001, p. 17
\textsuperscript{76} OECD, Issues and Developments in Public Management – various country reports (including Australia, Canada and New Zealand) http://www.oecd.org
\textsuperscript{77} Ibid
\textsuperscript{78} Ibid
continuous learning, with greater emphasis on both the training and development of public servants and their career planning and mobility.\textsuperscript{79}

In 1994 the then Victorian Public Service Commissioner observed that some of the most significant challenges that arise in the public service environment are:

- the need to be one organisation (the Victorian Public Service) at the same time as there is a need to be many organisations (Departments and agencies) responsive to their different customers;
- the need for more autonomy of business units and teams at the same time as there is a need for greater accountability for public resources;
- the need for fair treatment for all public servants at the same time as encouraging and rewarding those who are more productive or whose skills are more critical at particular times; and
- the need for speedy, and efficient decisions about utilising people resources effectively at the same time as maintaining high standards of fairness, probity and accountability.\textsuperscript{80}

The Committee believes the Victorian Public Service continues to face these challenges.

4.2.3 Changing relationships

A greater client focus has been another emerging theme in public management reform. According to one observer:

\textit{In some cases a client focus may merely involve consultation with clients. In others it may involve them in co-production or even control of the service... Service quality initiatives relate not just to technical issues of}

\textsuperscript{79} Office of the Auditor General of Canada, Public Service Management Reform: Progress, Setbacks and Challenges, 2001, pp. 3-4
\textsuperscript{80} Victorian Office of the Public Service Commissioner, Annual Report, 1994, p. 1
measuring and managing the performance of public sector organisations. They also raise fundamental issues about the relationship between citizens and the state. The user is seen as an agent in evaluating performance and as an agent of change.81

The growing emphasis on service quality and service delivery reflects a combination of budget pressures (‘doing more with less’); general public dissatisfaction with Government services and a desire for a greater say in service provision; a desire to enhance Government legitimacy and transparency; new technological possibilities; a private sector view of customer importance; and the need for greater equity in service delivery.82

In the Australian Public Service for example, Departments and agencies that deal with the public are now required to have customer service charters in place. These serve a number of purposes. For customers, charters establish clear standards of service delivery that they can expect to receive. The focus is on outcomes, or service received, rather than bureaucratic processes. Charters can provide a measure for assessing the performance of agencies and a firm basis for complaints by clients and other stakeholders if standards are not met.83

### 4.3 Increasing complexity of policy development

A number of the departmental responses received by the Committee highlighted the growing need to develop and retain people with high level policy skills. They also identified a range of other skill shortages, which are discussed in greater detail in Chapter 5.

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81 D Shand, ‘Service quality in the public sector: the international experience’ in C Clark and D Corbett (eds), Reforming the Public Sector. Problems and Solutions, Allen & Unwin, Sydney, 1999, p. 166
82 Ibid, pp. 169-170
83 OECD, Issues and Developments in Public Management – various country reports (including Australia) http://www.oecd.org
So what are ‘policy skills’? A recent New Zealand study notes that:

*There are many definitions of the competencies needed by policy staff, including: analytical thinking, innovative thinking, political awareness, effective writing, oral communication, group skills and project management.*

Relationship management, contract management, specialist knowledge of a particular field and skills in managing knowledge are also frequently required.

According to the Department of Justice response to the Committee’s questionnaire:

*The increased complexity of policy development reflects the increasing demands of citizens for services and the recognition by Government that effective policy solutions need to cut across Departmental boundaries. In addition policy development will include a greater degree of community consultation and involvement.*

Again, other jurisdictions are facing similar skill shortages and are identifying the need for a proactive approach. For example, when describing reform directions for the Australian Public Service, the Minister for Employment Services 1998 statement on the role of Government highlighted that:

*The public interest policy analysis skills of the career public service in the next century must be exceptionally strong. Policy advice itself is increasingly contestable. There is a growing number of analytical think tanks and lobby groups which actively voice their private interests in policy advice. The public service is no longer the sole source of advice to Governments, but it does remain the Government’s key advisory voice in the public interest. To understand, analyse and advise from multiple sources of advice requires the*

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84 New Zealand State Services Commissioner, *Minds over Matter – Human Resources Issues Affecting the Quality of Policy Advice*, 1999

85 Department of Justice response to the Committee’s questionnaire, p. 18
skills and creativity of the public service itself to be higher than ever.  

In terms of actions being undertaken to address the shortage of high level policy skills, the Department of Justice advised the Committee:

*It supports initiatives to strengthen the capacity of the VPS in the development of policy. Through the Graduate Recruitment Scheme, mentoring, the use of assignment to policy project work, and internal training courses on policy development, the Department is further enhancing its policy capability.*

Given the likely retirement, in the next five to ten years, of many senior public servants it is essential that strategies are implemented across the public service to ensure the policy skills gap is adequately addressed. While training courses exist, these skills need to be developed through on-the-job experience and through mentoring by those experienced in policy development. The Committee also believes that a more proactive approach is required to promote secondments and higher duties opportunities to help develop the policy capability of the Victorian Public Service.

The Committee is aware of the Government’s proposal to fund the development of an Australian Graduate School of Government, and that it has allocated $3.8 million over four years ($2.4 million in 2002-03) to support the initial establishment costs associated with the school. The business plan for the school, developed by a consultant, found there was a widely perceived gap in the current public sector management development programs; there was strong market demand for a national graduate school; and the school would be viable if Governments made start-up contingency funds available.

Accordingly, the Committee recommends that:

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87 Department of Justice response to the Committee’s questionnaire, p. 10
Recommendation 4.1

The Victorian Public Service, through the Office for Workforce Development, develop a service-wide approach to developing its policy skills capability. This approach may involve the co-ordinated and planned use of secondments, higher duties and other developmental opportunities.

Recommendation 4.2

The Department of Premier and Cabinet implement an effective management reporting system in relation to the Australian Graduate School of Government to ensure that accurate performance information is regularly reported to all relevant stakeholders and information on the success of this initiative is included in the annual report of the Department of Premier and Cabinet.

4.4 The public service career

4.4.1 The ‘employer of choice’ concept

Many of the departmental responses received by the Committee spoke about the need and desire to become ‘employers of choice’. It appears that Departments see this as a relatively simple solution to the current significant skills gaps. This concept recognises that employers effectively compete for the limited supply of skilled and qualified employees, and this competition is with the private sector as well as other public sector Departments and agencies.

In part the employer of choice issue arises more frequently following the disappearance of life-long careers in the public service. This reflects the changing views of younger people, who no longer see their working lives in terms of one employer or one career, as well as the increasing lack of employment security that has resulted from the major public and private sector downsizing and retrenchments of the late 1980s and 1990s. Recognising that
higher rates of turnover and recruitment are the trends for the immediate future, and given the ageing population and the associated issues already discussed, employers are trying to offer more attractive employment opportunities.

