

**SENATE STANDING COMMITTEE ON  
FINANCE AND PUBLIC  
ADMINISTRATION**

**REFERENCES COMMITTEE**

**Reform of Australian Government  
Administration**

**SUBMISSION**

**SUBMISSION NUMBER: 3**

**SUBMITTER**

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30 July 2010

Ms Christine McDonald  
Secretary, References Committee  
Senate Standing Committee on Finance and Public Administration  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Ms McDonald

**Committee Inquiry into the Reform of Australian Government Administration**

The Australian Human Resources Institute (AHRI) is pleased to provide the attached submission to the Committee's Inquiry into *Ahead of the Game: Blueprint for the Reform of Australian Government Administration* (the Blueprint).

As the organisation representing the Australian HR profession, AHRI supports those elements of the Blueprint that focus on the necessity for the Australian Public Service to develop more coherent strategies for attracting, leading, managing and retaining highly skilled staff at all levels. Our brief submission emphasises the need to draw on the expertise of people trained in human resources management in implementing the wide aims of the Blueprint and thereby improving the services the APS offers to the Parliament and to the Australian community.

Yours sincerely,

Peter S Wilson AM  
National President

Meryl Stanton PSM  
Director and Steering Group  
Convenor

# SUBMISSION

**Australian Human Resources  
Institute submission to the  
Senate Finance and Public  
Administration Committee Inquiry  
on Reform of Australian  
Government Administration**

30 July 2010

## **INTRODUCTION**

1. The Human Resources profession is central in the delivery of solutions to reform Australian Government Administration. Its national professional organisation, the Australian Human Resources Institute (AHRI), is pleased to make this submission to the Senate Committee. A brief description of AHRI, its role and place in Australia and internationally, is provided at Attachment A. This submission was prepared by a steering group comprising AHRI board members and staff, as detailed at Attachment B.
2. AHRI made an extensive submission to the Advisory Group in November last year. The short Executive Summary to that submission is at Attachment C. As the summary shows, AHRI made 13 recommendations, many of which supported elements of the Advisory Group's Discussion Paper and have now been endorsed by the final Advisory Group report "Staying Ahead of the Game: Blueprint for Reform of Australian Government Administration" (the Blueprint) and subsequently by the Government.
3. It is not our intention to cover all the same ground in this submission. Rather, mindful of the Committee's terms of reference, this brief submission will address terms (a) and (d) by concentrating on AHRI's final recommendation, Recommendation 13, to the Advisory Group i.e.:

*(AHRI recommends that the Advisory Group) endorse its contention that HR expertise should be valued equally with financial, scientific and other professional expertise, and should itself be the subject of a human capital strategy to ensure that government achieves the outcomes sought in citizen centred policy making and service delivery.*

4. While the Blueprint does not specifically endorse this recommendation, there are various parts within it which support AHRI's emphasis on the importance of professional HR expertise underpinning and sustaining the reform agenda.

## **HUMAN CAPITAL STRATEGIES**

5. The Blueprint outlines four areas in which to maintain and develop a high performing public service – meeting the needs of citizens, providing strong leadership and strategic direction, containing a highly capable workforce, and operating efficiently and at a consistently high standard. The development of a strategic and far reaching human capital framework will ensure the APS meets the second and third of these goals, and in so doing will enable the achievement of the others.

6. 'Human capital' is an economic concept that implies investment, and return on that investment. While definitions can range from the economically rational to more organic, what we are talking about is, as the US Society for Human Resource Management (SHRM) describes it, "the collective knowledge, skills and abilities of ....employees".
7. The essential goal is to match HR strategy with business strategy, to ensure that an organisation has the right people in the right place at the right time, and to enable that organisation to deliver its business efficiently and effectively.
8. This is a familiar concept in the private sector, but has been less used in the public sector in Australia. In responding to the Advisory Group's five aspirations as set out in its Discussion Paper, a recent KPMG benchmarking report considered it necessary to add a sixth key aspiration: "Attracting and retaining people of the highest quality".
9. Comparisons with other countries on this element proved difficult, but in any event KPMG could rate the APS no better than the 'medium' category. The Government should resist the temptation to concentrate only on the three lowest rated elements (coordinated, informed and strategic policy; integrating external expertise and citizens' views into policy development and service design; and understanding government priorities through developing an overarching framework). If these aspects are to be improved, they will require concomitant investment in human capital, including but certainly not limited to those already in the APS.
10. The Discussion Paper issued by the Advisory Group acknowledged that "Many modern business management practices and philosophies may need to be adopted by the APS to enhance program and service delivery capabilities." Our general conclusion is that public sector people practices lag behind those of the best private sector organisations regardless of geography, and many lessons from business life would translate well to the public sector environment, and are probably the best initial means for the Government's objectives to be realised.
11. This is so not just in terms of financial and technical business practices and philosophies, but equally in terms of managing the scarcest of all resources, high quality people. In a current longitudinal research study started in 2008, the World Federation of People Management Associations (WFPMA) surveyed its members to identify their main business challenges. The top challenges included labour productivity, workplace and corporate reorganisation, innovation and rebalancing outsourcing and insourcing – all elements appearing in the Blueprint as relevant to the APS.

