

**AUDIT REPORT NO. 16, 1997-98
EQUITY IN EMPLOYMENT IN THE
AUSTRALIAN PUBLIC SERVICE
PUBLIC SERVICE AND MERIT
PROTECTION COMMISSION**

Introduction

2.1 The ANAO's aim in conducting this audit was to inform the Government and Parliament of progress in achieving equity outcomes in the Australian Public Service (APS) and to assist agency heads and the Public Service and Merit Protection Commission (PSMPC) to respond to changes signalled by the Public Service Bill 1997 and the *Workplace Relations Act 1996*.

2.2 The ANAO noted that these changes reflected a strategic shift from developing and implementing Equal Employment Opportunity (EEO) programs to the broader management of diversity.¹

2.3 In reviewing the progress made towards equity employment in the APS, the ANAO stated that it was concerned primarily with the usefulness of information provided to the Government and the Parliament to facilitate informed judgments on the extent of equity in employment in the APS.²

2.4 The audit found that a number of EEO program targets had been met. However, the audit concluded that:

- a continual decline in the representation of people with disabilities had occurred over the last decade;
- the 1994 target for completeness of data on EEO status (that is, having complete EEO information

1 *Transcript, 29 April 1998, pp. PA 3-4.*

2 *Transcript, 29 April 1998, p. PA 4.*

for 80 per cent of APS employees) had not been met; and

- the target for approved EEO programs (that is, 100 per cent of agencies having PSMPC approved EEO programs by 1993) had not been met.³

2.5 The audit found that there was scope for improvement in the management of equity in APS employment, particularly if agencies were to reap the benefits of fully utilising the skills of a diverse workforce.⁴

2.6 The PSMPC supported the overall thrust of the audit report and agreed with all eight report recommendations.⁵

2.7 In the course of the public hearing, the Joint Committee of Public Accounts and Audit (JCPAA) took evidence on the following:

- EEO targets and data collection;
- reporting to the Government and the Parliament; and
- diversity management.

EEO targets and data collection

2.8 The key objective of the EEO program was to achieve a workforce representation in the APS that better reflected the composition of the Australian community. To achieve this, targets were set and agencies required to produce EEO programs. These were submitted to the PSMPC for approval.⁶

2.9 Overall, the ANAO found that while a number of targets had been met, at the agency level the quality of EEO programs and achievements varied significantly:

A significant number [of agencies] have not met the 1995 targets. Thirty per cent have not met both of the targets for women [20 per cent in the SES and 15 per cent in Senior

3 *Audit Report No. 16, 1997-98, pp xv, xix, 49-50.*

4 *Audit Report No. 16, 1997-98, p xv.*

5 *Transcript, 29 April 1998, p. PA 5.*

6 *Audit Report No. 16, 1997-98, p xv.*

Officer A/B and equivalent positions] and 47 per cent have not met the targets for disabilities [4 per cent].⁷

2.10 The Committee noted that the report indicated that the percentage of women in the APS had not significantly improved since 1992 and that the situation in relation to the disabled had gone backwards.⁸

2.11 Mr Peter Kennedy, PSMPC, responded that the proportion of women being recruited into the service was currently greater than the proportion of men:

If that continues over time we would expect that the rate should get up to 50 per cent. Our initial calculation was something like the year 2005, although it has been stuck at this proportion [47.8 per cent] for a bit longer than we expected.⁹

2.12 On the issue of the percentage of people with disabilities in the APS, the audit report stated that:

The 1995 target of four per cent representation of people with disabilities was set in 1992 to 'maintain' representation at this level in order 'to arrest a downward trend'. However, subsequent improvements to the CRP data have shown that the actual level of representation in 1992 was 5.3 per cent [of the APS]. Representation has since fallen to 4.9 per cent in 1995 and to 4.6 per cent in December 1996. Thus, although the representation of people with disabilities in 1996 is higher than the [1995] target set, the level of representation has not been maintained at the 1992 level and the downward trend has not been arrested.¹⁰

2.13 Mr Kennedy told the Committee that while the figures for disabled representation had trended down for a period, the percentage of disabled seemed to have stabilised at its current level of about 4.6 per cent.¹¹

2.14 Mr Kennedy drew attention to a possible reluctance to identify as disabled amongst people who acquired a

7 Transcript, 29 April 1998, p. PA 4.

8 Transcript, 29 April 1998, p. PA 8.

9 Transcript, 29 April 1998, p. PA 10.

10 Audit Report No. 16, 1997-98, pp. 46-7.

11 Transcript, 29 April 1998, pp. PA 8-9.

disability after joining the APS. However, he conceded that the disability figures did not indicate a satisfactory result as far as the PSMPC was concerned.¹²

2.15 Mr McPhee, ANAO, commented that some inaccurate trends and invalid community comparisons had delayed opportunities to refine and redirect strategies required in relation to the representation of people with disabilities.¹³

2.16 The Committee noted the recent significant downsizing of the APS and sought information on the effect on EEO target groups of the resulting high separation rate.