Employees who have choices about where they want to work will consider a range of factors including:

- **remuneration** – many Departments commented on the lack of competitive remuneration as being a significant factor impeding their ability to attract and retain employees – particularly in more senior or specialist areas (these are discussed further in Chapter 5). While undoubtedly this impacts in some areas more than others, research suggests that for many people remuneration is not the primary factor that determines their choice of employer;

- **terms and conditions** – the public service has traditionally offered more flexible work practices, more reasonable workloads, more generous leave provisions (such as paid parental leave and transferable long service leave) and greater job security. While some of these have undoubtedly changed over the last decade, relative to the private sector these features have the potential to remain as ‘competitive advantages’ for the public sector;

- **training and development opportunities** – this has again been a strength of the public service, as illustrated by this comment from the Department of Human Services:

  Historically the public service has been viewed as a training ground from which career prospects in both the public and private sector can open up. There is some evidence that this view is still valid. 89

  Training and development has already been noted as one of the features that particularly appeals to younger employees;

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89 Department of Human Services response to the Committee’s questionnaire, p. 33
- *rewards for high performance* – this comment from the response provided by the Department of Innovation, Industry and Regional Development and the Department of Tourism, Sport and the Commonwealth Games indicates the desire to provide performance incentives to employees:

> The remuneration strategies that may come out of this review [the Career Structure and Work Organisation Review] are targeted at rewarding excellence and providing staff with incentives to improve and apply their skills. Such objectives support the concept of a modern public service that should be able to present itself as an employer of choice;  

- *community views of the employer* – the majority of departmental responses rejected the notion that a career in the public service is perceived negatively. Some, such as the Department of Human Services (DHS), recognised the need to market the public service aspect differently and DHS:

> is changing its job advertising practice towards private sector practices – no longer dry, dull ‘public service’ job ads. Managers are encouraged to adopt positive language in their ads. Additionally, the strategy involves playing on ‘Generation X’ attitudes emphasising the difference they can make to the community in which they live;  

- *intrinsic value of the work* – this is another area that needs to be recognised and promoted. According to the DHS response:

> One observation from the research suggests that the younger generations are prepared to consider, in addition to remuneration outcomes, employment choices that ‘make a difference to the community they live in.’ The Department

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90 Department of Innovation, Industry and Regional Development and the Department of Tourism, Sport and the Commonwealth Games responses to the Committee’s questionnaire, p. 13  
91 Department of Human Services response to the Committee’s questionnaire, p. 33
is factoring this view into its career marketing and job advertisements.\textsuperscript{92}

Similarly, the Department of Education and Training noted:

The community’s perception of teaching as a career will require a range of actions designed to attract and retain teachers, primarily through the recognition of the quality, commitment and professional status of Victoria’s teachers.\textsuperscript{93}

The public service must recognise and market the range of features that make it an attractive and competitive ‘employer of choice’. At the same time, the Committee acknowledges that the employment market is affected by fluctuations in general economic conditions. It should therefore not be assumed that levels of competition always remain static. In an environment where there is strong and continuous economic growth the private sector can afford to pay more for its expanding workforce. During these times the pay differential between public and private sectors often makes it more difficult for the public sector to compete on equal terms. However, during periods more characterised by ‘boom/bust’ growth spurts, evident in Australia in the last decade, the private sector contracts, remuneration levels stabilise and the private sector loses some of its competitive edge in the employment market.

The Committee believes there is a need to emphasise and promote the very real and positive aspects of public service employment and recognise that the public and private sectors offer different competitive advantages.

Accordingly, the Committee recommends that:

**Recommendation 4.3**

The Government undertake research to better identify the features of the Victorian Public Service that make it a

\textsuperscript{92} Ibid, p. 33
\textsuperscript{93} Department of Education and Training response to the Committee’s questionnaire, p. 11
competitive ‘employer of choice’. This research should identify the level of importance that current and prospective employees place on factors such as remuneration, terms and conditions, flexibility, training and development, and work satisfaction.

Recommendation 4.4

Agencies promote and emphasise the positive aspects of Victorian Public Service employment in the advertising and promotional work that they undertake.

4.4.2 Work and life balance

While flexible work options have been briefly discussed under ‘terms and conditions’, the Committee believes this subject warrants further discussion.

At the 2002 Premier’s Annual Women’s Summit, the Premier agreed that there is a need for an overarching public sector Work Life Balance Strategy – in addition to the approaches adopted by individual agencies. The Office of Women’s Policy has coordinated an Advisory Group (with representation from unions, employers and others), which has been considering the recommendations of a report prepared by RMIT University’s Centre for Applied Social Research.

According to this research:

Work/family balance is an increasingly urgent issue in Australia and other OECD countries… It has significant economic and social consequences and is a crucial issue for Government… The Victorian Government can play a limited but significant role in addressing these issues, and can contribute by co-ordinating a strategic framework in
Some of the key workforce trends that make work/life issues of critical importance are: the increasing proportion of women in the workforce, particularly women with dependent children or responsibility for care of elderly relatives; changing family types (eg sole parents and lower rates of childbearing); the unequal division of labour in the household; and evidence of increasing dissatisfaction with family-hostile rather than family-friendly developments in Australia’s unregulated work environment.

It is worth noting some of the findings of the 2001 VPS census in relation to employees with caring responsibilities. The census found that 54.1 per cent of all Victorian Public Service employees have caring responsibilities and that this is significantly higher (72.3 per cent) for those aged 35-44 and those aged 45-54 (65.5 per cent). Of those with care responsibilities 13.7 per cent had responsibility for an elderly or other relative, 13.4 per cent had preschool child/ren and 19.2 per cent had primary school aged child/ren.

While women continue to shoulder the bulk of caring and household responsibilities, men are also seeking a better balance between their work, family and community lives. To compete effectively for the shrinking pool of workers, who place greater importance (than previous generations have) on a life outside of work, the issue of greater flexibility and balance is critical. More flexible work (such as graduated retirement) will also assist with the retention of older workers and corporate knowledge, will help those with child and elder care responsibilities as well as those wishing to study or be involved in community activities.

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95 Ibid
96 Victorian Office of Public Employment, VPS Census 2001, p. 46
The Committee believes that more needs to be known about how satisfied employees are with their existing work/life balance and, more importantly the extent to which policies may exist in theory but not be implemented.

As a New Zealand study into career progression and development discovered:

> Being able to provide a work environment that allows staff to balance their work and outside commitments is increasingly seen as a competitive advantage, a factor in attracting and retaining staff as well as enhancing their productivity on the job.\(^{97}\)

For Australians to live more healthy and fulfilling lives the public service needs to lead the way in promoting and providing a better work/life balance for employees.

Accordingly, the Committee recommends that:

**Recommendation 4.5**

The Victorian Government research whether a gap exists between stated agency support for a better work/life balance and the experience of Victorian Public Service employees. This research could identify existing barriers to such a balance and make appropriate recommendations.

### 4.4.3 Relocation of employment

Another change in public service employment has been the geographic location of employment and the difficulties this has posed for recruitment and retention. Whereas in the past, private or public sector employers expected staff to be available to relocate to country areas, perhaps as a short-term experience that might

\(^{97}\) New Zealand State Services Commissioner, *Career Progression and Development Survey 2000: Results for the New Zealand Public Service, 2000*  
enhance promotional opportunities, this is no longer seen as an attractive option. Since many families now rely on two incomes, and it can often be difficult for a partner to secure suitable employment in regional areas, employees are increasingly rejecting regional employment.