12. The Government has endorsed the Advisory Group's recommendation for the development of a comprehensive, strategic, APS-wide human capital framework based on a model of exemplary values and principles for the people of the APS. Such a framework must address not only the metrics of skills requirements and availability but encompass the 'life cycle' of each staff member's APS experience – attracting the right people, recruitment and retention, strategic learning and development, connecting people, and reward and recognition.
13. If APS leaders at all levels are to perform to the standard required of them, they need to draw not only on their own fields of expertise, but also on the corporate expertise of others, particularly in areas such as finance and people management. These skills can be developed across the leadership cadre by the availability of professional corporate skills which leaders are encouraged to access.
14. Who has the expertise required to develop an APS Human Capital framework, and the agency based capability reviews and human capital action plans that will underpin it? It is clear that HR expertise will be pivotal, not just in the APSC, but also from agency to agency. These are specialist areas, like finance or legal areas, and it is just as important that such positions be filled by those who are qualified to perform them to a high standard.
15. According to the Australian Bureau of Statistics, there are approximately 35,000 HR managers employed in Australia and around 65,000 HR professionals in non-management roles. Gross annual earnings for all ages are approximately \$72,000 (compared with \$44,000 for all occupations). Top salary earners in the field routinely earn well in excess of \$200,000. A recent Advantage Job Index revealed that HR job postings increased 12.23 per cent in March 2010, nearly 8 percentage points greater than the general rise of online postings of 4.57 per cent.
16. In its 2009 annual Salary Survey, Robert Walters, a leading company in specialist professional recruitment, said that with projected market changes, Australian companies will be looking to invest in their existing staff to aid retention and attract new talent. According to that survey, a National HR Manager in the private sector can expect to earn well over \$150,000 per annum.
17. In summary, top HR management positions in the private sector clearly equate with SES positions in the APS – they are leadership positions centrally involved in business strategy, and those properly qualified to fill them are in demand.

## A MODEL OF EXCELLENCE

18. Over the past 10 years, Australian organisations have utilised greater numbers of HR professionals operating as strategic business partners, as well as key advisers to their CEO and the top executive team. These professionals have overseen the traditional HR function activities, but have also expanded their sphere of influence to include corporate social responsibility, risk, public affairs and communication.
19. The demands placed on HR professionals have also increased as the world is more interconnected and the people issues more complex. According to US based Professor Dave Ulrich there is a world-wide shortage of HR practitioners who can operate as strategic business partners, serving both external and internal stakeholders. Recognised as one of the top global thought leaders in HR and Leadership, Ulrich has undertaken extensive global research on the competencies required of HR professionals. This landmark and longitudinal research has included Australian HR professionals, from both public and private sectors.
20. AHRI's purpose is to engender HR best practice within Australian organisations. This means that our focus is to enable HR professionals to occupy a 'seat at the leadership table', and to make a difference to their organisations, as perceived by the various stakeholders. AHRI's education and training programs, underpinned by the latest research, enable HR professionals and practitioners to excel and to build their competencies which, in turn, build capability and performance.
21. Competition for highly sought after HR professionals will continue to intensify, and this demands an innovative attraction, recruitment and retention strategy. In this context, AHRI has developed a Model for Excellence in HR incorporating the latest research results from the HR Competency Study conducted by the University of Michigan. It also draws on the HR Competency Model developed by Professors Ulrich and Wayne Brockbank. AHRI participated as a regional partner in that study. The results are well aligned with the results of both the WFPMA longitudinal study referred to early in this submission, and the findings of the Hay and Fortune magazine's 'World's Most Admired Companies'.



Source: HR Competency Model (Ulrich & Brockbank 2007) and AHRI HR Management Model 2003.

## AHRI Model of Excellence

22. The AHRI Model of Excellence acknowledges that human resource management consists of a number of interrelated activities that combine to drive business performance. The base capability is that organisations must be 'business driven'. According to the Model, practitioners in human resources also require additional capabilities as strategic architects, stakeholder managers, workforce designers, credible activists, expert practitioners, and culture and change agents. Human resource management knowledge and capability underpin HR practice and influence the professional behaviour of HR professionals and how they are perceived. In addition, the overarching goal of HR people leading business is underpinned by the following objectives to which HR practitioners must subscribe:

- ▶ Contribute to a profitable and sustainable organisation
- ▶ Increase workforce competency and engagement
- ▶ Develop excellence in people management
- ▶ Create a dynamic and productive work environment.



