



BUILDING CORPORATE CAPABILITY

The APS in Transition



PUBLIC SERVICE & MERIT PROTECTION COMMISSION



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TABLE OF CONTENTS

1.	Claire's story – the changing face of APS agencies	4
2.	Introduction	7
3.	The APS in transition	8
	– Change	11
	– Building corporate capability	13
	– HR's impact on business	15
4.	Next steps	19
5.	Appendices	
	– Background to the People Management Benchmarking Study	21
	– Methodology	22
	– Business context interview	25
	– Workplace culture	27
	– Human resources questionnaire	30
	– Line manager survey	33
	– HR metrics survey	36
	– Focus groups	39
	– Definition of the HR function	40
	– Key Focus Areas	41

1. CLAIRE'S STORY – THE CHANGING FACE OF APS AGENCIES



This story is about many of the challenges and issues facing human resource (HR) people and line managers (managers); it's a story about the challenges facing the Australian Public Service (APS), and sets the scene for this report.

This story is based on the views expressed by managers and HR people who took part in a series of focus groups which were conducted as part of the People Management Benchmarking Study (the Study).

Claire is an Executive Level 1 officer in an agency's HR area. In the last twelve months her working environment has changed dramatically. Recent implementation of the agency's Certified Agreement means that managers now have the necessary delegations to make decisions about a wide range of people management matters. Also, many agency processes have been streamlined and payroll processing has been centralised.

Neither Claire nor her colleagues are clear about exactly what this means for them at a practical level, and they are feeling uncomfortable. They have been told that it will be a big shift to move away from processing pays and applying HR rules to working with managers to help them achieve their objectives. Claire has heard some people describe it as a 'consulting' role. So Claire and her colleagues are worried about which new skills they will need to be effective in their new roles; how best to build new relationships with managers.

All the staff in Claire's agency, not just the HR team, have been affected by the rapid changes. New technology and the outsourcing of some work means that many of the previously structured jobs now require more flexible, innovative and creative approaches. Each manager's responsibility for people management is also increasing, reflecting undertakings in the Certified Agreement. Already, staff have sought Claire's advice on how to deal with these issues, sometimes looking for hard and fast rules to apply in the decision making process. Claire feels that many staff still lack the confidence to make decisions in this new flexible environment but that a new set of rules would effectively be a retrograde step—a return to the central prescription that constrained managers in the past. Claire and her colleagues think that a 'principles-based' approach is needed to create a decision-making framework for managers.

Recruitment is one of the key areas on which Claire is asked for advice. The bulk of Claire's time is now spent helping managers to identify the skills required and then to find people who have the skills and experience that is needed. Many managers are looking for immediate solutions, although some take a more considered approach to finding the most appropriate solution, identifying the attitudes, values and behaviours they require in new staff; thinking about what

¹ Whilst the language may have changed under the *Public Service Act 1999*, the sentiments remain current.



skills will be needed in the long term, and finding the training programs that are most appropriate for new staff.

Claire has also been assisting managers make temporary and fixed-term¹ employment arrangements, especially where there is uncertainty about on-going work requirements or long-term funding issues. These managers have often said to Claire that temporary and fixed-term staff provide far more flexibility than permanent arrangements.

The agency already has a strong commitment to graduate recruitment which provides an annual injection of new blood which generally is creative and innovative. Claire has already observed many graduate recruits from previous years making significant contributions to the agency in middle and senior management positions. The agency's graduate recruitment program focuses strongly on identifying expectations up front and on placing graduates in different jobs throughout the agency in their placement year. The success of this practice is evident and, in concert with other forms of recruitment, could become a significant part of the agency's recruitment strategy.

Performance management, particularly managing under-performance, is another key area in which Claire's advice is being increasingly sought. She is well aware that under-performance is a major road block, in a rapidly changing work environment. This awareness has been reinforced by the results of a recent agency survey that uncovered widespread staff concerns about managers' apparent reluctance to deal with under-performing staff.

Claire is not confident that the advice and support her area currently provides to managers meets their needs on these issues. She acknowledges that under-performing staff have been 'hidden in a corner' in the past. She recognises that her agency's success in the future will be dependent to a significant extent on having a productive and effective workforce.

A growing number of staff, who previously were good performers are falling behind because they lack the necessary new skills to work effectively in this changed environment—an environment characterised by advances in technology, outsourcing of functions and associated contract management arrangements. Claire's view is that more thought and planning needs to go into managing the implications of these advances. She believes that her agency, the HR area in particular, needs to learn how to use long term planning more effectively, to identify the people implications of these changes—what new skills will be needed, how many staff will be required, will the agency develop new skills or employ new staff?



Another visible group of under-performers is staff who disagree with the recent changes. Claire has heard that they are spreading the seeds of discontent and causing problems in the workplace, with all the negative consequences on productivity and morale. While these staff generally perform reasonably well in an output sense, their attitude and behaviour are hindering the agency achieving its outcomes.

Under-performance is very difficult to resolve. It is time consuming and the processes seem convoluted, managers have told Claire this on many occasions. Those managers who have gone through the process say that they would be reluctant to do it again because of the appeal framework and because decisions can so easily be overturned on minor points. Claire has also heard that some managers feel that they do not have the full support of senior management when the going gets tough. Some managers have admitted to Claire that the difficulty in communicating with under-performing staff makes them reluctant to deal with the issues. Other managers have proposed the development of a rewards and recognition strategy in order to encourage staff to strive for even higher levels of performance.

Claire sees that a major part of her new role will be identifying skill development requirements for managers and their staff, although she knows that she will continue to provide technical advice and support as before. She believes that many managers have been recruited, promoted, and rewarded for their technical skills alone, with little importance being attached to their people management skills. Claire believes that there needs to be a better balance between the 'technical' and 'people' skills of managers.

Claire realises that she and her colleagues will need to invest some time in planning how they can develop their own skills to meet these challenges. They will also need to establish some clear priorities, and to clarify which issues should be tackled first and how the different issues fit together.

There are three major themes which emerge from the Study, which are captured in 'Claire's story', and are discussed in detail later in this report. The themes relate to:

- the APS's approach to managing change;
- building long-term organisational capability by clearly articulating current and future workforce needs, and investing, strategically, in the acquisition, development, deployment and retention of staff with the required capabilities; and
- maximising the impact of the human resource function on agency outcomes.



BACKGROUND

Thirty-one Commonwealth agencies, representing over 85% of APS staff, took part in the People Management Benchmarking Study.

The study, which was requested by Government and supported by agencies, sought to:

- provide the Government and the APS with a better understanding of how organisations, both public and private, use their approach to people management to maximise organisational performance and how APS organisations could apply that knowledge; and
- benchmark HR practices against a range of key performance indicators.

ASSUMPTIONS

Particular assumptions about the role of HR underpinned the formulation of the Study. Three main assumptions were that:

- HR has a significant role to play in helping an agency/organisation achieve its business objectives;
- in order to sustain their agency's business focus, HR people must be proactive in developing comprehensive and relevant policies, principles and frameworks, and providing direct assistance to managers in support of their specific business imperatives; and
- to be credible, the HR function should be characterised by administrative excellence, streamlined and efficient processes, with an emphasis on client access.

PURPOSE AND LAYOUT OF THIS REPORT

Individual agencies have received Workbooks detailing their results and have action plans in place to address the findings.

The purpose of this report is to identify whether significant common themes exist across the APS and, where common themes do exist, identify what might be the 'next steps' for agencies.

The background to the Study, its methodology, and broad results for each of the tools used are outlined in Appendices to this report.

3. THE APS IN TRANSITION



THE UNIQUE NEEDS OF THE APS

Like the private sector, the APS is focused clearly on achieving high performance. But there is a public interest aspect that distinguishes it from private sector systems. Merit-based employment, the APS values and the code of conduct, for example, are central to APS accountability. We have an open and transparent system where many decisions are subject to review. It is a system where public scrutiny of the use of public funds sets a high bar on accountability. Maintaining these standards has implications for APS HR practices and, inevitably, incurs some additional cost.