This continues to provide recruitment and retention challenges to Departments such as Natural Resources and Environment and Human Services both of which have a number of regional offices. It also has implications for employees when functions are relocated to regional areas. While this undoubtedly creates greater local employment opportunities, it can also have consequences for those currently employed who do not wish to relocate but cannot afford to resign and forego long-term service benefits.

4.5 The emergence of e-government

Other changes in the nature of public service work include the importance of advancing technologies and the emergence of ‘e-government’.

According to the OECD:

*The term ‘e-government’ focuses on the use of new information and communication technologies (ICTs) as applied to the full range of Government functions. In particular, the networking potential offered by the Internet and related technologies has the potential to transform the structures and operation of Government.*

E-government has the potential to open up the following:

- vastly different relationships made possible by technologies that alter the way people and businesses communicate (eg ‘single window’ access to Government service through self-serve kiosks and via the Internet);

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• it will be easier for people to have their say in Government – as access to technology grows and the population becomes more connected we are going to see a majority of the policy development work being done through community interest groups and our politicians taking a greater interest in the marketing and development aspects of Government; and

• people will be better informed because they can get up-to-date and comprehensive information about Government laws, regulations, policies and services.

The implications for the public service are that employees will need to develop new skills as well as different models for how they consult with, and deliver services to, the public.

99 B Grunfeld, R Todd and M Lywak (comp.) Technology and the Public Sector – Panel Discussion International Summit of Public Service Reform, 1999, p. 2

100 OECD, Issues and Developments in Public Management – various country reports (including New Zealand) http://www.oecd.org
CHAPTER 5: REMUNERATION AND CONDITIONS OF SERVICE

Key Findings:

5.1 Individual agencies are now responsible for their own recruitment and must ensure their recruitment processes are consistent with the Public Service Commissioner Direction on selection on merit.

5.2 There are skill gaps across the Victorian Public Service. These include communication and people management, policy and analysis, finance and accounting, and contract and project management.

5.3 There is no evidence of a whole-of-government approach to succession planning or executive mobility.

5.4 The Office for Workforce Development is managing a Career Structure and Work Organisation Review. The review is addressing issues of remuneration, performance pay, career development and career structure.

5.5 The current approach to performance pay has a number of problems, including a lack of consistency across classification levels and agencies.

5.1 Introduction

The Committee examined key issues that relate to career structures, conditions of employment and remuneration in the Victorian Public Service.

The Government is currently in the process of a Career Structure and Work Organisation Review, but is still to report. While informal discussions were held with the Office for Workforce
Development and the union, these only revealed the broad directions of the likely new structure.

The Committee therefore highlights in this Chapter some of the major issues it believes should be addressed as part of a new career structure and its associated approach to remuneration and performance pay.

5.2 **Attracting and retaining the workforce**

When considering the developments over the past decade, there have been major changes in the way the public service has attracted and retained employees. Under the traditional model of public service employment, the vast majority of recruitment was of school leavers into entry-level positions:

*The system was based on a large internal labour market with well-defined processes to ensure merit and equity and to restrict entry.*

In fact, external appointees had to be more suitable than any internal applicant and approval for such appointments could only be granted by the Public Service Board.

The 1990s saw the end of the traditional model; external recruitment could occur at any level and recruitment became agency-based rather than centrally managed. Jobs no longer need to be centrally advertised, or exempted from advertising, and the former paper-based advertising through the Victorian Public Service Notices has recently been replaced by an electronic web-based ‘job board’ called jobs@vic.gov.au.

Agencies must ensure their processes are consistent with the Commissioner Direction on selecting on merit, which:

*...requires Agency Heads to establish processes to ensure the best available people are recruited and selected for advancement in the public sector, solely on their*

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89 *Canberra Bulletin of Public Administration*, p. 106
competency to perform the work. The public interest is served by selection on merit which contributes to an apolitical public sector that performs efficiently and effectively.102

The Commissioner for Public Employment’s 2000 study into application of the merit principle found that:

- employees appear to have reasonably high levels of awareness of recruitment/selection processes;
- confidence in the integrity of recruitment/selection processes is between 64.1 per cent and 76.4 per cent positive, and confidence in the fairness of decisions was 67.8 per cent;
- position/person specifications are of a very variable quality;
- where non-standard recruitment strategies have been developed in response to specific labour market issues, they are consistent with application of the merit principle; and
- relatively few organisations had adopted ‘better practice’ approaches.103

The findings of the study suggest there is further room for improvement, and certainly the findings regarding merit application in the Australian Public Service employee survey, suggests that this issue needs to be monitored closely. As mentioned, the Committee looks forward to seeing the results of the Workplace Integrity Report as this should shed more light on how the merit, integrity and impartiality principles are being applied in the Victorian Public Service.

As has already been noted, there is more workforce mobility and turnover for different groups (such as younger employees) and in different areas. For example, the Department of Human Services

102 Victorian Office of Public Employment, Applying Merit 2000. A study to help identify, encourage and support better practice in applying the merit principle, 2000, p. v
103 Ibid, pp. v-viii
reported continuing high rates of turnover in their lower paid
direct care workforce. However, due to differences in data
collection and calculation methodologies (for example, many
systems do not record whether someone has left the public service
or just left the agency), it is difficult to compare turnover rates for
Departments or groups in the overall VPS workforce.

At a more general level, data from the Office of Public
Employment shows that the 2002 separation rate for ongoing
employees (as the rate per 100 ongoing staff employed) is higher
for younger and older age groups. Those under 25 and those over
54 years of age had a separation rate of 15 compared with an
overall rate, for all age groups, of eight. There is also greater
turnover in groups with a shorter length of service – those with 1-2
years of service had a separation rate of 11 compared with six for
those with 15-19 years of service.104

In their responses most Departments reported that they were
implementing strategies to try and address recruitment challenges,
including using the Graduate Recruitment Scheme and Youth
Employment Scheme to recruit younger people. Many agencies
recognised that turnover and retention also need to be proactively
addressed if they are to live up to their objective of being
‘employers of choice’.

5.3 Developing the workforce

According to data from the 2001 VPS census:

*When compared with the broader Victorian community, Public Service employees are more likely to have had a tertiary education... Approximately half have completed a bachelor degree or higher compared with 13% for the broader Victorian community.*105

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104 Data provided to the Inquiry by the Office of Public Employment
105 Victorian Office of Public Employment, ‘New demographic data on the Victorian Public Service’ 3
*scOPE*, p. 4
In terms of gender differences, 75 per cent of Victorian Public Service men have some form of post-secondary school education compared with 68 per cent of women.\footnote{106} This higher level of education reflects, in part, the large numbers of education and health workers employed in the public service.

Despite these generally high levels of formal education, a number of specific skill gaps have been identified in departmental responses. Many reflect the changing nature of public service employment and have also been cited by other national and overseas public services as common skill gaps.

Some of the identified skill gaps include:

- *communication and people management* – ‘soft’ leadership skills around persuasion, motivation and relationship building to achieve desired outcomes, conflict management and resolution, relationship and partnering capabilities to deal with greater community involvement and consultation;

- *policy and analytical* – high level analytical skills to assess risk and strategies from a social, economic and financial point of view, the ability to work in a complex and ambiguous context/environment, systems thinking, the ability to understand whole-of-government agendas;

- *financial and accounting* – particular difficulties retaining experienced accountants;

- *contract and project management* – commercial skills, knowledge in due diligence, commercial negotiation, project and contract management, risk management, business process re-engineering; and

- *specific needs* – including information technology skills for general staff to enable them to respond to an overall move towards e-government.