23. This Model is well suited to modification for purposes of the public sector environment and provides the basis for an APS-wide common development framework. By way of example, AHRI has worked to establish this model within the leadership practices in public sector agencies including the Defence Materiel Organisation, Queensland Health, the Tasmanian Department of Premier and Cabinet, and the Victorian State Services Authority.
24. The AHRI Model of Excellence was the framework for major public service HR capability development in the United Arab Emirates. The Dubai government and the Bahraini Institute of Public Administration have been working with AHRI for nearly three years to develop HR capability across their entire public service HR departments. This has involved AHRI's involvement in integrating the Model of Excellence within their own competency framework, and delivering under-graduate and post-graduate HR education programs to hundreds of public service employees.

## CONCLUSION

25. To summarise, AHRI submits that the laudable aims of the Blueprint will suffer in implementation until and unless APS leaders are joined and supported by equally high quality people who are skilled in the art and science of attracting, developing, leading, assessing, rewarding and retaining high performing staff at all levels. The presence and use of such professionals will underpin the achievement of all other aspects of the Government's administrative reform agenda as reflected in the Blueprint. There is a need for a separate Human Capital strategy for HR professionals if these imperatives are to be met.
26. AHRI thanks the Senate Committee for the opportunity to express its views on the importance of the HR profession in achieving the objectives set for reform of Australian Government Administration. We would welcome the opportunity to attend a hearing to develop the views expressed in our submission.

Peter S Wilson AM  
National President

Meryl Stanton PSM  
Director and Steering Group  
Convenor

30 July 2010

## ATTACHMENT A

### ABOUT AHRI

The Australian Human Resources Institute (AHRI) is the only national association dedicated to the representation of human resource and people management professionals in Australia. AHRI has a financial membership of approximately 14,500 from both the private and public sectors and a broader stakeholder base in the order of 32,000.

More than 10,000 AHRI members and professionals across the nation attend seminars and other events conducted by the Institute each year. Topics covered at AHRI events include workplace relations, occupational health & safety, training and development, recruitment and retention, remuneration and benefits, HR information systems, job design and international people management.

Institute members occupy positions as HR and people managers within the top 100 companies, within small-to-medium enterprises and within large and small Commonwealth, State and Local government entities. AHRI members also include small and single-person consultancies as well as practitioners from large consulting and law firms, in addition to academics from a range of institutions and related disciplines. AHRI's governance structure is that of a not-for-profit entity owned by a consortium of members. It is an independent organisation overseen by a board with experience in business and government as well as representatives of the elected membership in the states and territories.

AHRI has a strong international presence, being the only Australian organisation recognised by the World Federation of People Management Associations. The AHRI National President sits on the board of the World Federation as an Asia Pacific member. He is President of the Asia Pacific Federation of Human Resource Management. The board includes representatives from our counterparts in the USA and the UK, the two largest HR institutes in the world, in addition to countries such as Singapore, Canada and the Philippines.

AHRI conducts formal education and, since the establishment of a national HR accreditation system in 2004, AHRI accredits HR-related courses in Australian universities. The institute also runs specialist professional development seminar events in all states and territories that attract in the order of 4000 attendees during the course of a year.

AHRI disseminates information to members through its highly regarded *hrmonthly* magazine, the refereed *Asia Pacific Journal of Human Resources*, and a fortnightly electronic newsletter, *RE:SOURCE*.

In recent times, AHRI has conducted research either independently as part of the quarterly HRpulse series of studies, or jointly in a number of areas.

## **ATTACHMENT B**

### **SUBMISSION STEERING GROUP**

The steering group that compiled this submission comprised three AHRI Ltd board members and two staff members, as follows:

#### ***Meryl Stanton PSM, Steering Group Convenor***

Meryl Stanton is a board member of the Australian Human Resources Institute and Chair of the Audit and Risk Committee. Meryl is an organisational psychologist, a qualified executive coach and works in a variety of consultancy roles. She enjoyed a long career with the Australian Public Service, leaving in 2005 as Deputy Secretary of the Department of Agriculture, Fisheries and Forestry, and Executive Director of the Australian Quarantine and Inspection Service.

She had previously held a number of senior positions in the workplace relations and occupational health and safety areas, including as CEO of Comcare Australia. In addition to her role as an AHRI Director, Meryl is an independent member of a number of Australian Public Service departmental committees. Meryl is an AHRI Fellow.