CUSTOM AND PRACTICE

It is also evident that ‘custom and practice’ still drives some APS processes, and that a number of agencies have made progress in challenging old methods and developing more efficient and effective approaches. The Achieving Cost Effective Personnel Services² (ACEPS) recruitment and selection results sparked a great deal of interest in reducing the time and cost of recruitment and selection processes. In 1996 the Public Service and Merit Protection Commission (PSMPC) released *The Essentials – Recruitment and Selection*, a publication designed to help agencies understand the minimum standards for APS recruitment and selection processes. The publication assisted agencies to separate ‘the rules from the folklore’. In view of the results of this Study that indicate that some agencies have made very real progress since that time, slowness to change ‘custom and practice’ may still be holding back some other agencies.

IMPROVEMENTS HAVE BEEN MADE

The results of the Study indicate that the APS is in transition in the area of people management. HR people are no longer the ‘administrators’, but now are focusing their effort and initiatives on assisting agencies to achieve business results. The core of the role is to work with managers to assist in the identification and resolution of the people side of their business issues.

In comparison to ACEPS, the cost of delivering HR services has reduced by 12% and HR staffing by 18%. One of the more concerning results from the earlier study was the level of resources devoted to ‘administrative and processing’ activities. Many agencies have since streamlined processes, resulting in a significant change in the deployment of HR resources. Fifty-eight per cent of staff are now devoted to HR advisory roles and 35% to administration and processing tasks. This is in effect a reversal of the trend identified in the 1995 ACEPS study. Recruitment and selection results indicate that the time taken to fill vacant positions has reduced by 25%.

² *Achieving Cost Effective Personnel Services (ACEPS)*, Joint Publication of the Management Advisory Board and its Management Improvement Advisory Committee, (MAB/MIAC), Number 18, AGPS, November 1995.



SCOPE FOR FURTHER IMPROVEMENT

Generally, managers and HR people alike have said that there is room for further improvement. In the area of effectiveness, it is clear that perceptions of the role of HR in contributing to agency outcomes is stronger in some agencies than others. The question is whether the particular circumstances of some agencies limit, or delay the capacity of the HR function to strengthen its contribution to the organisation's success.

Similarly, for some of the quantitative measures of performance, such as cost and cycle times, there is a wide divergence of results. Some agencies have achieved results well above the APS median. Again, the issues are whether or not there is scope for further change in other agencies in view of the particular nature of their work and environment, and whether there are particular business-related requirements which dictate particular outcomes.

There does not appear to be a link between having high numbers of HR staff and achieving better qualitative results as shown through better performance scores from managers. Those agencies with relatively higher HR staffing levels, did not receive relatively higher performance ratings from their managers.

The challenge for all agencies is to push for higher returns on their HR investment. This will mean maintaining the pressure on reducing HR administrative costs and being much clearer about the people issues which must be addressed to grow the performance and capability of APS agencies.

EMERGING THEMES

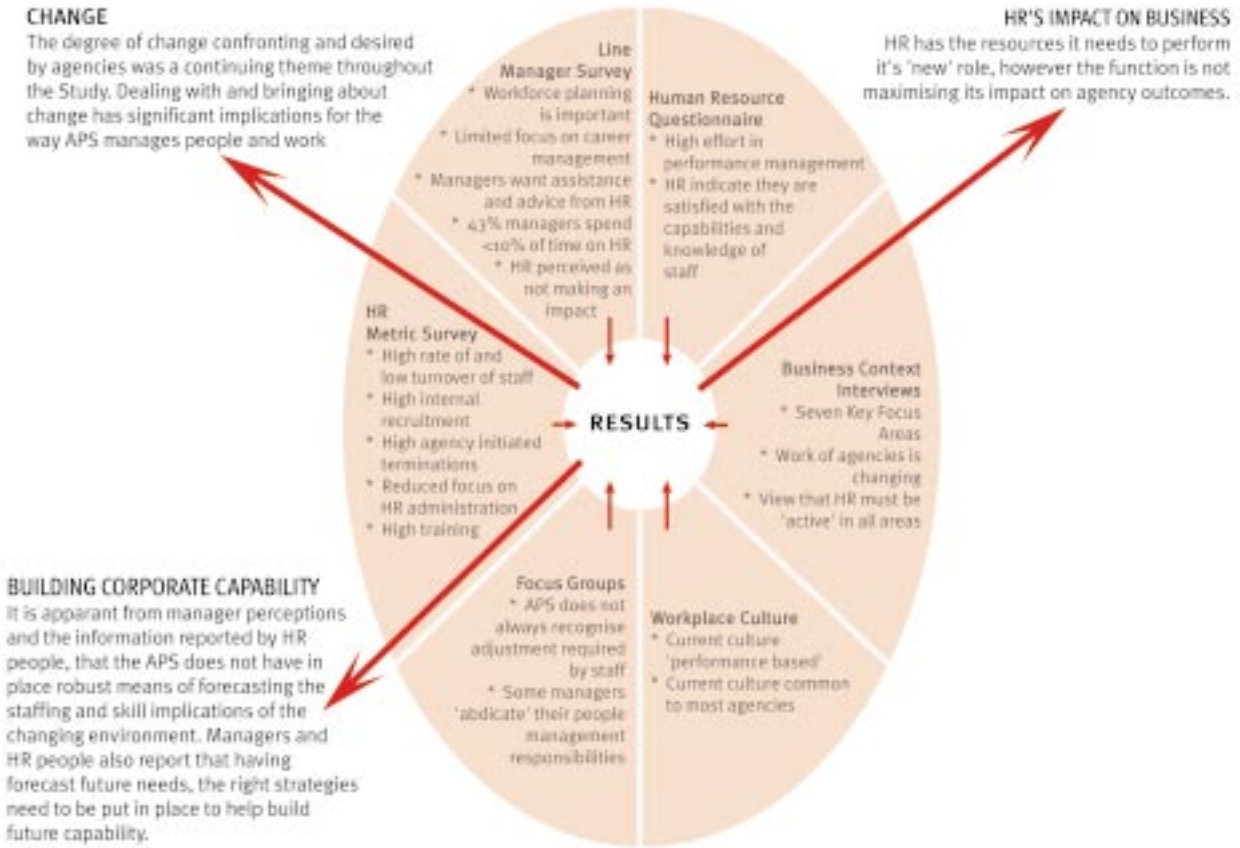
The results from the Study suggest that there are three critical themes in relation to people management in the APS:


- change;
- building corporate capability; and
- strengthening the impact of HR on the business.

The key findings, which support these themes, are outlined in this chapter. Figure one on the next page draws together specific results which support the themes. Some of the issues inherent in the themes remain open questions and this report is intended to serve as a catalyst for debate on these issues.



FIGURE ONE





The degree of change confronting and desired by agencies was a continuing theme throughout the Study. Dealing with and bringing about change has significant implications for the way the APS manages people and work.

KEY FINDINGS

Organising people and work

Agency executives indicated a need to shift away from an emphasis on technical skills and organisational structures that reflect the technical/knowledge of individuals to a future characterised by a balance between those enduring technical skills and (for example):

- encouraging teamwork;
- being flexible and adaptive in thinking and approach;
- maximising customer satisfaction;
- delivering reliably on commitments to customers; and
- continuously improving operations.

Agencies describe a future workplace which emphasises flexibility and agility of approach to clients and work, increasing use of partnerships and alliances, and the capacity to bring teams of people together for short-term projects.

Some of the characteristics of the APS workforce, which were reported and highlighted in the Study, suggest that a conscious effort may be needed to achieve this flexibility. These characteristics included:

- a high rate of, and low turnover of, full-time staff;
- relatively high levels of internal recruitment;
- difficulties associated with managing poor performance; and
- a growing group of staff who are not coping well with their changing roles.

On the other hand, there are several positive elements within APS agencies that will sustain and support the development of the type of workforce that will enable the APS to meet its future challenges. HR people now participate in the senior decision-making forums of agencies and agency-wide HR strategies are a feature of many organisations. Managers recognise the need to have HR people closely involved in the change process and believe that HR enjoys the support of senior decision-makers.

The nature of work is changing

It was made very clear to the project team, through the initial agency interviews and focus groups, that the work that staff are being asked to undertake is changing.

Agencies are moving to provide different services in new ways. Technological change has been and will continue to have a major impact on what work needs to be done and how it is done. Resources are increasingly being shifted from the 'back office' to the 'front office', with staff now being asked to perform more direct and accessible customer service roles, sometimes requiring 'single point of contact decision making'.