Some of the reasons cited for these skill shortages include:

- significant competition in the marketplace;
- an inability to offer remuneration levels that compare with the private sector;
- specific difficulties attracting skilled staff to some regional and rural areas; and
- high employee turnover and attrition in specific areas.

Departments are dealing with the identified skill shortages in a variety of ways. Some recognise that because salary restrictions make it difficult to attract people with certain high level skills there is a need to put greater emphasis on developing internal capabilities.

Formal education is one means of achieving this and, according to the 2001 VPS census, approximately 14 per cent of the public service are currently undertaking work-related formal education. Of these, 62 per cent receive study assistance from their employer, the most common type being payment of fees or a scholarship, followed by study or examination leave with pay.\textsuperscript{107} This is in addition to short courses that may be provided at an agency level or are co-ordinated for the whole of the Victorian Public Service by the Office for Workforce Development (or prior to June 2002 by the Office of Public Employment).

Other development strategies include formal and informal mentoring and acting in higher positions. It should be noted that according to 2001 census data:

\begin{quote}
The opportunities to be acting in jobs at higher levels for both men and women are lower at higher classification levels, with only 3\% of VPS5 men and women acting in a job at a higher level at census date.
\end{quote}

\textsuperscript{107} Victorian Office of Public Employment, “New demographic data on the Victorian Public Service” Edition 3 sc\textit{OPE}, p. 4
This compares with around 10 per cent of VPS1 employees, and around eight per cent of VPS2 and VPS3 employees acting in higher positions.\textsuperscript{108}

It appears that one of the obstacles to the wide spread use of higher duties, particularly in more senior positions, is the restriction on paying higher duties for periods less than 45 days in length. This is a condition in enterprise agreements and the Committee believes it provides a disincentive to employees to take on extra responsibility and develop their skills. There is a significant opportunity lost to the Victorian Public Service and this works against more effective succession planning and developing organisational capability.

Accordingly, the Committee recommends that:

\textbf{Recommendation 5.1} 

\textit{The Office for Workforce Development undertake a review of its existing suite of service-wide training and development programs to ensure these programs are relevant in addressing the various skills shortages identified by the majority of Departments.}

\section{5.4 Succession planning}

Departmental responses identified the need to actively address succession planning both within as well as across Departments. This is essential if the public service is to manage effectively the likely loss of skills and knowledge with the pending retirement of many senior and experienced employees. For example, the Department of Education and Training recognises the need to promote succession planning for the Principal Class and for senior leadership positions in central office and regional locations. They are implementing a teacher mentor initiative, where teachers are

trained to act as mentors to other teachers (specifically aimed at newly qualified and returning teachers).

Meaningful succession planning across Departments is more problematic with the devolution of people management responsibilities to Departments. If the public service wants to ensure Departments work together effectively, and that skills and knowledge are shared, then a more strategic approach will be required to encourage executive mobility. The Committee was advised that the current system of performance bonuses means that executives do better financially if they stay in a known area rather than move to a new Department – this would involve an inevitable learning curve and is unlikely initially to involve performance pay for superior performance. The challenge is how to create greater flexibility in the system, particularly if the public service is viewed as a whole while at the same time comprised of largely independent agencies.

In terms of employee satisfaction with the levels and approaches to training and development, and succession planning in the broader context, this can be difficult to measure. Individual agencies may well collect this data as part of their employee surveys but this was not available to the Committee at the time of this Inquiry. However, there may be lessons to be learnt from elsewhere. For example, the New Zealand State Services Commission undertook an extensive Career Progression and Development Survey in 2000. This revealed that:

\[\text{there is no lack of ambition in the Public Service as most public servants – about 60\% – wanted a higher level job sometime in the future with 16\% having their sights set on a chief executive position.}^{109}\]

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However, they perceived their opportunities for advancement were poor due to flat management structures, a lack of visible career paths, inadequate information about job vacancies and a perceived preference for Departments to source talent externally rather than develop their own.

Some of the recommendations from the New Zealand study appear to be applicable to the Victorian Public Service, namely that public service agencies take a more integrated approach to training and development, that matches individual development needs with the skills and capability requirements of Departments and the wider public service, and that there is an emphasis in managerial training on the importance of staff development.

The Committee is aware that a number of service-wide training and development courses have been managed by the Office of Public Employment. It was brought to the Committee’s attention that attendance at many leadership and management courses has declined in recent years, although the reasons for this are not known. The Committee believes there is a need for relevant and well-structured service-wide training, in part to ensure there are opportunities for participants to develop valuable networks across the service and to help break down the departmental silos, as well as to develop the broader Victorian Public Service capability in key areas.

Accordingly, the Committee recommends that:

**Recommendation 5.2**

*The Office for Workforce Development, with support from Departmental Secretaries, develop appropriate strategies to address succession planning and executive mobility needs across the Victorian Public Service. These strategies may include secondments and the development of incentives to executive mobility.*
5.5 Career structure

The current five broad banded structure for non-executives (VPS1-5) and the three bands for executives (EO1-3) were introduced in 1994 and 1995 respectively. In general the objectives were: to provide departmental flexibility and decentralisation by encouraging greater agency autonomy in classification and pay matters; to move away from separate jobs and diverse classification structures to a broadbanded structure; to encourage work organisation change and foster multi-skilling by valuing the person not just the job; and remove automatic salary increments and instead link performance and pay.

This new classification and structure was consistent with the concept of flatter and more accessible organisations. The aim was to encourage broad multi-skilling and work flexibility by recognising that staff within a band have the capacity to undertake a wide range of jobs. Band limits were initially set around the traditional public service market pay levels, and each band was distinguished by different ‘work value points’ that set the base of each band. The current system treats each band in the same way in terms of the rules for progression, recognition and reward.

In practice, the system has provided greater flexibility to agencies to recruit within wide pay ranges, despite the intention that new employees be employed at the base level. A number of anomalies and inequities have become apparent after seven years. Many of these were identified in an extensive review of non-executive classification and pay, which was commissioned in early 2001 by the Department of Premier and Cabinet. The review identified a number of weaknesses in the current approach, including the following:

110 Victorian Office of the Public Service Commissioner, Annual Report, 1995, pp. 1 and 15
111 M Wright, ‘Classification and Pay Review – Non Executive Classifications Victorian Public Service (VPS)’ Miller Consulting Group, 2001, p. 10
112 Ibid, pp. 41-42
broad banded structures require skilled managers to operate them effectively and managers are expected to exercise discretion in differentiating pay levels on the basis of value added performance;\footnote{113}{Ibid, p. 42}

some of the problems arose from the initial translations into the new structure whereby: staff in one agency were translated to a different level than staff in another without any real market or service logic; similarly different people were translated at the top of a band and others at the bottom and so they had different progression prospects;\footnote{114}{Ibid, p. 43}

the salary bands overlap which means employees at a higher level, and who may be supervising staff in a lower band, may be paid less than the more junior staff. The band overlap also provides a disincentive to promotion as people in a lower band can receive higher pay than someone with greater levels of responsibility; and

external recruitment can be to any salary within a band, and while the policy encourages recruitment at the base level, in practice, fully effective externally recruited staff (especially VPS4 and VPS5s) are increasingly being recruited at salaries significantly above the base.\footnote{115}{Ibid, p. 17}

Another problem with the existing system is that Departments have different abilities to compete for employees. Central agencies are often better able to afford to pay higher levels of remuneration and hence manage more effectively to compete for employees. This means smaller agencies, or those of a more technical nature, are often not able to attract or recruit the same calibre of employees.