2.17 In response, Mr Kennedy stated that women were leaving through retrenchment at about the same rate as their representation in the APS, indigenous Australians and people with disabilities were leaving at higher than expected rates proportional to their representation and people from non-English speaking backgrounds were leaving at a lower than expected rate.¹⁴

2.18 The Committee raised the matter of the 12 per cent of agencies which were reported in the PSMPC's 1995-96 not to have approved EEO programs.¹⁵

2.19 In a later submission to the Committee the PSMPC advised that the agencies either:

- now had approved programs;
- were recognised as a Separate Employer for the purposes of EEO;
- were covered by the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* which does not require the Public Service Commissioner to approve programs;
- were considering whether it was more appropriate to be covered by the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*; or

12 Transcript, 29 April 1998, p. PA 9.

13 Transcript, 29 April 1998, p. PA 5.

14 Transcript, 29 April 1998, pp. PA 9, 10.

15 Transcript, 29 April 1998, p. PA 14.

- were the subject of discussions as to their status as separate agencies for the purposes of EEO programs.

2.20 The remaining three agencies with no approved EEO program had until 31 August 1998 to put in place a Workplace Diversity Program (which encompasses EEO).¹⁶

2.21 Later advice from the PSMPC indicated that the changed status of one of the above agencies meant that it was no longer required to submit a Workplace Diversity Program and that Programs had been lodged by the two remaining agencies.¹⁷

2.22 The Committee sought information on which agencies had not achieved the 1995 targets for equity management in the APS.¹⁸

2.23 In replying to the request for information in a later submission, the PSMPC noted that the 'targets', or quantitative indicators were not mandatory targets but, as the *Strategic Plan for the Australian Public Service for the 1990s* made clear, were based on reasonable expectations of further EEO achievement.

*... the main purpose of the indicators was to assess progress with EEO in the Service as a whole. While it was suggested that individual agencies may use the indicators for general guidance in the development of their EEO programs, the PSMPC has never arbitrarily applied them to individual agencies.*¹⁹

2.24 However, Mr Kennedy and Ms Tim, PSMPC, advised the Committee that discussions were held with individual agencies on these issues and that Treasury, for example, were '... trying to address the culture in their organisation as part of developing their strategy and the new workplace diversity plan.'²⁰

16 PSMPC, Submission No. 1, pp. 1-2.

17 PSMPC, Correspondence of 9 February 1999.

18 *Transcript, 29 April 1998*, p. PA 14.

19 PSMPC, Submission No. 2, p. 1.

20 *Transcript, 29 April 1998*, pp. PA 14, 15.

2.25 The Committee highlighted the different achievements in EEO outcomes across different APS sectors.

2.26 Ms Tim responded that the EEO figures could imply that the APS had done very well in employing people from the target groups. However, she noted that the PSMPC had recognised, and the report had identified, that there was no room for complacency and that behind the aggregate figures lay real cause for concern.²¹

Data collection

2.27 The Committee sought the PSMPC's view on the apparent lack of consistency of data collected across agencies and the subsequent difficulty that posed for analysis of data and evaluation of the performance of individual agencies.²²

2.28 In reply, Mr Kennedy stated that the voluntary nature of the provision of EEO data resulted in variations in the level of responses across agencies:

*Even in a small agency like the commission, when our EEO coordinator - in 1993-94 - talked to every member of staff, we could still only achieve a 95 per cent return rate. This was despite a direct personal approach to every member of the organisation with the request, 'Please, will you help us?'*²³

2.29 The Committee noted that the audit report had stated that there was no information on the EEO status of 23 per cent of permanent APS employees and that the incidence of missing information was greater (38 per cent) for recent appointees.