These new roles require quite different skills and attitudes from staff. Much of the qualitative data collected for the Study suggests that the APS does not always recognise the adjustment required by staff, nor the help they need to develop these new skills and ways of working. As a consequence, some staff are not coping with their changed roles, and their performance is reduced as a result.

Managers perceive that HR can play an important role in helping them and their organisations implement these changes to the nature of work and the capacity of staff to adapt to these changes. They also say, however, that to be effective in this role, the HR function needs to increase its business knowledge.

Conclusion

To create more flexible and adaptive workplaces, where agencies are able to respond quickly to changes in how people and work need to be organised, deliberate choices will need to be made. More effective anticipation of future changes would allow for better support to be provided to people as their roles and skill needs change.



It is apparent from manager perceptions and the information reported by HR people, that the APS does not have in place robust means of forecasting the staffing and skill implications of the changing environment. Managers and HR people also report that, having forecast future needs, the right strategies need to be put in place to help build future capability.

KEY FINDINGS

In an ever-changing environment, it becomes increasingly important to forecast and plan for future staffing and skills needs. It is clear that the APS understands the importance of these issues, but is still learning how to effectively address them.

Managers and HR people perceive workforce planning to be an important issue. Both believe that performance needs to be improved. As with career management, HR people report that, relative to the other areas examined³ in the Study, the HR function has given limited priority to workforce planning. In particular, agencies are not giving priority to supporting managers in forecasting staff requirements (numbers and skills) in the light of business planning.

Managers identified three key areas which, if done better, would result in a more capable APS: performance management; career management; and learning and development. Managers and HR people rated these issues as important and as requiring improved levels of performance from the HR function.

In the area of performance management, managers and HR people have differing views of the outcomes of the work done to date. While HR people say that there has been a great deal of effort invested in improving the way performance is managed, managers report that the results are not yet evident to them. Agencies will need to monitor their results in this area, to see if there is simply a 'lag' effect between implementation and impact, or if more systemic problems exist.

Career management is reported to be an area where more work needs to be done in the APS. It appears that there is a culture of 'self-navigation'. Generally career planning is not used by agencies to develop skills needed for the future. Higher levels of promotions than transfers points to careers being seen more as series of vertical movements, rather than a set of experiences in different roles. With flatter organisational structures, and limited opportunities for promotion, a changed view of 'career' becomes more important.

Further, the way careers are viewed becomes especially important in circumstances where staff have long tenure in agencies. Career management and learning and development strategies must be in place to maximise the capability and commitment of a workforce with long periods of service in an agency, to ensure that the inherent value of this workforce is realised. Staff must be exposed to new challenges and be provided with the opportunity for career-long learning. With the level of ongoing change being experienced, it is no longer possible to be 'educated once', to sustain a career.

³ Seven Key Focus Areas were examined in the Study: workforce planning; recruitment/selection; performance management; learning and development; reward/recognition; career management; and workplace diversity. Detailed results in Appendix six.



Managers and HR people agree that learning and development strategies are critical to developing capability. It would appear that generally agencies place greater emphasis on development of individuals than on developing the capability of the agency as a whole. Managers report that HR is better at helping them identify the learning needs of individuals, than at identifying the future needs of the agency and then translating these needs into effective learning and development plans. Managers indicated that performance needed to be lifted considerably in this area.

The APS has high levels of training investment. The median training investment per APS employee is just over \$1,000, which compares most favourably with All Industry⁴ at \$300 and the Private Sector at \$700+. There is however limited investment in non-formal development. While high investment in training is a positive result, managers recognise the need to develop staff through effective coaching as well as formal training. Managers indicated that they require assistance from HR people to coach their staff more effectively.

It would appear that as part of an overall learning and development strategy, emphasis in the APS takes too little account of the use of development opportunities for staff, including lateral mobility. A greater focus on increasing such development opportunities may be important in the ongoing development of the APS's long tenured workforce.

Conclusion

The evidence suggests that APS agencies will need to place greater emphasis on identifying and articulating current and future workforce needs, on asking what work the Government will require of agencies in the medium to long term, how many people will be needed and what attributes and skills will be needed? A more structured and coherent approach to building the capability of APS staff, and therefore of APS agencies, may be necessary.

Career planning has not been used to develop staff as a means of meeting future organisational skill needs. An integrated approach to managing careers which meets the individual needs of staff and builds the long-term capability of agencies may be needed.

The production of learning and development plans which are clearly linked to current and future workforce needs and which increase the emphasis on development opportunities in their broadest sense will be important strategies in further strengthening the performance of APS agencies.

⁴ The Australian All Industry benchmark has been prepared by aggregating data from external (to the APS) organisations. These organisations are grouped by Other Public, Government Business Enterprises GBEs), and Private Sector.



Even though HR has the resources it needs to perform its 'new' role, the function is not maximising its impact on agency outcomes.

KEY FINDINGS

This theme is, in some respects, the most challenging outcome of the Study. As mentioned earlier in the report, senior HR people spoke articulately of the new role that they were moving to in their agencies; a role that emphasised relevance to the business, high-level HR strategy linked to business imperatives, with a strong focus on forecasting future requirements. The Study results suggest that there is some way to go before the HR function will have the level of impact on business outcomes that is hoped for. Further, there are indications that some of the fundamentals that may be required to achieve the intended impact are not yet in place.

Managers taking responsibility for managing their staff

There is an increasingly clear view in the APS that managers have a responsibility to tap into the discretionary effort of staff and to maximise their potential. Focus group participants, particularly managers, considered that managers must ensure that staff are clear about the agency's objectives, understand how their role contributes to those objectives, understand what is expected of them, provide feedback and recognise and reward excellent performance.

Evidence from the Study also suggests that managers may not be taking sufficient responsibility for building the skills and talent of their staff. Forty-three per cent of managers surveyed spend 10% or less of their time on HR activities⁵. It may be the case that some managers have not yet achieved the fine balance between being accountable for delivering business results, meeting client expectations, and creating a workplace where staff can contribute and develop to their maximum potential.

At the agency interviews and focus groups, many HR people indicated a belief that some managers 'abdicate' their people management responsibilities, and that there is a general view in agencies that people management skills come naturally to managers and can be 'turned on' when required.

PARTNERSHIP BETWEEN HR AND MANAGERS

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. This may indicate that, while HR is relatively good at designing HR processes (as reported by HR people through the HR questionnaire⁶), these processes are not being translated into effective results for managers.

⁵ HR activities were taken to include workforce planning, recruitment/selection, performance management, learning & development, reward/recognition, career management, workplace diversity, leave management, OH&S, and industrial relations. Respondents also had the option of specifying any 'other' HR activities on which they spend time.

⁶ The HR questionnaire captured information from agencies on their HR structure, strategies, service delivery models and approach to key HR activities. Detailed results in Appendix five.



It is questionable whether the corporate structure⁷, reported to be used by most agencies will position HR to deliver on the needs of managers. Managers gave consistently high importance but low performance ratings to questions about the HR function providing them with ‘assistance’ and ‘advice’. Manager comments very clearly stated that they are seeking ‘hands-on assistance’ and ‘sophisticated advice’ from the HR function. Structured as they are, HR functions may be too removed from the day-to-day business issues facing managers to deliver effective advice, support and facilitation.

On a positive note, the further restructuring of the HR function forecast by many agencies may be an indication that those agencies are already questioning the effectiveness of current structures.

HR resources

HR staffing and costs have reduced over the past four years. Nonetheless, the average APS agency HR function continues to enjoy a relatively high level of resourcing in comparison with other Australian organisations; the ‘average’ APS agency is within the top 10% of the All Industry group in relation to HR staffing. The result is similar when the payroll function is excluded from the analysis.

Observations made by the project team throughout the Study are that, where agencies have set in place plans to reduce their HR costs, they have been fairly successful. The overall reduction in HR costs and shift in emphasis from administration and processing roles to HR advisory roles is evidence of that success. In other words, the original ACEPS work led a number of agencies to undertake a critical analysis of their HR costs and of where their HR effort was directed. It has been possible in some agencies for the HR function to assume new responsibilities of a more strategic nature, with an emphasis on anticipating and responding to people management issues. The significant effort reported by agencies in relation to performance management is an example of this capacity to focus on important new areas.