#### ***Peter Wilson AM***

Peter Wilson is National President and Chairman of the Australian Human Resources Institute and President of the Asia Pacific Federation of Human Resource Management. He is also Chairman of Yarra Valley Water Limited and a Non-executive Director on the board of the World Federation of People Management Associations. In 2009, Peter took up a senior research role on climate change under a partnership between Victoria University and the Energy Research Institute of China, and has also been appointed as the Independent Adviser to the board of the Vincent Fairfax Family Foundation on Ethical Leadership.

Peter was the Executive General Manager of Human Resources and Operating Risk at Amcor for seven years until his retirement in December 2005 and previous executive positions include being CEO of Energy 21 Group, and also Managing Director, Asia Pacific for the ANZ Banking Group. He was made a Member of the Order of Australia in 2005 for services to workplace relations and safety, and community service. He was awarded a Centenary Medal in 2004. Peter now resides in Melbourne with his wife and four children.

#### ***Ron Watts***

Ron Watts is a board member of the Australian Human Resources Institute and the State President of the AHRI Council in the Australian Capital Territory. Ron is the Director of Human Resources at the Australian National University. His background includes roles as

Director of Human Resources at Deakin University and senior HR roles with Australia Post.

***Paul Begley***

Paul Begley is National Manager, Government and Media Relations, Australian Human Resources Institute. Paul's background includes publishing positions with Deakin University, a managing editor role with the Victorian Curriculum and Assessment Board, and public affairs roles with the Victorian Department of Education and Training.

***Sandra Cormack***

Sandra Cormack is AHRI's Manager, New South Wales and the Australian Capital Territory. Sandra has more than 25 years experience in professional development, management education, event programming and commercial development roles. Her background includes roles with the Australian Institute of Management, Macquarie Graduate School of Management, Australian Business Ltd and the NSW Department of Education and Training.

## **ATTACHMENT C**

### **EXECUTIVE SUMMARY TO THE AHRI SUBMISSION TO THE ADVISORY GROUP ON REFORM OF AUSTRALIAN GOVERNMENT ADMINISTRATION (NOVEMBER 2009)**

In summary, the argument outlined in this submission is that the Government's objective, the world's best public service, will depend on the quality of its public servants, requiring a world's best human capital framework developed, led and implemented by world's best HR professionals.

In that context, this submission makes 13 recommendations, as follows:

1. AHRI recommends that the Advisory Group recognise and recommend to government that the world's best public service will require:
  - a) acceptance of the world's best leadership development philosophies supported by a senior executive group with a readiness to drive innovation, take decisive action and initiate cultural change
  - b) the world's best human capital framework founded on research, metrics and active assessment
  - c) recognition of the essential input of highly talented HR expertise in achieving those aims.
2. AHRI recommends the Advisory Group endorse the development of a comprehensive, strategic, APS wide human capital framework based on a model of exemplary values and principles for the people of the APS and addressing not only the metrics of skills requirements and availability but also encompassing the 'life cycle' of each staff member's APS experience.
3. AHRI recommends that the Advisory Group consider the means by which an APS-wide human capital framework be structured to contain policies and practices which are inherently attractive to those considering APS employment for all or part of their working lives.
4. AHRI recommends that the Advisory Group consider the importance of utilising more strategic, professional recruitment and promotion methods to attract and recruit high quality staff with diverse characteristics and skills into the APS.
5. AHRI recommends that the Advisory Group support an APS-wide human capital framework which includes a workforce planning

initiative, encompassing specific guidance on succession planning in the context of merit.

6. AHRI recommends that the Advisory Group adopt the proposal for a high level academic school dedicated to educating public servants in policy making, service delivery and leadership disciplines.
7. AHRI recommends that the need for formal training and development at middle management levels should also be catered for, as part of a dynamic and forward looking set of development programs.
8. AHRI recommends that the Advisory Group support, as part of a human capital framework, a strong set of development strategies incorporating formal education and coursework, and on-the-job training, including increased mobility opportunities within and between agencies and business sectors.
9. AHRI recommends that the Advisory Group endorse the view that leadership training should involve not only public sector skills development in policy making and service delivery, but concentrate specifically on the complexities of leading and nurturing talented people.
10. AHRI recommends that the Advisory Group endorse the concept that policy hubs, if formed, should include a wide variety of people from within and beyond the bureaucracy, and be used as innovative vehicles for development of talented staff.
11. AHRI recommends that the Advisory Group promote a consistent and equitable reward structure as part of a human capital framework. Such a reward structure should include, but not be limited to, pay and conditions of service
12. AHRI recommends that the Advisory Group endorse the view that individual performance management should measure outcomes on a triple bottom line basis, and include strong metrics on HR outcomes
13. AHRI recommends that the Advisory Group endorse its contention that HR expertise should be valued equally with financial, scientific and other professional expertise, and should itself be the subject of a human capital strategy to ensure government achieves the outcomes sought in citizen centred policy making and service delivery.