The Office for Workforce Development is currently in the process of reviewing the non-executive career structure. It is understood from the Office for Workforce Development that the key features of the new structure will be a removal of any band overlap and a
move to ‘value ranges’, which will effectively make the bands more defined and less broad. To date there have been extensive discussions between Office for Workforce Development, agencies and VPS management, as well as with the union (CPSU) to clarify their overall expectations and the functional value of a new system to agencies and employees.

Some of the issues that the Committee believes the new career structure needs to address, in addition to those outlined above, include:

- the need for a transparent process for career development, and one that encourages the development of internal skills;
- work values need to be sequential, obvious to all and consistent across agencies;
- work values need to address some of the gender pay equity issues;
- people need to understand the conditions under which they can progress their career;
- the link between pay and performance must be adequately addressed; and
- there needs to be a VPS dimension or VPS labour market view, in other words some service-wide consistency to avoid some of the anomalies already described.

The overall aims of the classification and pay system, according to the 2001 review, should be to ‘support the effective delivery of public services by:

- supporting management in ensuring delivery of services to required standards and at an appropriate level of productivity and efficiency;
- providing fair and equitable recognition and reward for public servants delivering the services; and
ensuring that the people of Victoria receive quality services and continue to receive value for money from agencies.\textsuperscript{116}

The Committee supports these aims.

Accordingly, the Committee recommends that:

\textbf{Recommendation 5.3}


\section*{5.6 Remuneration and performance pay}

\subsection*{5.6.1 Remuneration}

A number of departmental responses cited inadequate or uncompetitive remuneration as a significant factor affecting recruitment. While acknowledging the need for appropriate remuneration for public servants the Committee believes it is important to recognise that remuneration is not the only attracting factor nor driver for good performance. Particularly in relation to executives, studies conducted by the OECD and New Zealand suggest that competitive remuneration may not be a realistic way to attract and retain senior executives. The OECD study, based on interviews with senior executives, suggests that:

\begin{quote}
while there is significant dissatisfaction with remuneration levels, pay is not what attracted and retains senior public executives in their jobs. The ability to influence public policy and a rewarding environment offering personal challenges are the more frequently stated factors.\textsuperscript{117}
\end{quote}

\textsuperscript{116} Ibid, p. 9

\textsuperscript{117} L Juillet (ed), ‘Special Issue on Recruitment and Retention in the Public Sector’ (March 2000) \textit{Public Service Commission of Canada Research Directorate Quarterly Updates}, http://psc-cfp.gc.ca/research/hr_updates/2000_03_e.htm
As was discussed, the public service needs to recognise the range of factors that create an ‘employer of choice’ and ensure that agencies offer meaningful and rewarding work, greater flexibility to manage work/life balance, appropriate training and development as well as the opportunity to make a valuable contribution to society.

5.6.2 Performance pay

One of the main changes introduced as part of the five broad banded classification structure, was the abolition of annual increments whereby officers progressed through each salary point every year until the maximum remuneration level was reached. Employment agreements were introduced and salary progression within remuneration bands was to be on the basis of individual ratings following performance assessments.\(^\text{118}\)

The rationale for introducing performance pay was that:

> Modern public services must, in addition to providing a basis for work performed, support high performance and the efficient and effective delivery of services to the public, by: building a creative and responsive workforce; providing incentive and encouragement for all staff to improve and apply their skills; and for managers to foster, reward and encourage excellence within their staff.\(^\text{119}\)

Under the current classification and pay system, progression within a band is possible through:

- success in an internal job application within the band and the expectation of negotiating a 5% adjustment;
- separation from the VPS and successful application and external recruitment at a negotiated salary;
- annual salary based performance pay adjustment; and


\(^{119}\) M Wright, op.cit; p. 3
• in some agencies: internal ‘promotion’ based on a resizing of the individual’s job.¹²⁰

For most agencies, performance pay is currently the main channel for adjustment within the existing system. With executives, the performance reward is in the form of a bonus. With non-executive staff the performance reward can be in the form of a salary increase, bonus or a combination of both.¹²¹

There are a number of identified risks that must be managed by a performance management system. These include the risk of demotivating the workforce, particularly if large numbers of staff do not qualify for performance pay; the risk of demotivating top performers, if there is insufficient differentiation in performance pay to reflect different performance; and the risk of unsubstantiated performance pay, where productivity savings do not cover the cost of the additional performance payment.¹²²

There are also some gender equity concerns that were highlighted in the report A Best Practice Guide to Gender Equity in the Development of Classification Systems. According to the report:

A focus on individual performance reward and contracts can result in gender bias in assessment as these forms of reward are frequently levered through managerial discretion. This environment frequently lacks transparency and properly constructed criteria and there is unclear delineation between performance criteria and outcomes and market value. In this environment managers are more likely to award higher performance rewards and contracts for men than women as existing performance criteria, which are potentially gendered, are most probably reproduced.¹²³

¹²⁰ Ibid, p. 35
¹²² P Salway, ‘Reform of human resource management in the public service’ in C Clark and D Corbett (eds), Reforming the Public Sector. Problems and Solutions, Allen & Unwin, Sydney, 1999, p. 20
¹²³ B Probert, ‘A Best Practice Guide to Gender Equity in the Development of Classification Systems’ Centre for Applied Social Research, RMIT University, 2002, p. 15
Other concerns, particularly in relation to executive performance pay, were previously highlighted in the Committee’s report on the 2000-2001 Budget Estimates. Some of the key findings were that:

- given the very high level of bonuses paid to executive officers there could be a public perception that bonuses were in effect a defacto pay increase, instead of a reward for superior performance;
- around $6 million of taxpayer funds is paid annually in the form of bonuses to most, if not all, executives on the assumption that bonuses motivate performance beyond normal expectations;
- there is inadequate public accountability through the lack of public disclosure of the individual amounts involved, and there are inequities across the public service (classifications and gender based) due to different departmental systems and the funding available;
- despite tighter eligibility criteria for bonuses, on an aggregate basis for Band 2 and Band 3 executives, 90.91 per cent received a bonus in 1997-1998 and this increased to 92.39 per cent in 1998-1999; and
- the current system has the potential to promote an anti-teamwork bias by rewarding individuals for the outcomes of teams.\textsuperscript{124}

The Government’s response to these recommendations was to note that these issues will be considered and addressed in the current Career Structure and Work Organisation Review. As the review has not yet reported, the Committee believes it is appropriate to restate its earlier recommendations. In particular that:

\textit{In any future arrangements for performance pay, Government accept responsibility for ensuring that performance pay is distributed equitably within all Departments and agencies, and monitored accordingly.}

and that:

If performance pay is to remain within the Victorian Public Sector, adequate accountability mechanisms be developed and implemented both to account for this expenditure and to demonstrate its impact on Departmental performance.125

Accordingly, the Committee recommends that:

Recommendation 5.4
The Government ensure greater transparency and equity in the allocation of performance pay in the Victorian Public Service, particularly in regard to executive bonuses, and evaluate whether performance pay actually encourages or rewards superior performance.