The essential question is the extent to which the variation in resourcing levels reflects the specific needs of some agencies as well as the greater needs for transparency and accountability that differentiate the APS from other sectors, and whether there is still room for some agencies within the APS to make more effective resourcing decisions.

A more systematic approach to measuring HR performance and cost may make it easier to answer this question. In relation to effectiveness, agencies reported in the HR questionnaire that the methods most commonly used to evaluate the HR function are:

- ad hoc meetings with clients;
- ad hoc analysis of number of complaints;
- regular use of informal feedback;
- regular use of quantitative data; and
- ad hoc use of client surveys.

⁷ Corporate HR structure – where the bulk of HR programs and services are designed and delivered by an HR function which is located in a corporate services unit.



Each evaluation method is used by about half of the agencies. This feedback, however, suggests a generally unstructured and infrequent approach to evaluation of effectiveness.

At the agency interviews, it was clear to the project team that, in most agencies, there was a view that HR had to be 'active' in all HR areas. When asked to identify the 'key' HR issues facing agencies, many agencies seemed unable to differentiate, 'all were very important'. The HR function might be more effective if it was clear about its priorities, and therefore much more selective and targeted about just where resources and effort were invested. To achieve significant progress, it may be necessary to accept that some areas are in 'maintenance' mode, while identified key priorities receive maximum attention and effort. A rigorous use of business case analysis to assist in decision making about where to commit HR resources may be a high priority for some agencies.

HR staff capability

The capability of HR people to perform effectively while coping with the rapid changes in the role of the HR function was raised many times during the Study⁸. A deep understanding of business needs has hitherto not been a requirement of HR people, for example, but now that their credibility may rely on it, many HR people will need to develop new skills and knowledge. There is a question as to whether or not HR people have been able to develop their capability as quickly as they require, to meet the challenges facing them.

HR managers indicated that they are quite satisfied with the capabilities and knowledge of their HR people. These satisfaction levels may not be sustainable, however, given the very low level of investment in HR staff training and changes that are taking place in relation to HR structures and staff roles.

Training investment in HR people is low when compared to other industries and to the investment in training for all APS staff. At the very time when HR people need to reinvent their role, their access to new skill development and new knowledge is alarmingly low. Long term, such a pattern potentially leads to HR people who are less effective in anticipating, understanding and putting in place strategies to manage the people implications of the changing working environment.

One of the clearest messages from the focus groups, was the degree of discomfort felt by HR people that was generated by their concerns about their capacity to operate effectively in their 'new' roles. Focus group participants talked of understanding the 'new' role in a theoretical sense, but in a practical sense felt that they didn't really know what to do now.

HR people are asking:

- What does it really mean to 'understand the business'?
- How do I develop my credibility so that managers would seek my assistance? What questions should I be asking?
- What skills do I need to be effective?
- How can I develop the skills I need and who can I learn from?

⁸ Particularly evident through the focus groups and line manager survey.



Conclusion

This analysis suggests the need for a closer alignment of HR functions with the business delivery areas of agencies. If HR people are to understand the detail of business issues, they will need to develop much closer and stronger relationships with line areas. HR people also have a more sharply delineated strategic imperative, ensuring that common needs such as workforce planning are proactively formulated and relevant.

People management issues are central to agency productivity, and the APS of 2000 faces some profound people management challenges. The APS is being asked to change what it does and how it does it. These changes require new skills and, to facilitate this, new ways of learning are becoming important. Managers are increasingly being held to account for their results, and require much more sophisticated and timely support from the HR function.



There are clearly opportunities for some agencies to enhance their organisational performance by:

- more effectively managing the impact of change on how people and work are organised;
- actively planning for and building long-term organisational capability; and
- maximising the impact of the HR function on agency outcomes.

All APS agencies will need to determine their own priorities. There appear, however, to be some common issues that agency heads may wish to focus on.

COMMUNICATING CLEARLY WHAT IS WANTED IN TERMS OF VALUES, BEHAVIOURS AND SKILLS IN THEIR WORKFORCE, NOW AND IN THE FUTURE

Executives indicated that they are seeking changes to the way people and work are organised. These changes will have implications for the design of particular HR strategies. To achieve the degree of change envisaged, it will be important to ensure that all staff have a clear view of the direction of their agency, and of the values, behaviours and skills needs that will be required for the agency to be effective.

Agency heads will need to be clear about their expectations of their managers, including their accountability for the productivity and performance of the workforce. In reality, managers are the only people in a position to directly influence the performance of staff. The HR function can provide support and advice to managers, and managers have clearly articulated the sort of help they need. But, it is managers who must work with staff to make the best use of their skills and talent. Many managers recognise their unique position and responsibility, and perform well in this role. Others are less active.

A clear message from agency executives, indicating that managers are accountable for the productivity and performance of the workforce and need to play a role in building the long-term capability of agencies, would help managers establish a balance between being accountable for delivering business results and creating a workplace where staff can contribute and develop to their maximum potential.

WORKFORCE PLANNING

More effective workforce planning, that is anticipating the mix of people and skills that will be needed in the future, is a clear requirement. This is an area where the APS has limited expertise and experience. A current example of the problems that can arise from not planning adequately in light of changing organisation needs, is the difficulty that agencies are experiencing in recruiting staff to work in the accrual framework. The long lead-time which led to the introduction of the accrual system, meant that the need to recruit new staff, and train current staff, to ensure that people with the appropriate skills were in place could have been anticipated.



MAXIMISING THE IMPACT OF THE HR FUNCTION ON AGENCY OUTCOMES

Upgrading the capability of the HR function appears to be a priority across agencies. The changes described by agencies to the 'role of HR' is an example of how the nature of the work of many APS staff is changing. Like other APS staff, HR people need to be supported in this transition and to be given the opportunity to acquire new skills.

It may be necessary to attract new staff to fill some skill gaps, but it will also be important to plan for, and invest in, building the capability of current HR people.

Setting HR targets and measuring performance may assist agencies to increase their return on HR investment. A rigorous use of business cases to assist in informing decisions on where to invest HR effort would create a sound basis for subsequent measurement of return on investment. Setting targets would also allow the HR function to be clear about priorities.

Taking a 'business case' approach would help to ensure that, when HR initiatives are proposed, they are clearly aligned with the critical business issues of the agency.

CONCLUSION

An examination of the HR metrics⁹ collected in the Study reveals that, in what would appear to be similar circumstances, different agencies achieve significantly different outcomes. Continued testing and scrutiny of HR administrative activities is important as it may achieve a further reduction in HR costs or real improvement in HR outcomes.

The clear issue for agency heads searching for continuous improvement, is how the HR function can be developed further to achieve its full potential in developing the capability of the agency to achieve results.

⁹ Refer Appendix seven.



BACKGROUND TO THE PEOPLE MANAGEMENT BENCHMARKING STUDY

BACKGROUND

The PSMPC in collaboration with APS agencies conducted the People Management Benchmarking Study between October 1998 and June 1999. Thirty-one agencies across the APS were involved in a range of information gathering exercises, each designed to help establish a comprehensive overview of people management across the APS. The Study also sought to identify how HR services could be improved in order to support and enhance organisational performance across agencies.

IMPERATIVES OF GOVERNMENT

The genesis of the Study was an earlier human resources benchmarking study, *Achieving Cost Effective Personnel Services*¹⁰ (ACEPS), which was undertaken in 1994–95. In 1996, the Government asked the Public Service Commissioner to re-benchmark human resource management costs and effectiveness in the APS. In 1997 Minister Kemp, the Minister Assisting the Prime Minister for the Public Service, agreed that the Study should commence in the second half of 1998.

The Government, through Minister Kemp, has clearly articulated the vision of the APS agencies as high performing organisations. In this context the Government has an interest in how the management of people is assisting agencies to reach that goal.

Agencies have restructured, refined and redesigned the way they work in order to maximise their capacity to respond to the Government's micro-economic reform agenda. Reform, including labour market flexibility, has been crucial to achieving high sustainable economic growth and the Government has introduced the conditions necessary for APS agencies to perform to their maximum while reaffirming their sense of public purpose. Workplace Agreements, the *Public Service Act 1999*, and the *Financial Management Act 1998* are examples of the Government's key enabling strategies, designed inter alia to reduce significantly the degree of prescriptive controls, devolve decision making to agencies, and provide much greater flexibility for the improvement of workplace relations.