2.30 The Committee asked the ANAO to outline the implications of the above figures for statistical analysis and reporting.²⁴

2.31 Ms Dahlenburg, ANAO, indicated that reliable trends could not be provided unless the figures for missing information were lowered.²⁵

21 *Transcript, 29 April 1998, p. PA 8.*

22 *Transcript, 29 April 1998, p. PA 5.*

23 *Transcript, 29 April 1998, p. PA 5.*

24 *Transcript, 29 April 1998, p. PA 10.*

2.32 Mr Bewley, PSMPC, outlined for the Committee the strategy to be employed by the PSMPC to address agency reporting levels:

Our strategy is to work with the agencies that are achieving very high levels of reporting to find out exactly what they are doing and what strategies they have used. We want to see if we can learn something from their actions which we can take to other agencies to encourage them to follow similar sorts of procedures. The approach that we are taking is one in which we work with agencies to identify the reporting practices - the procedural things that they do to actually gather the data - the systems they use, and the ways in which they report.²⁶

2.33 The audit report further noted that:

- *at present, data and information-collection and result-collating mechanisms are resource intensive and cumbersome for both respondents and the PSMPC. This hampers the PSMPC's ability to provide timely reports to the Government and the Parliament and has been evident in the delay in producing the 1995-96 Trends and Strategies report.²⁷*

2.34 Mr Bewley, in evidence, stated that the PSMPC had done a reasonable amount of work in defining its data requirements and developing new data collection arrangements:

Those data requirements have been communicated to agencies through a fairly extensive circular - No. 1998/5 Our view is that, if we work closely with agencies in implementing that new system, we will have a far better level of [agency] reporting.²⁸

... in the lead-up to communicating those requirements we have gone through a fairly extensive exercise in defining or redefining data so that the kinds of questions that people

25 Transcript, 29 April 1998, pp. PA 10-11.

26 Transcript, 29 April 1998, p. PA 6.

27 Audit Report No. 16, 1997-98, p. xxiii.

28 Transcript, 29 April 1998, p. PA 14.

*will be asked to elucidate information on the EEO category will be much clearer.*²⁹

2.35 The Committee sought more information from the PSMPC on the status of the Continuous Record of Personnel (CRP) and proposed new data collection requirements of the PSMPC.³⁰

2.36 Mr Bewley informed the Committee that the CRP was being phased out by the Department of Finance and Administration as part of its move to a new payroll system:

*CRP data currently flows automatically through the pay system, and therefore agencies which choose to move off the pay system will no longer be able to provide CRP data. That, together with the fact that we recognise that there are deficiencies in CRP reporting, has put us in a position where we have identified options for the future. In brief, what we propose to do is to develop a new system that will draw data from agency [Human Resource] systems.*³¹

2.37 The Committee was later provided with information from the PSMPC regarding the data to be sought from agencies under the new PSMPC data reporting arrangements. The PSMPC signalled in that document that additional data would be required to meet whole-of-government reporting in relation to APS employment reforms and for reporting on EEO and workplace diversity.³²

Committee comments

2.38 The key objective of the EEO program is to ensure that the APS reflects the community it serves.

2.39 The audit report found that while many of the key targets of the EEO program had been met, there had been a wide variation in performance between agencies, and within agencies, over time.

29 *Transcript, 29 April 1998, p. PA 12.*

30 *Transcript, 29 April 1998, p. PA 13.*

31 *Transcript, 29 April 1998, p. PA 13.*

32 PSMPC, Exhibit No. 1, p. 2.

2.40 The Committee acknowledges the point made by the PSMPC, namely, that the 'targets' or quantitative indicators were not mandatory targets, nor intended to be applied to individual agencies.

2.41 However, the Committee agrees with the ANAO that some ambiguity has existed in relation to EEO targets and their application to individual agencies, and that greater clarity in performance and reporting requirements would enable both agencies and the PSMPC to effectively communicate performance to the Government and the Parliament.

2.42 The Committee notes the PSMPC's new initiatives in relation to under reporting of EEO data and defining and refining its data requirements.

2.43 The Committee considers it necessary for greater attention to be paid to the underlying data being collected, in order to provide a sound base line from which to measure performance.

Reporting to the Government and the Parliament

2.44 At the hearing, Mr McPhee, ANAO, stated that the EEO information presented to date had been limited in its scope and usefulness.

It has focused on representation levels and analysis of EEO groups. It has not facilitated the assessment of the performance of individual agencies. Nor has it considered the important element of agency performance over time which would allow an assessment of the extent to which the APS is continually improving or not, as the case may be.³³

2.45 Mr McPhee stressed that, at an aggregate level, monitoring and reporting should provide information that permitted the Government and the Parliament to judge the extent of equity in employment in the APS.

2.46 He also noted that while recognising that the provision of EEO status information was voluntary, the level

33 Transcript, 29 April 1998, p. PA 5.

of EEO status information missing on the central record and the variation in EEO information between the central record and some agency records was of concern with regard to the PSMPC's capacity to inform the Government and the Parliament on employment equity issues in the APS.³⁴

*It is a matter of priority to ensure that the information collected and reported can be relied upon to accurately reflect reality.*³⁵

2.47 The audit report acknowledged that performance differences between agencies could widen, given the likely devolution of responsibility for employment related matters to individual agencies. It was noted in the report that monitoring therefore became an important element in informing the Government and the Parliament of diversity representation levels in agencies.³⁶

Committee comments

2.48 The audit report drew attention to the fact that averages could mask individual performance and results could be skewed by the performance of the largest agencies.³⁷

2.49 It is necessary for both the Government and the Parliament to be informed of progress in achieving equity outcomes in the APS, especially in the light of changes taking place in the administration of the APS.

2.50 The Committee notes in this regard the changes provided for in the Public Service Bill and implemented by administrative arrangement, and the changes resulting from the *Workplace Relations Act 1996*.

2.51 The Committee appreciates the importance of being able to assess an agency's performance across all EEO groups over time. It is through transparency that accountability is achieved and best practice identified.

34 *Transcript, 29 April 1998*, pp. PA 4-5.

35 *Transcript, 29 April 1998*, p. PA 5.

36 *Audit Report No. 16, 1997-98*, p. xxii.

37 *Audit Report No. 16, 1997-98*, p. xxi.

2.52 The Committee supports the recommendations made by the ANAO to improve analysis and presentation of data to Parliament.

2.53 **Recommendation 1**

The Committee recommends that the PSMPC improve the design, accuracy, analysis and reporting of performance information on equity in the APS.

2.54 **Recommendation 2**

The Committee recommends that the PSMPC place particular emphasis on analysis of trends in its presentation of EEO and diversity management data.

Diversity management

2.55 At the public hearing, the Committee noted that the audit report had discussed the costs associated with poor management of diversity and where those costs were being reflected. Examples in the report put forward by the Committee were large true replacement costs, different and patchy productivity, increased absenteeism, reduced commitment and morale and damage to public image and business activity.

2.56 The Committee questioned the PSMPC on the costs associated with poor management and whether the cost issue was being addressed.³⁸

2.57 Mr Kennedy responded that:

... in the ideal world, we would not want to lose staff for any of these reasons. One of the reasons we have moved from a traditional approach of EEO plans and processes into workplace diversity is to try to capture the attention of agencies as to the benefits that come from an active approach to the productive use of diversity in the work force....

It is true that any poor management practices cost the taxpayer money and are to be avoided, but it is less easy to

38 Transcript, 29 April 1998, p. PA 6.

*know how you split the poor management practices and work out how to calculate the costs in a particular area.*³⁹

2.58 Ms Tim added that the main approach taken by the PSMPC was to encourage agencies to take much more responsibility for diversity management, to see it as a part of their broader human resource management and to link the latter much more strategically with their agency's business:

*... what we have seen previously ... is that agencies have seen EEO in some ways off to the side and separate to the business of the organisation. The approach we are taking is to encourage [agencies] to see the business imperatives of adopting a diversity approach. That includes agencies looking at the costs of not doing it right so they start to identify that there are costs involved in high turnovers.*⁴⁰

Committee comments

2.59 The audit report stated that one way to improve diversity management in the APS was for the PSMPC to ensure that information collection and dissemination on diversity management is improved:

*Ideally, the monitoring and reporting of diversity management in the APS will enable a judgment to be made on whether or not equity has been achieved.*⁴¹

2.60 The PSMPC's proposed role in the facilitation of diversity management is defined in the Public Service Bill.

2.61 While the PSMPC has acknowledged that a diverse range of skills and policy advice to Government is a necessary component of the APS both now and in the future, the Committee is aware that there remains a considerable challenge for the PSMPC in facilitating the development of agency diversity management programs and reporting on diversity management. The PSMPC will have to address much wider issues than it has in the past, such as agency work practices.

39 *Transcript, 29 April 1998, p. PA 7.*

40 *Transcript, 29 April 1998, pp. PA 7-8.*

41 *Audit Report No. 16, 1997-98, p. xxvi.*

2.62 The Committee regards workplace diversity as an important part of agency operations. It presents advantages for agencies in improving their performance, as well as being an important aspect of an equitable society.

2.63 The Committee considers it essential that agencies appreciate the usefulness of information relating to their own achievement in managing diversity.