125 Ibid, pp. 220 and 223
CHAPTER 6: WORKFORCE PLANNING

Key Findings:

6.1 More needs to be known about the nature of public service work, including what is unique to different agencies or areas and what is common. The primary focus of the past decade was on the unique elements, so Departments developed different approaches.

6.2 The success of any agency level workforce planning, and also any planning for the whole public service, depends in part on the skills and capability of human resources practitioners.

6.3 The reason for the lack of adequate strategic human resources capability is often that human resources staff remain focused on operational activities and often lack the time, as well as the skills, to be more strategically focused.

6.1 Introduction

The Committee considered the need for a strategic approach to workforce planning, that effectively brings together the various people management challenges discussed in previous chapters.

6.2 Workforce planning capability

6.2.1 The elements of workforce planning

Given the various people management challenges discussed in previous chapters, the Government clearly needs to address these in a planned and strategic manner. Effective workforce planning, at both agency level and whole-of-government level, will:
be integrated with strategic planning processes to address short-term, medium-term and long-term business needs;

- identify the workforce required to meet business objectives and implement strategies to address these (such as skills profiling, workforce analysis, forecasting and planning, special recruiting schemes, and career and succession planning);

- systematically profile the current distribution of workforce characteristics such as age, gender, culture, classification/occupation, skills, length of service and separations;

- assess the current and future supply and demand for particular skills and abilities;

- identify potential skills gaps, including the over/under supply of required skills and abilities;

- identify strategies to address future workforce needs;

- develop systems that enable regular monitoring and review of workforce needs as part of the overall management program; and

- include consultation with managers and senior executives on human resource issues.\footnote{\textsuperscript{126} South Australian Commissioner for Public Employment, \textit{A Planned Workforce. Guideline for the South Australian Public Service}, 2001}

These issues need to be understood across the whole public service as well as at the departmental level and within Departments. More needs to be known about the nature of public service work, including what is unique to different agencies or areas and what there is in common. In the past decade the primary focus has been on what was unique, hence Departments developed their different approaches. However, there is still a common Victorian Public Service and there is therefore the need for service-wide workforce planning.
From the material considered, the Committee believes there is still a need to increase departmental awareness of the importance of effective workforce planning. According to the review of non-executive classifications and pay:

*Within the VPS and Agencies, there appears to be a lack of easily accessible, well compiled data and time series on key labour market matters. Agencies such as Natural Resources and Environment have well developed data, but this is not common. Most were unable to provide key labour information: patterns in recruitment salaries, labour turnover (pattern and reasons), extent of internal filling, market rate data on key skill groups, trends in key labour cost drivers and efficiency criteria.*

The Committee was advised that the Office for Workforce Development intends to undertake a study of Departments’ approaches to workforce planning. The Committee looks forward to examining the findings.

Accordingly, the Committee recommends that:

**Recommendation 6.1**

The Victorian Government develop a planned and strategic approach to workforce planning at both the individual agency level and across the whole Victorian Public Service.

### 6.2.2 Human resources capabilities

The success of any agency level workforce planning, and also any planning for the whole public service, depends in part on the skills and capability of human resource practitioners. Not only must agencies have skilled human resources managers, who understand the agency’s business needs and issues, but they must also adequately resource those managers so they can achieve their objectives.

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127 M Wright, op.cit; p. 12
While not denying the existing skills of many public service human resources practitioners, the Committee noted that a recent Australian Public Service study into building corporate capability found that:

It is apparent from manager perceptions and the information reported by HR people, that the Australian Public Service does not have in place robust means of forecasting the staffing and skill implications of the changing environment.\textsuperscript{128}

Further the study revealed that:

Managers say that they need help in the area of people management and are dissatisfied with the support they receive from HR. Currently, managers do not perceive the HR function as making a significant impact on agency business outcomes.\textsuperscript{129}

Other criticisms were that human resources staff are better at helping managers identify the learning needs of individuals, rather than identifying the future needs of the agency. As a result of the study, the Australian Public Service developed a Human Resources Capability Model that identifies the range of capabilities required by human resources practitioners.

The reason for the lack of adequate strategic human resources capability is often that human resources staff remain focused on operational activities and often lack the time, as well as the skills, to be more strategically focused. The Australian Public Service’s findings are similar to those of other research findings. For example, a 2001 study of 104 Australian organisations conducted by Mercer Human Resource Consulting, found that human resources managers and line managers believed that:

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{129} Ibid, p. 6
\end{itemize}
\end{footnotesize}
the transformation of the human resources area is driven by a desire to align human resources with business objectives (only two per cent of the managers were driven by the aim of reducing the cost of human resources, while 25 per cent were trying to make human resources a strategic business function);

- human resources staff spend too long delivering services and processing transactions when they would rather partner with the business to deliver results;

- human resources managers think they are better than line managers at strategic partnering and employee championing;

- human resources staff must upgrade their skills and competencies;

- companies must invest in process redesign and enabling technology to streamline, consolidate and automate/eliminate human resource work that the business requires; and

- senior managers must demonstrate their belief in the value of people by investing in the human resources function to deliver the programs, tools and information that the business needs to better manage its workforce.\textsuperscript{130}

If the Victorian Public Service is to effectively manage its workforce planning needs, then it must address these human resource capability issues. The Committee is aware that this need is partly being met by the Human Resource Practitioner Development Forums currently co-ordinated by the Office of Public Employment. However, there may well be scope for further development of the human resources capability across the public service.

\textsuperscript{130} Marsha Sussman, Principal, Mercer Human Resource Consulting – a presentation to the July 2002 HR Practitioners’ Professional Development Forum, organised by the Office of Public Employment
Accordingly, the Committee recommends that:

**Recommendation 6.2**

The Government develop the human resources capability within the Victorian Public Service to ensure agencies and the public service as a whole are able to deal effectively with the significant short-term and medium-term workforce management challenges.

**Recommendation 6.3**

The Office of Public Employment and the Office for Workforce Development work together to identify the strategies required to develop the human resources capability of the Victorian Public Service.

**Recommendation 6.4**

Victorian Government departments and agencies ensure their human resources areas are adequately staffed to develop human resources capabilities and to become a more strategic business partner.

### 6.3 Workforce planning for the whole of the Victorian Public Service

A common theme throughout this report has been the importance of balancing individual agency needs, and the powers of agency heads, with the needs of the whole public service and the powers of central agencies.

These issues were raised by the review into non-executive classification and pay. The review report recommended that agencies be required to prepare workforce plans and submit them to the State Coordination and Management Council for review. It also recommended that agencies prepare training strategies for their workforce development, progression and retention requirements, and submit them to the Office of Public
These recommendations were made prior to the establishment of the Office for Workforce Development, which now has responsibility for such matters. The report also recommended that Government consider investing in Victorian Public Service training to support agency plans to improve the skills, internal flexibility and structure of their workforce over the next three years. In other words, the report highlighted a need to develop the public service’s human resources capability.