The APS has been actively searching for new and more effective ways of working, which has resulted in comprehensive business process redesign programs within many agencies, such as the introduction of call centres and single point of contact decision making.

The pressure that had been placed on all APS staff during the recent years of structural reform was acknowledged by Dr David Kemp, Minister Assisting the Prime Minister for the Public Service, in his address to the 1998 Human Resources Week Conference. In particular, he acknowledged the critical part HR people play in supporting their agencies as they continue to respond to the Government's agenda when he said, '...it is you (here today) who have a special role to play in ensuring that enterprises and indeed governments are flexible and adaptable to emerging challenges and opportunities ... you have been challenged over the last few years to change the focus of your work...'

¹⁰ *Achieving Cost Effective Personnel Services*, Joint Publication of the Management Advisory Board and its Management Improvement Advisory Committee, (MAB/MIAC), Number 18, AGPS, November 1995.



STUDY MANAGEMENT

The coverage of this Study was very wide, with over 85% of APS staff employed in the 31 participating agencies. From the outset, collaboration was an important feature of the project. Prior to the official start of the Study, the PSMPC held informal discussions with many senior managers and HR people of the APS, offering an insight into the broad vision of the project and gathering preliminary advice about its scope. A Reference Group, comprising senior executives from some of the participating agencies, gave ongoing advice to the project team and was an effective sounding board for the interpretation of results.

Project staff sought input from, and provided feedback to, the participating agencies throughout the Study. Some of this activity involved training, workshops and formal debriefing. To assist in the conduct of the Study and to ensure the incorporation of external points of comparison, the PSMPC engaged a consultancy consortium¹¹ of HRM Consulting and the HayGroup. The consortium worked alongside the project team, the Reference Group and with agencies.

In order to gain a comprehensive picture of HR performance, an in depth approach to data collection was adopted. A set of tools was developed which would allow input to the Study from a broad range of stakeholders. Input was sought from agency heads and executives, regional directors, managers, HR managers and HR people. Their input was sought through interviews, surveys, focus groups and an exercise related to corporate culture.

In keeping with the Commission's commitment to adopting a collaborative approach throughout the Study, each participating agency received a workbook detailing their individual results on each of the tools administered during the Study. To help agencies engage in comparative analysis, aggregate (APS) data from the Study was incorporated, together with benchmarks from private and public sector organisations.

The workbooks were also the basis for individual agency workshops, facilitated by project staff and the consultancy consortium. Key HR people, and in some cases managers from within the agencies, participated in the workshops in order to distil the key themes and issues for their agency as a consequence of the Study. Participants were encouraged to brief their Executive on the outcomes of these workshops.

WHAT IS BENCHMARKING?

Benchmarking is a means by which any organisation can compare its performance against a series of key indicators across a broad range of organisations. Benchmarking of HR involves measuring and comparing key people management metrics. HR areas generally assessed by benchmarking include HR effectiveness, resources dedicated to the HR function, recruitment, training, development and occupational health and safety. Most of these factors can then be analysed further into breakdowns such as percentage of HR resources dedicated to particular HR activities, investment in formal course-based training and informal coaching of staff etc.

¹¹ A consortium was chosen from responses to an open tender.



HR measurement is important as a tracking and monitoring process but it can also be important to understand where one organisation sits in relation to others both within the same industry and outside of it. Understanding where an organisation sits relative to others can stimulate debate and learning about what level of performance might be appropriate and achievable within a particular situation.

DATA-GATHERING

Preliminary discussions were held with agency executives and HR people to establish the scope and focus of the Study, and all but one of the survey instruments were then developed or adapted specifically for use in this project¹². Training and other support were incorporated into the Study to ensure that the data being collected was both valid and reliable, and to consolidate the Study as a learning opportunity for its participants.

The Study collected qualitative as well as quantitative data, which has provided a rich and comprehensive overview of HR functions in the APS. The qualitative assessment included an analysis of current and desired workplace cultures, supported by the consultancy consortium's case studies and by analyses of globally respected organisations. The major qualitative information, however, was drawn from agency responses to questionnaires that inquired into seven Key Focus Areas for HR services:

- workforce planning;
- recruitment and selection;
- performance management;
- learning and development;
- reward and recognition;
- career management; and
- workplace diversity.

An explanation of each area is included in Appendix ten.

Agency-specific results have been provided to participating agencies to serve as a major source of information for analysis of their achievements and for planning their future directions. Aggregated data provides insights into general HR trends within the APS, and are the basis of this report.

WIDER BENCHMARKS

Additional benchmark data from both private and non-Commonwealth public sector sources was supplied by the project's consultancy consortium. HRM Consulting collects data quarterly from Australian organisations as part of a national HR benchmarking study, grouping the results by Other Public, Government Business Enterprises (GBEs), and Private Sectors.

Throughout the report we refer to the 'All Industry' benchmark. This benchmark is an

¹² The exception was the C-Sort tool provided by the HRM Consulting and HayGroup consortium.



aggregation of the performance of non-APS organisations contained in the HRM Consulting database. This data provides comprehensive information against which to compare the quantitative data gathered from the 31 participating agencies about their HR staffing and costs, agency demographics and other general HR issues such as recruitment, training, development, and occupational health and safety. The benchmark data from the 1994–95 ACEPS study was also used in the current Study.

As a consequence of their participation in the Study, agencies also had access to HRM Consulting’s quarterly national HR benchmarking program.



PURPOSE

To begin the Study, the project team and their consultancy consortium met for about three hours with HR managers and their staff in each of the participating agencies. The purpose was to canvass their views about what the priorities of the Study should be in light of the challenges facing APS agencies. The interview followed a predetermined schedule but was relatively open-ended to maximise input from respondents and thus, the relevance of the Study. The interviews took place in October 1998.

The project team gathered information on the agency's key organisational and people challenges, and identified eight Key Focus Areas to be examined in the Study. The project team's assumptions of the role of HR were also explored during the interview.

RESULTS

Two key outcomes of the interviews with HR Managers were:

- identification of Key Focus Areas to be examined; and
- confirmation of the project team's assumptions of the role for the HR function in the future.

Identification of Key Focus Areas

Interview participants proposed Eight Key Focus Areas for the Study. These were:

- workforce planning;
- recruitment and selection;
- performance management;
- learning and development;
- reward and recognition;
- career management;
- workplace diversity; and
- leadership¹³.

Role for HR services

There was a great deal of congruence amongst interview participants about the future imperatives for HR services in the APS. They recognised that the focus of HR services needed to shift from being a centralised, reactive set of functions to being more like a partner in the business of the agency. In other words, HR functions must align more closely with, and support better, the business needs of agencies and, thus of managers.

¹³ It was decided not to include leadership in the Study because of other work being undertaken by the PSMPC, refer: Senior Executive Leadership Capability Framework – published May 1999 by the PSMPC.



The core of the role has HR people working with managers to assist in the identification and resolution of the people side of their business issues. When high-level business strategies are being developed, HR people need to participate in the design of critical business initiatives to ensure that the people implications are effectively addressed. HR people also need to provide professional advice and direct support to managers, who *retain* the primary responsibility for managing staff.

To be effective in this new 'business partner role', HR people require a sound understanding of the particular business issues, for example legislation, service delivery pressures and government policy *in addition* to their traditionally strong knowledge of HR practices. Thus, the HR role might be to develop frameworks, tools and processes in support of current and planned imperatives and, as a consequence, enable executives and managers to achieve better results through maximising the skills and talent of their staff.



PURPOSE

The rationale for including this exercise in the Study was to gain the views of agency executives on the future work culture/s required in their agencies to deliver on agency outcomes. By articulating the most desirable work culture/s for an agency, executives provided the design brief for HR strategies to encourage and build, rather than discourage the preferred culture.

METHODOLOGY

Work culture was defined as the collective behaviour, values, expectations and attitudes of people, which are developed and maintained as a direct result of an organisation's policies, practices, systems, structures and staffing processes.

Agency executives were invited to participate in a culture exercise called the 'C Sort', in which they identified the way in which people and work are currently organised in their agency and how in the future they could be organised to better deliver outcomes. Executives completed the exercise in December 1998.

The exercise provided an opportunity to reach consensus among agency executives on:

- current culture;
- target culture;
- distance between the two cultures; and
- action alternatives to close the gap.

The average number of responses per agency was five. Agency data was fed back to respondents, and the collective data was analysed to identify patterns amongst participating agencies.

The work culture exercise was based on the assumption that in order to create a culture that is compatible with changing strategic objectives, each agency must first:

- understand its current work culture;
- determine and agree its target work culture; and then
- develop a plan for getting there.

RESULTS

What follows is the 'big picture', aggregated view of the APS that emerged when all agency responses are taken into account.

Current culture

The current work culture across the APS shows a strong emphasis on the performance of core functions by the exercise of technical/professional expertise, typically delivered through traditional silos of knowledge and skill.



The current culture is common to most agencies, irrespective of the role they play. Generally you might expect to see some differentiation of cultures between agencies which have quite different roles. For example, agencies which deliver professional services show similar reliance on traditional ways of organising work around the expertise of individuals as do agencies whose roles combine law enforcement with business facilitation. A number of agencies with policy development roles are also strongly organised in this way.

In nine agencies, the dominant culture emphasis is on clients' needs and delivering reliably on commitments to customers and maximising customer satisfaction. This culture is associated with those agencies whose focus is on service delivery, particularly with respect to 'human services'. Some agencies involved in the delivery of professional services also share this emphasis.

Target culture

Most agencies perceive there should be changes to their work cultures. The dominant target culture is the same as the nine agencies mentioned above, who are wanting a sharper focus on clients' needs. Shaping the agency to respond better to client needs will be key to delivering their strategic objectives. This view of the future is shared by agencies dedicated to service delivery as well as those whose main objectives are law enforcement. Professional service agencies also see the need for efficient client focus.

For six agencies, the challenge of focusing on delivering reliably on client needs is not sufficient. They also need to keep pace with rapidly *changing* client needs. They believe that adopting more flexible and innovative approaches to the way they develop new products, services and technologies will be important to achieving that objective.

A smaller number of agencies see the need to create a culture which places greater reliance on working in partnerships and creating networks to get the work done. They see a need to maximise opportunities by harnessing resources from outside, as well as within the agency to meet the ever changing needs of client/stakeholder groups.

Executives identified three broad areas of strategy where fundamental change was necessary if the migration from current to desired work cultures were to be achieved. These areas are shown in table one.



TABLE ONE: CHANGES IN STRATEGY

<i>Changes in HR strategies and policies</i>	<ul style="list-style-type: none">– attracting top talent– rewarding superior performance
<i>Changes in organisational, team and individual capability</i>	<ul style="list-style-type: none">– demonstrating understanding of the customer's point of view– encouraging innovation– being flexible and adaptive in thinking and approach
<i>Changes in business processes and systems</i>	<ul style="list-style-type: none">– continuously improving operations– increasing decision-making speed– pushing decision-making to the lowest levels

Changes in HR strategies and policies implies that agencies develop and implement strategies that focus on 'reward' in a broader context than simply financial reward. In this context, well designed, satisfying work, career development opportunities and other intrinsic rewards are seen as being crucial to the attraction and retention of key people. Individual agencies may well need to promote themselves as an 'employer of choice' by developing and implementing HR strategies and policies that are in alignment with this wider interpretation of the concept of 'reward', particularly as 'treating employees fairly and consistently' remains a high priority.

Changes in organisational, team and individual capability imply that, while technical expertise remains important, the way in which it is delivered will need to change considerably. Many agencies will therefore need to organise their work differently to be able to better understand and respond to customer needs. Sometimes, the capability profile of employees will change with a new focus on, for example, capabilities related to customer service orientation, innovative thinking, or teamwork and co-operation. These new capabilities will need to be developed internally or brought in through selection strategies that are clearly focussed on the desired workforce of the future.

Changes in business processes and systems imply the need to re-align structures and work design to respond better to changes in the external environment and to deliver more effectively on client service imperatives. For example, the typical functional 'silos' of the past will need to give way to flatter structures and more flexible roles if this is to take place. The flatter structures demand that there is more emphasis on career management, as the traditional promotional paths will no longer exist.

HUMAN RESOURCES QUESTIONNAIRE



PURPOSE

The purpose of this questionnaire was to capture information from agencies on their HR structure, strategies, service delivery models and approach to key HR activities.

METHODOLOGY

A senior HR manager in each of the participating agencies completed the questionnaire. The questionnaire which was completed in December 1998, sought detailed agency information about:

- HR structures;
- HR strategy planning;
- HR effectiveness;
- HR efficiency; and
- internal and external partnerships.

As well as comparing results across APS agencies, some external comparisons were possible.

The questionnaire also probed the seven Key Focus Areas, seeking an indication of the extent to which particular HR activities were undertaken in each agency. The activities were presented as ten better practice statements for each Area.

A similar strategy was used in the Line Manager Survey (discussed in Appendix six), setting up the opportunity to undertake comparative analysis of HR managers' and managers' perceptions of these HR activities in their agencies.

RESULTS

HR structures

About 90% of participating agencies have changed their HR structures in the past five years, and a further 69% expect to change their HR structures (again) in the coming two years. This result reveals a greater level of change than that undergone recently within Australian industry.

Seventy-two per cent of APS agencies have a Corporate HR structure, where the bulk of HR programs and services are designed and delivered by an HR function which is located in a corporate services unit. A further 17% of agencies report having moved to business unit structures for HR services, meaning that HR programs and services are delivered (and perhaps designed) by staff located in business units. The HRM Consulting's 1997 national survey on HR structure shows that 55% of organisations continue to use the corporate service approach, while 42% have migrated to the business unit structure.

HR strategy

It is evident from the Study, that the HR function is more influential, and is seen as a more valuable contributor to decision-making processes in agencies, than was the case when the ACEPS study was conducted. In nearly two thirds of agencies, the HR function is now represented on agency-wide business/policy committees and HR strategy itself is developed at the agency-wide level.



HR efficiency

HR managers reported that the factors contributing most to the efficiency of their HR functions are:

- streamlined conditions of employment;
- skills of individual staff members; and
- streamlined administrative processes.

A surprising result here was that HR managers did not identify remote entry leave transactions as a prime efficiency factor. Agencies' investment in, and introduction of, this function was expected to deliver efficiencies in HR services, and is one of the early technology-based redesign strategies adopted widely by HR functions.

HR effectiveness

HR managers appear to be quite satisfied with the capabilities and knowledge of their staff. The factors that most contributed to the HR function's effectiveness were reported as:

- appreciation of strategic issues; and
- skills of individual HR staff members.

Other important factors were:

- senior management support; and
- expert knowledge of HR solutions.

Notably absent from the HR managers' view of what made HR services effective however, was the need to appreciate strategic business imperatives of their agency. Results of the Line Manager Survey, which is discussed in Appendix six, show that there is some discrepancy between the perceptions of managers and those of HR managers.

Partnerships

Working in partnership with line areas is seen as one of the primary roles of the contemporary HR function. The 1999 Human Resource Planning Society State of the Art/ Practice (SOTA/P) Report *Execution: The Critical 'What's Next?' in Strategic Human Resource Management?*, states that '...business partnering requires HR Professionals to enter into strategy formulation through identifying, framing, and solving real business issues'. This report also recognises that '...as we approach the new millennium, the new roles are well defined, and HR people are being invited indeed expected, to participate as strategic business partners.' The premise being that by creating effective partnerships, the HR function will be better placed to assist managers address people related issues, with the outcome that the organisation is more effective. The strategy rated by HR managers to be most effective in improving their alignment with business needs was '*ensuring that HR professionals have the skills and capability to understand and contribute to business decision/plans*'. HR managers report that the most pressing barrier to productive partnerships with managers was the disinclination of managers to regard people management as a primary role.



Key focus areas

Agencies were asked to indicate the extent to which particular activities, related to each of the Key Focus Areas, had been implemented in their agencies. For example, in relation to the first Key Focus Area, workforce planning, they were asked to respond to ten better practice statements, each of which described an activity that might be included within a workforce planning process. The responses provide an indication of the level of focus and extent of implementation of each activity within agencies.