The review supported a total public service approach to workforce planning. It noted that:

*By acting as an integrated Victorian Public Service, agencies can develop and implement a range of recruitment, retention and recognition strategies that have potential to improve their efficiency, better allocate their effort and support their ability to deliver services. There are a range of services where the ‘whole is greater than the sum of the individual parts’.*

These strategies include:

- maximising the recruitment and retention of high priority staff by using service-wide deployment and career growth strategies;
- enhancing graduate recruitment, deployment and skill development;
- systematically collecting and analysing labour market data for use by agency managers;
- standardising recognition definitions;
- integrating training and development strategies as part of a planned recognition, retention and motivation strategy for public service staff;
- training management staff in labour market and staffing skills; and

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131 M Wright, op.cit; p. 5
• providing access to mechanisms to resolve inter-agency differences that have no market or service logic.\textsuperscript{132}

For several of these strategies, it is not a matter of creating the strategy, but rather building on initiatives that already work.

Accordingly, the Committee recommends that:

**Recommendation 6.5**

The Office for Workforce Development and the Office of Public Employment clarify the areas in which they work co-operatively, to ensure the workforce planning and human resources capabilities of the Victorian Public Service are effectively developed. The information relating to their respective roles and responsibilities should be communicated to all agencies.

\textsuperscript{132} Ibid, pp. 33-34
CHAPTER 7: CONCLUSIONS

The Committee believes it is essential that the public service perform as efficiently and effectively as possible, with the highest levels of integrity, honesty, transparency and accountability to the public that it serves. The public service can achieve this performance only by having a motivated, committed and highly skilled workforce.

The Committee is concerned, however, about the following matters that limit the potential of the public service:

1. There is an urgent need to develop the human resources and workforce planning capability of the public service, and to identify whether it is most effective and appropriate to address issues on an agency or whole-of-government basis. The devolution of people management powers to agency heads has to be balanced with the needs of the Victorian Public Service as a whole (including, training, development and succession planning needs). It is hoped that the newly created Office for Workforce Development will help address the current imbalance and that Departmental Secretaries will fully support relevant whole-of-government approaches;

2. There is also an urgent need for more effective succession planning to address issues that face the whole Victorian Public Service. These issues include: the rapidly ageing workforce and the likely retirements or resignations that will arise in the next few years; the need to ensure corporate knowledge is transferred from experienced and long-serving employees to younger and more junior staff; and the need to address any structural disincentives that discourage executive mobility and secondments across Departments and to the private sector;
3. Training and development issues are related to the succession planning. The public service has traditionally performed well in this area, but downsizing and the changing nature of the work has led to significant skills gaps across most agencies. The Committee is particularly concerned about the need to develop public policy skills because these are not learned in the private sector. If these skills are not passed on from experienced policy developers then the public interest dimension could be significantly compromised;

4. The career and remuneration structure adopted in 1994 and 1995 has serious inequities and inconsistencies. These problems relate to: salary band overlaps that create disincentives to promotion and career progression; anomalies across Departments because jobs are sometimes translated at different levels in different agencies; and the ability of some agencies to afford to pay higher remuneration to attract employees. The Committee believes any new career structure must address these concerns;

5. In addition to the career structure and general remuneration approaches, the Committee is concerned about previously highlighted deficiencies of the existing performance pay system, including a lack of transparency and the inequities that occur across levels and agencies. Unless these deficiencies are addressed, performance pay will fail to achieve its objective of rewarding only superior performance; it will remain a cause of cynicism and a lack of trust by many employees. The Committee wants to see these matters addressed by Government as a matter of priority;

6. The move to a less prescriptive, more principles-based approach to people management has a number of risks that need to be managed. Concerns have been highlighted, in research done in other jurisdictions, that suggest that the merit principle and other values might be eroded by the lack of employee understanding and clear processes in such a de-regulated environment. Since these values underpin the essence of the public service, the Government must ensure that appropriate steps are taken by agencies to ensure these values are preserved;
7. Despite many years of anti-discrimination legislation the public service still has a long way to go to achieve its stated objective of a workforce that is representative of the community it serves. While the levels of female representation have continued to increase overall, they remain clustered in lower levels and in less secure employment. The same can be said for other EEO groups (Indigenous employees, people from a non-English speaking background and people with a disability). The managing diversity approach to employment equity has removed the incentive or imperative for Departments to actively and adequately address these issues. The Committee believes Government should consider setting EEO targets to provide some direction for agencies. The public service must lead by example if it wants to see real improvements in employment opportunities for these groups; and

8. There is a need for high quality research to investigate a number of issues including: the likely patterns and impacts of retirements in the short-term; the work/life aspirations, needs and satisfaction levels of employees; what younger employees want from a public service job and how their different expectations can best be managed; what being an employer of choice means in a public service context and how the Victorian Public Service can establish its own competitive advantage; as well as research to determine reasons for unacceptably high turnover in some areas and develop strategies to address this.

The Committee believes the responsibilities of the various parties (including agency heads, the Office for Workforce Development and the Office of Public Employment), need to be clearly identified and understood. It is only by adopting a collaborative rather than a competitive approach that the Victorian Public Service as a whole will benefit.
The Committee believes Government needs to ensure there is a vibrant and talented public service in Victoria. It has made a number of recommendations that it believes will address the various concerns that have been highlighted. The Committee believes that addressing the issues raised in this report should be a priority for Government.
APPENDIX 1: SUBMISSIONS AND RESPONSES RECEIVED

SUBMISSIONS RECEIVED

<table>
<thead>
<tr>
<th>Name of individual / organisation</th>
<th>Submission number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Peter Morey</td>
<td>1</td>
</tr>
<tr>
<td>Mr Barry Brakey, Australian Property Institute</td>
<td>2</td>
</tr>
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RESPONSES TO THE COMMITTEE’S QUESTIONNAIRE

<table>
<thead>
<tr>
<th>Name of Department</th>
<th>Response number</th>
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<tbody>
<tr>
<td>Department of Education and Training</td>
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</tr>
<tr>
<td>Department of Human Services</td>
<td>2</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>3</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>4</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>5</td>
</tr>
<tr>
<td>Department of Natural Resources and Environment</td>
<td>6</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>7</td>
</tr>
<tr>
<td>Department of Tourism, Sport and the Commonwealth Games</td>
<td>8</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
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Appendix 1: Submissions and responses received
### Victorian Public Service Employment by Classification and Gender (FTE Staff) 1998-2002

<table>
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<tr>
<th>Classification</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
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<tbody>
<tr>
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<td>M</td>
<td>F</td>
<td>M</td>
<td>F</td>
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<td>70%</td>
<td>30%</td>
<td>68%</td>
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<tr>
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<tr>
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<tr>
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<tr>
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<td>56%</td>
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<td>48%</td>
<td>53%</td>
<td>47%</td>
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### Percentage of all Victorian Public Service Employment by Classification - 1998-2002

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<td><strong>Total</strong></td>
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### Victorian Public Service Employees by Age Group - 2002