A high-level analysis of the relative stages of implementation of each of the Areas is shown in table two, in order from the most extensive to the least extensive. The APS median¹⁴ has been included.

TABLE TWO: RELATIVE EXTENT OF ACTIVITY

Key Focus Area	APS median	minimum	maximum
Workforce planning	18.8	10	24
Performance management	25.3	16	30
Recruitment and selection	19.2	11	26
Learning and development	22.7	11	28
Reward and recognition	20.4	13	27
Career management	18.3	11	25
Workplace diversity		Not applicable	

¹⁴ The APS median has been calculated on the basis of agency responses to questions which identify the extent to which the activity is undertaken, where fully = 3, partially = 2, not at all = 1. The highest possible total 'score' is 30.



PURPOSE

The objective of this part of the Study was to obtain a customer perspective of the importance of particular HR activities and the HR functions performance in relation to these activities, and to see if manager perceptions matched those of HR people.

METHODOLOGY

The survey sought responses from managers and HR people about the time devoted by managers to HR activities, together with their view of the role of HR in their agency. It garnered perceptions of the importance of each of the Key Focus Areas¹⁵ identified by agencies and performance of the HR function in relation to each Area.

For each of the Key Focus Areas, respondents were asked to give importance and performance ratings for a series of statements. For example, in relation to learning and development, respondents were asked to rate how 'important' they believed it was for the HR function to *assist managers to identify and prioritise the learning and development needs of their staff*. They were then asked to rate the current 'performance' of the HR function in relation to the statement. The number of statements for each Area ranged from four to eight.

Using this approach it was possible to map not only the expectations of managers and HR people in relation to HR in their agency, but also to identify whether there were gaps between perceived needs and performance. It also allowed comparison with the HR managers' assessment (in the HR Questionnaire) of the extent to which these activities had been implemented in their agency.

The survey was completed by nearly 900 senior managers, including executives, and over 250 HR people, and was conducted in November–December 1998.

RESULTS

Overview

APS managers perceived that all of the Key Focus Areas were 'important', and that 'performance' needed to be improved in all Areas. There were three Areas where the imperative for improvement was strongest; performance management, learning and development and career management. These three areas had the largest gaps between importance and performance ratings. In particular dealing with under-performers stood out as a critical issue for managers.

Managers' perceptions about workplace diversity differed depending on the context in which the question was asked. When making 'best use of diverse skills' was mentioned in the context of the Key Focus Area 'performance management', this was seen to be important but performed poorly. However when mentioned in the context of the Key Focus Area 'workplace diversity' this was seen to be not so important and satisfaction levels increased.

¹⁵ workforce planning, recruitment/selection, performance management, learning & development, reward/recognition, career management, workplace diversity – refer Appendix ten for explanation of each Area.



Time spent on HR activities

In the survey 43.7% of APS managers report spending 10% or less of their time on HR related activities¹⁶, and a further 35.3% report spending 10 to 30% of their time on HR related activities. Of the time managers spend on HR activities, this is much more likely to be devoted to ‘value-adding’¹⁷ rather than HR administrative activities. Most APS managers nominated performance management, workforce planning, learning and development and recruitment/selection/ as the HR activities on which they spend the most time.

Role of HR

Managers see a clear role for HR in providing them with advice and support in dealing with the people aspects of business issues, shaping and supporting change and corporate strategic planning.

Managers and HR people share a reasonably common view of the desired roles for HR, and importance/performance ratings for the Key Focus Areas. However, there is some ‘disconnect’ in that HR people have a quite positive perception of their own business knowledge (2.5)¹⁸, while managers have a fairly neutral perception of HR’s business knowledge (2.1) and the contribution HR makes to the agency (2.0). This difference suggests that the HR function needs to maintain and extend efforts in *applying* its business knowledge to managers’ people management issues.

Whilst managers would prefer a reduced emphasis on administrative activity, they consider HR administrative efficiency to be important.

Key Focus Areas

As mentioned earlier, survey respondents gave ratings for importance and performance for a series of statements for each Key Focus Area. For each Area an overall importance and performance rating has been established. A high-level analysis of the relative importance ratings of each Area, together with the relative performance ratings for that Area are set out in table three.

¹⁶ HR activities were taken to include workforce planning, recruitment/selection, performance management, learning & development, reward/recognition, career management, workplace diversity, leave management, OH&S, and industrial relations. Respondents also had the option of specifying any ‘other’ HR activities on which they spend time.

¹⁷ Activities of a more strategic nature, which will more directly impact on organisational capability and effectiveness, for example coaching staff, clarifying work expectations with staff or identifying future skill requirements for the workplace.

¹⁸ Respondents were asked to comment on the links between HR and their business needs. The following scale was used: 1 = ‘not at all’, 2 = ‘somewhat’, and 3 = ‘very well’.



TABLE THREE: KEY FOCUS AREA RESULTS

	Importance¹⁹	Performance²⁰
Performance management	3.8	2.5
Learning and development	3.6	2.4
Reward and recognition	3.5	2.4
Recruitment and selection	3.6	2.5
Workforce planning	3.5	2.5
Career management	3.5	2.0
Workplace diversity	3.5	2.8

¹⁹ Respondents were asked how important they believed it to be for the HR function to provide particular programs/services. The following rating scale was used: 1 = Of no importance to agency outcomes; 2 = Of marginal importance; 3 = Important; 4 = Very important; 5 = Extremely important; and 0 = Not applicable, cannot evaluate.

²⁰ Respondents were also asked to rate the HR function's current performance in particular areas. The following scale was used: 1 = Currently performed poorly, a major weakness; 2 = Marginal performance; 3 = Performed satisfactorily; 4 = Performed very well; 5 = Performed extremely well; and 0 = Not applicable, cannot evaluate.



PURPOSE

The purpose of this tool was to facilitate the collection of quantitative data regarding the resources allocated to the HR function as well as some agency demographic information.

METHODOLOGY

Quantitative HR data was collected from each agency for the year 1997/98. To ensure data integrity from this activity, those responsible for data capture were supported by information and training, in the form of workshops, detailed documentation, and access to phone and e-mail help lines. Subsequently, this data was verified with each agency by the project team and HRM Consulting, and finally authorised by a senior executive from that agency. Data was collected for the following areas:

- workforce profile;
- unscheduled absence;
- labour turnover;
- recruitment;
- training and development;
- occupational health and safety; and
- HR staffing and costs.

Data from ACEPS and the consultancy consortium's external benchmarks provided a source of comparative information. Even so, the significance of the APS metrics, alone and against the external benchmarks, can really only be assessed when qualitative data from other elements of the Study is taken into account.

RESULTS

A detailed analysis of the metrics from the Study indicates a number of trends. These trends are discussed in this section.

Workforce profile

APS staff have long tenure in an agency. In the average APS agency, a third of staff have ten or more years' service, and 22% have five to ten years service with the agency. At the median, 92.6% of APS staff are permanent and 5.3% are part-time employees. The greatest percentage of part-time staff are employed in the APS level 1–4 group. This part-time result is low compared with wider industry. In the Australian labour force, 25% of workers are employed on a part-time basis²¹. These facts confirm the generally held view that for most APS staff, their careers are spent within the APS, in full-time employment.

Median remuneration per employee within the APS (\$54,900) is relatively high compared to the All Industry²² median of \$51,176.

²¹ *Australia's Workforce 2005: Jobs in the Future*, Australian Government Publishing Service, Canberra, 1995, p.29, citing ABS The Labour Force, various issues.

²² HRM Consulting collects data quarterly from Australian organisations as part of a national benchmarking study, grouping the results by Other Public, Government Business Enterprises GBEs, and the Private Sector. The Australian All Industry benchmark has been prepared by aggregating data from all external (to the APS) organisations.



Higher duties allowance

At the median, 15.2% of the APS workforce were being paid higher duties allowance as at 30 June 1998. This represents a significant reduction on the median (37.1%) reported for the ACEPS study.

Return from parental leave

The rate of return from parental leave is high, with 7 parents returning to work for every resignation whilst on parental leave, while the All Industry rate is 2.5 returns for each comparable resignation. This outcome suggests that APS agencies have been successful in implementing strategies to retain the skills of employees on parental leave.

Unscheduled absence

The APS, median absence result is 9.8 days per employee, per year, compared with the All Industry median of 7.5 days. Sick leave, workers' compensation claims, and miscellaneous leave are all captured in this result.

Labour turnover

Total separation rates within APS agencies are relatively high, at 26%, compared to the All Industry median of 17.5%. Whilst this result seems high, the turnover figures are driven by two particular separation types, one of which may have measured an unusual peak in separations. The separation types in question are organisation-initiated separations and contract expiry for APS levels 1–4.

Recruitment

Compared with Other Public, GBEs and the Private Sector, APS agencies have more internal than external recruitment. In the average APS agency two-thirds of recruits are internal, and 22% of recruits are 'external appointments', i.e. from outside the APS, whilst 12% come from another APS agency. These results provide a degree of confirmation that the APS is indeed a stable and career oriented workforce.

On average there are 1.8 promotions for each transfer in the APS. This is very similar to the All Industry median of 1.7, and much lower than Other Public at 3.2 promotions for each transfer.

The APS median time to fill positions is 67.7 days. The APS result is lower than the Other Public and has reduced by nearly 25% since the ACEPS study. The APS median is about 20 calendar days higher than the All Industry median; however, this All Industry median is affected by a very low result from a limited number of private sector organisations.

Training and development

The median training investment per APS employee²³ is just over \$1,054, which compares most favourably with All Industry \$300 and the Private Sector at \$719.

²³ Formal, off-the-job training – typical costs include workshops and seminars, course fees, cost of internal and external trainers etc.



APS median training hours are 29.2 hours per employee per annum, considerably higher than the All Industry median of 10 hours, and a reflection of the relatively high investment identified above.

HR people however receive only a relatively small share of the APS training dollar. The APS median for HR staff training is \$865, compared with the All Industry median of \$1,137, and the Private Sector median of \$1,538.

Occupational health and safety

OH&S costs are incurred through preventative, compensation and rehabilitation activities. APS investment per employee is reported at \$780, which is slightly above the All Industry median of \$735, and similar to the ACEPS result.

HR staffing

The average APS agency is relatively well staffed with HR people, although leaner than in previous years. The HR-to-all staff ratio in 1998 is 1:30 compared with the ACEPS ratio of 1:25, a reduction of 18%.

Just over a third (35.5%) of APS HR people are employed in HR administrative/processing roles. 57.6% are employed in HR advisory/consulting roles. This is a very positive result, effectively reversing the trend in the ACEPS study.

There are more Generalists than Specialists²⁴. Specialisation appears to result in higher staffing levels—agencies with medium to high numbers of HR specialists are more likely to have high or median HR staffing levels; those with a low number of HR specialists are more likely to have median or low HR staffing levels.

HR expenses

Since the ACEPS study, HR expenses have reduced by 12%, due to the reduction in HR staffing. The median cost of providing HR services per APS employee is \$2,838, compared with Other Public of \$1,169, GBEs at \$1,520, the Private Sector of \$1,982, and the All Industry median of \$1,298. The ACEPS result was \$3,207.

Examining HR expenses by function²⁵, we find that payroll consumes 28% (32.99%), recruitment and selection 8.8% (11.05%), training and development 13.6% (22.83%), OH&S 7.3% (5.85%) and employee relations 10.4% (6.63%) of total expenses. The remaining 22.4% (15.08%) is devoted to HR general activities such as HR policy, workforce planning, developing HR strategies etc.

²⁴ **Generalists** would typically include HR advisers who spend the majority of their time undertaking a range of HR functions or servicing a business unit/location as the first point of contact for all HR issues. **Specialists** would typically include HR advisers who spend the majority of their time on one focused HR discipline, such as recruitment, or training and development, or industrial relations etc.

²⁵ ACEPS comparisons in brackets.



PURPOSE

The focus groups were used to gain input from a broad range of APS staff, on people related issues. Whilst the other study tools collected information from agencies participating in the Study, the focus groups were open to all APS agencies. In addition the focus groups provided a means of gathering information directly from regional as well as central office staff.

METHODOLOGY

Focus groups were held in each capital city, except Hobart, and involved Regional Directors, HR managers and staff, and managers – in most cases, separate focus groups were run for each group. The focus groups were conducted in November 1998.

RESULTS

The key issues coming from the focus groups, which were explored in the narrative in chapter one were:

- role of HR – the role of HR people is changing, and many staff are unsure of what they need to do to be effective;
- HR staff capability – with the changing role comes a need for different skills—what are these skills and how can they best be acquired;
- nature of work – the work of agencies is changing, new skills are required—are we anticipating/planning for these changes and ensuring that staff possess the skills necessary to be effective—some staff are not coping with the degree of change in their work, and their performance is suffering;
- managers' responsibilities – HR people perceive that managers are not taking sufficient responsibility for building and utilising the talent of their staff;
- performance management – some staff are frustrated that managers do not confront poor performance. Managers cite three issues in relation to managing poor performance: they find it difficult to navigate the rules; they say that it is the actual personal interaction of dealing with poor performers which is the biggest hurdle; and also comment that senior management support is sometimes lacking when the process becomes difficult;
- nature of employment – fixed-term and temporary staff²⁶ are being used in some agencies to increase workforce flexibility and provide an injection of 'new blood' – these staff who bring new ideas and energy are seen to have a positive impact on all staff in the workplace; and
- agreement making – agreements have delivered increased flexibility and allowed HR processes to be streamlined. HR people, however, perceive that some managers would like a 'new set of rules' to help them make decisions. Now that many HR delegations have been devolved to managers, many HR people believe that a 'principles-based approach' is required, to create a decision-making framework for managers.

²⁶ Whilst the language may have changed under the *Public Service Act 1999*, the sentiments remain current.

DEFINITION OF THE HR FUNCTION



For the purposes of the Study, the following activities were considered to collectively represent the HR function:

- Recruitment and selection
- Training, learning and staff development
- Industrial/employee relations
- Occupational health and safety including:
 - Workers' compensation
 - HR controlled risk management
- Payroll including:
 - HR information systems
 - HR administration
 - Pay and conditions
- HR general including:
 - HR planning including:
 - career path/succession planning
 - strategic HR planning
 - EEO/equity/diversity
 - Remuneration policy, strategy and administration
 - Performance management
 - Organisational development
 - HR-related change management
 - Remuneration policy, strategy and administration
 - Career and organisational development

The following activities were excluded from the definition of HR:

- Risk management (non-HR)
- Catering and amenities
- Security
- Internal (to line area) technical trainers



WORKFORCE PLANNING

Workforce planning involves having information, tools and resources to ensure that adequate numbers of suitably skilled staff are available to be deployed as needed to enable the agency to attain its objectives, i.e. ‘the right people in the right place at the right time with the right skills’.

RECRUITMENT, SELECTION AND INDUCTION

Recruitment refers to the process of making contact with people in order to fill an employment vacancy. Selection refers to the process of assessing job applicants, and making a selection decision and job offer. Induction refers to the process of introducing and assimilating a new employee into the agency and the specific job.

PERFORMANCE MANAGEMENT

Performance management refers to the framework and processes which assist the agency to become a ‘high-performance organisation’, through the alignment of individuals and agency objectives. This includes planning, managing, reviewing and providing feedback about work performance of employees, teams, and managers, and developing employees accordingly.

LEARNING AND DEVELOPMENT

Learning and development refers to all processes associated with the identification of agency and individual requirements in relation to staff development, and the design, delivery and/or brokering of opportunities to bridge gaps in skills or behaviour requirements.

CAREER MANAGEMENT

Career management refers to the process whereby employees and their managers identify their longer-term career goals, and design developmental and other strategies to achieve those goals.

REWARD AND RECOGNITION

Reward and recognition refers to salary and non-monetary rewards (such as recognition schemes) provided to attract and retain employees and help motivate them to achieve agency objectives.

WORKPLACE DIVERSITY

Workplace diversity involves taking account of the ways we differ from each other (gender, age, language, ethnicity, cultural background, disability, sexual orientation, religious belief, educational level, job function, socio-economic background, geographic location, marital status and family or other carer responsibilities) in managing the workplace and using these differences to improve organisational outcomes.