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<td>20:24</td>
<td>15%</td>
<td>48%</td>
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<td>2%</td>
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<td>16%</td>
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</tr>
<tr>
<td>35:39</td>
<td>3%</td>
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<td>18%</td>
<td>7%</td>
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</tr>
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<td>40:44</td>
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<td>45:49</td>
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<tr>
<td>55:59</td>
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<td><strong>Total</strong></td>
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<td>16%</td>
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## Percentage of Executives by Gender and Band - 1998-2002

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<th></th>
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<td>F</td>
<td>M</td>
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</tr>
<tr>
<td>EO-1</td>
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<tr>
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## Average Salary by Classification and Gender - 1998-2002

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## Separation Rate of Ongoing Staff by Classification and Gender (Rate per 100 ongoing staff employed)

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<tbody>
<tr>
<td></td>
<td>Females</td>
<td>Males</td>
</tr>
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<td>10</td>
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<td>VPS3</td>
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<td>VPS4</td>
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<tr>
<td>Total VPS Class</td>
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Note: Separation data was not available prior 2001.
### Separation Rate of Ongoing Staff by Age (Rate per 100 ongoing staff employed)

<table>
<thead>
<tr>
<th>Age Groups</th>
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<tr>
<td>&lt; 25</td>
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<td>13</td>
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<tr>
<td>25-34</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>35-44</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>45-54</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>&gt; 54</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

Note: Separation data was not available prior 2001.

### Separation Rate of Ongoing Staff by Length of Service [LOS] and Gender (Rate per 100 ongoing staff employed)

<table>
<thead>
<tr>
<th>LOS groups (years)</th>
<th>Females</th>
<th>Males</th>
<th>Total</th>
<th>Females</th>
<th>Males</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1</td>
<td>9</td>
<td>8</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>1 to 2</td>
<td>15</td>
<td>13</td>
<td>14</td>
<td>12</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>3 to 4</td>
<td>9</td>
<td>12</td>
<td>10</td>
<td>9</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>5 to 9</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>10 to 14</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>15-19 Years</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>&gt; 19 Years</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Note: Separation data was not available prior 2001.
## Victorian Public Service Full-time Equivalent Staff, June 1998 - June 2002

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Jun-98</th>
<th></th>
<th>Jun-99</th>
<th></th>
<th>Jun-00</th>
<th></th>
<th>Jun-01</th>
<th></th>
<th>Jun-02</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% F</td>
<td>% M</td>
<td>Total</td>
<td>% F</td>
<td>% M</td>
<td>Total</td>
<td>% F</td>
<td>% M</td>
<td>Total</td>
</tr>
<tr>
<td>Education</td>
<td>1,790</td>
<td>58.5%</td>
<td>41.5%</td>
<td>1,989</td>
<td>61.0%</td>
<td>39.0%</td>
<td>2,067</td>
<td>63.1%</td>
<td>36.9%</td>
<td>1,636</td>
</tr>
<tr>
<td>Human Services</td>
<td>9,824</td>
<td>64.9%</td>
<td>35.1%</td>
<td>9,144</td>
<td>64.7%</td>
<td>35.3%</td>
<td>9,469</td>
<td>66.5%</td>
<td>33.5%</td>
<td>10,610</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>734</td>
<td>38.0%</td>
<td>62.0%</td>
<td>619</td>
<td>43.1%</td>
<td>56.9%</td>
<td>631</td>
<td>41.3%</td>
<td>58.7%</td>
<td>741</td>
</tr>
<tr>
<td>Justice</td>
<td>5,196</td>
<td>50.6%</td>
<td>49.4%</td>
<td>5,224</td>
<td>50.6%</td>
<td>49.4%</td>
<td>5,598</td>
<td>47.8%</td>
<td>52.2%</td>
<td>6,011</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
<td>4,514</td>
<td>32.2%</td>
<td>67.8%</td>
<td>4,258</td>
<td>32.4%</td>
<td>67.6%</td>
<td>4,325</td>
<td>33.6%</td>
<td>66.4%</td>
<td>4,583</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>462</td>
<td>52.7%</td>
<td>47.3%</td>
<td>438</td>
<td>53.8%</td>
<td>46.2%</td>
<td>443</td>
<td>56.1%</td>
<td>43.9%</td>
<td>478</td>
</tr>
<tr>
<td>State Development</td>
<td>736</td>
<td>47.2%</td>
<td>52.8%</td>
<td>709</td>
<td>47.1%</td>
<td>52.9%</td>
<td>731</td>
<td>47.0%</td>
<td>53.0%</td>
<td>818</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>1,064</td>
<td>41.9%</td>
<td>58.1%</td>
<td>1,089</td>
<td>41.9%</td>
<td>58.1%</td>
<td>1,020</td>
<td>42.2%</td>
<td>57.8%</td>
<td>1,067</td>
</tr>
<tr>
<td>Total FTE</td>
<td>24,450</td>
<td>52.3%</td>
<td>47.7%</td>
<td>23,597</td>
<td>53.0%</td>
<td>47.0%</td>
<td>24,366</td>
<td>55.7%</td>
<td>44.3%</td>
<td>26,060</td>
</tr>
</tbody>
</table>

Notes:
2. Source for June 1999 to June 2002 figures is: Office of Public Employment Workforce Data Collection for June of each year.
4. The sum of portfolio figures does not add up to the figure shown in the "Total FTE" row because Office of the Auditor-General’s figure is not allocated to any of the portfolios but it is included in the "Total FTE" row.
5. Due to machinery of government changes during the financial year 2001-2002, the State Development Portfolio is to be replaced by two new portfolios, namely, Innovation, Industry and Regional Development Portfolio and Tourism, Sports and the Commonwealth Games Portfolio. But, for consistency purposes, these two new portfolios continued to be reported as "State Development" for June 2002 in the above table.
APPENDIX 3: BIBLIOGRAPHY

 Articles and reports:


Victorian Office of Public Employment, ‘New demographic data on the Victorian Public Service’ Edition 3 scOPE.


Chapters in books:


Government reports:


Australian Internet resources:
Australian Bureau of Statistics – Average Weekly Earnings (Cat. 6302.0); Youth Labour (Cat. 6203.0); Employment Arrangements and Superannuation (Cat. 6361.0); Labour force projections (Cat. 6203.0); and Casual Employment (Cat. 6203.0)
http://www.abs.gov.au

Australian Public Service Commission, includes various publications and the ‘APS Reforms – Ministers Statement’ http://www.apsc.gov.au

New South Wales, Office of the Director of Equal Opportunity in Public Employment


Western Australia, Office of the Public Sector Standards Commissioner http://www.wa.gov.au/opssc

Overseas Internet resources:
Canada, British Columbia Public Service Renewal Project
http://www.renewal.gov.bc.ca

Canada, Public Service Commission http://www.psc-cfp.gc.ca


New Zealand, State Services Commission http://www.ssc.govt.nz

OECD, Issues and developments in public management – various country reports (including Australia, Canada and New Zealand) http://www.oecd.org


United Kingdom, Civil Service Reform http://www.civil-service.gov.uk/reform

United Kingdom, Office of Public Service Reform http://www.number-10.gov.uk/output/page465.asp

Others:
