

CHAPTER 3: DFAT SINCE THE MACHINERY OF GOVERNMENT CHANGES

3.1 The abolition of streaming in the context of the second tier wage agreement in 1987 and the machinery of government changes of the same year led to very large changes in DFAT's structure and operating systems. The wage agreement saw the end of separate employment streams which had maintained the former DFA as a closed shop with a highly segmented internal structure for about 30 years. The machinery of government changes brought together into DFAT the formerly separate Department of Foreign Affairs and Department of Trade and a former bureau, Promotion Australia, which had operated with a high degree of autonomy. It is now possible, five years after the changes, to draw some conclusions about their effect.

3.2 DFAT now appears to be a more open organisation than the former Department of Foreign Affairs with a staff of more diverse background and experience. While this might have advantages, it carries with it the risk that desirable specialisation in particular subject areas, countries or regions might suffer because of an excessive stress on the policy generalist in DFAT's culture. It appears that DFA in the past placed particular stress on the value of clever generalists in its policy areas. There is a risk that remnants of that attitude may have survived the incorporation of specialist trade policy and public affairs sub-units into the new Department to the detriment of those and other specialities, including the special demands of administration of overseas posts and of the overseas service generally.

Destreaming

3.3 Destreaming was described in the DFAT submission to this inquiry as "the most significant and far-reaching change we have made to our traditional staffing system" (Evidence, p. S50). The then Secretary to the Department, Richard Woolcott, told the Committee that the former system of functional employment streams had been replaced by "a system which emphasises the acquisition of a range of skills at each level - a system which is designed to give officers a wider career structure and the Department the flexibility it needs to carry it through the 1990s and beyond" (Evidence, p. 10). In effect, destreaming means that DFAT officers in some positions, especially overseas, can be expected to undertake a mix of the duties which were previously segregated into former specialist streams. They must also compete for vacancies with all other DFAT officers, regardless of their speciality as well as with suitably qualified outsiders. Mr Woolcott likened the change to a shift from a command to a mixed economy (Evidence, p. 9).

3.4 The disadvantages of streaming cited in the Department's submission to this inquiry were:

- . it was based on obsolete assumptions about technology and the affordability of specialisation of labour;
- . it stunted the management skills of senior officers;

- . it truncated the career paths of all officers except diplomats;
- . it restricted the flexible deployment of staff;
- . it placed too much emphasis on functions and not enough on skills (Evidence, pp. S50-51).

3.5 These adverse effects arose from two types of barriers which streaming imposed. The streaming system incorporated significant barriers to movement between job specialities within DFAT, particularly between administrative and diplomatic/policy work as well as barriers to the entry of qualified persons from outside DFAT to any type of work other than at the base level of any stream. In addition to these factors, officers employed in the Department had little incentive to seek experience in most types of employment outside the Department because streaming made DFA/DFAT a closed shop. Outside experience was of little or no value to career advancement within the Department.

3.6 The disadvantages of streaming had been recognised before 1987. As noted in Chapter 2, a tentative attempt at destreaming was made in the early 1970s. More determined efforts began after the appointment of Peter Henderson as Secretary to DFA in 1979. Mr Henderson told a conference in 1986:

I felt when I became Secretary that [the closed shop] was a state of affairs and an attitude of mind that could no longer be sustained. Accordingly, I set about getting it accepted within the Department that all vacancies should be advertised throughout the Public Service and that people within the Department would have to accept direct competition for promotion to those vacancies from people outside Foreign Affairs. I ran into strong resistance ... [but] my answer was that I wanted the positions filled by the best available people and I was confident that in the vast majority of cases those people would come from within Foreign Affairs from people who had the most relevant background experience, and that the fear that loyal Foreign Affairs staff would lose out to outsiders was not soundly based (Henderson 1986b, p. 32).

3.7 In the same speech, Mr Henderson noted that streaming had caused a "very real loss to the Department of talent and experience from the departure over the years of Consular and Administrative officers" who, he said, had seen promotion opportunities in departments other than Foreign Affairs. Mr Henderson expressed the hope that the process of drawing heads of mission from the consular and administrative stream, recently begun, would not be reversed (Henderson 1986b, p. 31). The weakening of strict barriers between employment streams in the 1980s was reflected in the Department's recruiting brochure. The 1982 edition stated 'entry to the Australian diplomatic service is as a Foreign Affairs Trainee'; the equivalent section in the 1986 edition read 'entry to the Australian diplomatic service *for most officers* is as a Foreign Affairs Trainee' (DFA 1982, 1986; emphasis added).

3.8 Far from being reversed, the process of change was consolidated and greatly reinforced by the adoption of destreaming in 1987 as part of an agreement between the Government and the trade union movement in the second tier wage agreement under the Accord. There now seems to be general agreement that it is irreversible.

3.9 The relative sizes of the respective streams prior to the change can be gauged from the 1985-86 DFA Annual Report which gave the following staffing statistics:

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|-----------------------------|------|
| SES/HOM/HOP | 163* |
| Diplomatic | 392 |
| Consular and Administrative | 962 |
| Keyboard | 428 |
| Technical | 125 |

* The great majority would have been drawn from the diplomatic stream.

The 1987 amalgamation added to the former DFA:

| | |
|---------------------|------|
| Department of Trade | 350 |
| Promotion Australia | 140. |

At about the same time, the barriers between streams were formally removed.

Barriers to internal movement

3.10 The extent to which the various barriers imposed by streaming have broken down is indicated by analysis of information on the career paths of DFAT officers contained in the Department's *Statement of Service: Appointments and Biographies* (DFAT 1992a). The Committee reviewed the career paths of 150 DFAT officers who were serving at the end of December 1991 in SES positions in Australia or overseas or in head in mission or post positions. Positions in the latter group attract SES-equivalent remuneration and conditions and the sample therefore was almost the whole of DFAT's senior staff. A report on the review is at Appendix IV.

3.11 The review showed that 12 of the 150 SES or equivalent officers (8%) had joined DFAT in the consular and administrative stream. Nine of the 12 were heading missions or posts overseas and three headed branches of DFAT in Canberra with management rather than policy responsibilities. Many of the heads of mission or post with a consular and administrative background headed what appeared to be relatively minor missions or posts but one held the quite senior position of High Commissioner in Malaysia. Five were in their second or third posting in charge of a mission or post.

3.12 It is also notable that 12 senior officers who entered DFAT from the former Department of Trade at the 1987 amalgamation had moved into overseas postings by December 1991. Such officers occupied 13% of the overseas SES or equivalent positions by that time. However, only five of these occupied head of mission or post positions with the remainder holding subordinate SES positions at larger posts.

3.13 The *Statement of Service* publication lists at least 55 cases where officers secured diplomatic or policy-oriented positions in DFA or DFAT at above base level. Nineteen of these (including the 12 SES or equivalent officers mentioned above) came from the former consular and administrative stream. Three other cases were noted in which officers from the former keyboard stream had moved to consular and administrative duties. DFAT told the Committee in February 1992 that there had been considerable movement between the former streams since destreaming including, to that time, 16 officers moving from diplomatic or trade policy areas to corporate management work, 31 moving from trade to foreign relations work and 14 officers with foreign relations backgrounds moving to trade policy work (Evidence, p. 41).

3.14 These statistics do appear to confirm a substantial breakdown of the internal barriers between employment streams. When the numbers of cross-stream movements are compared to the sizes of the original streams shown in paragraph 3.9, it might appear that there is scope for more movement but it would be wrong to underestimate the extent of the change that has taken place. The purpose of destreaming was not to ensure that every officer gained experience in every stream but, rather, to remove impediments to the entry to any stream of candidates of merit. A degree of specialisation would be expected to continue and a major theme of this Chapter is that it should. If DFAT's initial recruitment processes are effective, it would be expected that many officers who have joined the department to undertake work of a particular type would enjoy successful careers specialising in that type of work.

Barriers to recruitment from outside DFAT

3.15 The second type of barrier imposed by the streaming system was to the entry at above base level of qualified applicants from outside DFAT. Peter Henderson summarised the reactions of long-serving DFA officers when he began to break down the barriers to outside recruitment:

Why, officers asked me, should we who have been successful as young men and women in open competition for places within the Department and who have had long and difficult apprenticeships in some of the less engaging capitals of the world, have to run the risk now of seeing positions which we legitimately aspire to filled by promotion of public servants from other departments (Henderson 1986b, p. 32).

3.16 Despite these objections, it appears that the external barriers imposed by streaming, like those between the streams, have come down. Of the 150 SES or equivalent officers whose career paths were reviewed by the Committee, 97 (65%) had entered the Department as diplomatic trainees but 24 (16%) had been transferred from the former Department of Trade in the 1987 amalgamation, 17 (11%) had been recruited to DFAT at above base level (one of them to the consular and administrative stream), and one (1%) had entered the Department as a graduate clerk.

3.17 Of the 16 above-base recruits to policy or diplomatic work, three had been appointed directly to their current position heading a mission or post and four had been promoted or transferred to their current Canberra-based SES position from other

Commonwealth employment (one each from Treasury, the Department of Finance, the Department of the Prime Minister and Cabinet and the Prime Minister's staff). All these had entered the Department within the past few years. Two other lateral entrants were and have remained specialists (in ADP and historical documents). The remainder had been promoted or transferred to above-base foreign policy positions in DFA or DFAT and subsequently promoted to their present SES or equivalent position. Three of these were persons with a background in the Department of Defence or the Office of National Assessments and two were lawyers, initially appointed to legal specialist positions. Other sources of one appointee each were the Public Service Board and the Bureau of Meteorology.

3.18 Lateral recruitment to policy and diplomatic positions below SES or equivalent level is continuing and this could be expected to increase the diversity of experience in DFAT's senior ranks over time. There is still scope for such improvement. The Committee drew one indication of DFAT's relative insularity from comparison with the results of a survey it commissioned in an earlier inquiry into the development of the SES (SSCFPA 1990). As shown in Appendix IV, the DFAT average on this indicator of staff mobility is well below the APS average. A recent study by the Department of Finance, based on records in the public service Continuous Record of Personnel database maintained by that Department found that DFAT SES officers had the lowest average inter-agency mobility of 14 major departments or agencies reviewed in the study (Department of Finance 1992, pp. 12-16). The study showed that the average number of other agencies in which DFAT SES officers had served was below 0.5, compared to averages of between 1.5 and 2.0 for several major operational and central coordinating agencies. The only agencies in the survey with averages below 1.0 on this indicator were DFAT, the Australian Taxation Office, the Australian Bureau of Statistics, the Australian Customs Service the Department of Defence and the Attorney-General's Department.

3.19 The low average mobility indicated by the Committee's research and the Department of Finance study still overstates the true position because the average figures used do not allow for the higher-than-average mobility of former consular and administrative officers and cases in which former diplomatic trainees worked for a short period in a department other than DFA prior to their selection for diplomatic training. An indication of the impact of those factors is available from Appendix IV. Work experience in both these categories occurred many years ago and at a junior level. It therefore makes no significant contribution to diversity in DFAT's senior ranks and is not an indicator of openness in the recruitment system.

3.20 As against those qualifications, however, it should be noted that most specialised agencies probably have lower average mobility than the public service as a whole and that diplomatic service overseas has specialist aspects. It requires, in particular, candidates with aptitude for representational work and who are prepared to undertake regular rotation between Australia and various posts overseas. For this reason, DFAT might be expected to have lower levels of interdepartmental mobility than many public service departments. It is also likely that it will take some time for the flow of lateral recruits under DFAT's recent policy of increased openness to have its full effect on the average characteristics of the senior staffing group in the Department.

3.21 The closed-shop system clearly left DFAT with an SES group relatively lacking in experience of the wider public service but the increase in lateral recruitment in the 1980s could be expected to narrow the gap between DFAT and the public service average over time. The Department informed the Committee in this regard that in the 1991 bulk promotion exercise for middle ranking positions nine of 49 promotions to Senior Officer Grade B level (18%) were from outside the Department. It was not clear, however, whether the outside recruits were predominantly to administrative or policy positions and the Committee wished to establish how the increased mobility into the Department has affected each of the former streams.

3.22 DFAT told the Committee that separate selection rounds were held for Administrative Service Officer Class 6 positions in "foreign and trade relations" and "consular and corporate services" in 1990. In those rounds, one of 20 outside applicants for 23 "foreign and trade relations" positions was successful compared to 22 of 74 internal applicants who succeeded. Five of 43 external applicants for 21 "consular and corporate services" vacancies succeeded compared to 16 of 95 internal applicants. This might suggest that positions with primarily administrative duties have become more open to competition from outside than have policy positions. However, there is a balancing effect through the advertising of middle level policy positions separately as "specialist" vacancies.

3.23 Twenty-six "specialist" vacancies at Administrative Service Officer Class 6 and Senior Officer Grade C level (excluding technical specialities like computing and electronics, which have always been relatively open to outside recruitment) were filled during 1990. Fifteen of the "specialist" vacancies were filled by applicants from outside DFAT and 11 by promotions from within the Department (Evidence, p. S1253).

3.24 Overall, the staffing statistics strongly indicate that access to middle-ranking DFAT positions has become reasonably open to applicants from outside the Department. This is a welcome trend. There is no doubt that the old DFA closed shop had outlived any usefulness it may once have had and the Committee applauds the apparent increased openness of the Department to candidates of merit from outside its ranks.

3.25 Given the special nature of both diplomatic and administrative duties overseas and the nature of DFAT as a rotational foreign service, it is likely that DFAT will remain a comparatively insular part of the Australian Public Service. The organisation needs to be open to outside candidates of merit at all levels but it will probably remain the case that most officers will join DFAT at a relatively junior level and make their careers in the Department. For this reason, the initial recruitment decisions are especially important. DFAT, like DFA before it, has given very careful attention to its choice of graduate recruits but the criteria for selection have stressed generalist abilities. Destreaming and the departmental amalgamations have combined to create a requirement that more DFAT officers than in the past be capable of combining diplomatic, policy and management skills and a possibly conflicting requirement that more officers specialise in subject areas like trade policy. The Committee would expect these changes to be reflected in DFAT's recruitment practices. In particular, the graduate intake should reflect a trend to recruit more persons with skills, qualifications and experience in management and more subject matter or area specialists. The recruitment

of experienced managers and other specialists into DFAT at middle and senior levels which has become more common in recent years would also be expected to continue.

Employment experience outside DFAT

3.26 A further effect of streaming was to discourage DFA/DFAT officers from seeking experience outside the Department. There was no reason to seek such experience while candidates for the Department's senior echelon faced no real competition from outside. There are obvious advantages for a body with representational and policy development functions in developing and maintaining a broad base of experience in its senior ranks and the relative insularity of the former DFA was clearly undesirable.

3.27 Work experience outside the public sector could be expected to be particularly useful in DFAT because of the importance of trade policy. The *Statement of Service* data is not sufficient to draw strong conclusions about this aspect of the work experience of DFAT's senior officers prior to their joining the Department. However, given the pattern of recruitment of such officers, discussed in paragraphs 3.11 and 3.16, it is likely that few have had any opportunity for significant employment experience outside the public sector. DFAT is probably similar to most APS departments and agencies in that regard but DFA/DFAT, unlike many other departments, has sought to mitigate the problem through active participation in the public service interchange scheme with the private sector.

3.28 Peter Henderson, when Deputy Secretary in DFA in 1978, took part in the scheme and subsequently promoted it vigorously in the Department. Mr Henderson described his own motives for seeking an interchange as:

Like many people in Foreign Affairs, I felt I knew far too little about Australia itself, about what the country outside Canberra looked like, and how things looked to people in the big cities, and most particularly, how the private sector actually worked. ... I also had in the back of my mind that if ... I would in due course be sent overseas again to represent Australia as Head of Mission, I would be better equipped for the job the more I knew about Australia (Henderson 1986a, p. 129).

Mr Woolcott told the Committee that the Department continues to be active in seconding its officers to the private sector through the interchange scheme although it has had some difficulty in recent years arranging for secondments of private sector employees into the Department (Evidence, p. 41).

3.29 The Committee accepts that measures like the interchange scheme have much to offer DFAT and other APS departments. This would have been especially the case for DFAT prior to destreaming but the scheme retains particular value for officers who may be required to represent Australia overseas. The Committee urges DFAT to continue to seek opportunities to second its own officers to other organisations, regardless of any difficulties it may encounter in securing secondments of private sector employees to its own employ.

3.30 One area in which a significant proportion of DFAT's SES or equivalent officers have had experience is work in the offices of ministers or senior members of the Opposition. As shown in Appendix IV, the *Statement of Service* indicates that 19 of the 150 SES or equivalent officers whose records were reviewed (13%) had this type of experience. Such experience could be expected to have value in extending the experience base of DFAT's senior staff.

Destreaming summed up

3.31 In general, the Committee concluded that streaming had all the disadvantages cited by DFAT and repeated in paragraph 2.4 of this report. It also raised unjustifiable barriers to the entry of talented persons to the Department and discouraged DFA/DFAT officers from seeking appropriate experience outside the Department. It placed most of the public service support for foreign policy development in the hands of clever generalists trained for diplomacy. These factors probably aggravated many of the types of problems discussed in Chapter 2 and the legacy of streaming is still apparent in the experience patterns of the Department's senior staffing group. However, streaming also had some potential benefits, especially its cultivation, in the form of the consular and administrative stream, of a group of specialist managers of overseas assets and activities.

3.32 The changes to DFAT's culture and structure that have taken place under destreaming are of considerable magnitude. Their effect will clearly be felt more severely by some elements of DFAT's staff than by others. This issue is dealt with in the final section of this Chapter, where the Committee also returns to the specialist-generalist issue. However, the Committee acknowledges that DFAT has made substantial efforts to reap the potential benefits of destreaming and that the Department is aware of the potential disadvantages.

Amalgamations

3.33 In July 1987 the Government announced changes to the machinery of government which included the amalgamation of 27 public service departments into 17. As part of this change, a new Department of Foreign Affairs and Trade was formed out of the previously separate Department of Foreign Affairs, Department of Trade and Promotion Australia. The Prime Minister stated that the changes were intended to achieve administrative efficiencies and savings, better policy coordination and improved budget processes for the whole public service. They were also intended to enhance ministerial control of departments by moving to a two level ministerial structure. DFAT was cited in the Prime Minister's announcement as an example of the new ministerial structure in which there would be a portfolio minister as a member of cabinet and a more junior Minister for Trade Negotiations (Hawke 1987). Responsibility for trade promotion, as opposed to trade policy and negotiations was left with a statutory authority, the Australian Trade Commission (Austrade) which was placed initially in the Industry, Technology and Commerce Portfolio but moved in 1990 to the Foreign Affairs and Trade Portfolio.

3.34 As at 30 June 1992, DFAT comprised 10 divisions of which two, the Multilateral Trade Division and the Economic and Trade Development Division are largely

responsible for functions of the former Department of Trade and one, the Public Affairs Division, has incorporated in one of its branches much of the work of the former Promotion Australia (Evidence, p. 76). Many of the staff of these divisions joined DFAT with the 1987 amalgamation from the Department of Trade or Promotion Australia but other former Trade staff were also placed in amalgamated geographic area divisions in the new Department. DFAT told the Committee that there has since been considerable movement of staff amongst the elements of the Department deriving from the three former agencies (Evidence, pp. 40-41, 76).

Trade

3.35 The Department summed up its position on the Trade/Foreign Affairs amalgamation on the first page of its main submission:

In our view, the decision to create an amalgamated Department of Foreign Affairs and Trade was conceptually sound and operationally sensible. Notwithstanding past rivalries between the former Departments, amalgamation has worked well. The integration of foreign and trade policy work has extended far into the Department's structures. "Tribalism" may not be completely dead but it is fast fading as more and more officers cross traditional work boundaries. Indeed, of all the amalgamations which flowed from the machinery of government changes of July 1987, DFAT's has undoubtedly been among the most successful (Evidence, p. S16).

The Department suggested that there is a "simple logic and common sense" in linking foreign and trade policies (Evidence, p. S16).

3.36 The Committee's terms of reference do not extend to the question of the desirability of the amalgamation of the Foreign Affairs and Trade Departments. The amalgamation was a Government policy decision taken in the context of issues much wider than the management and operations of the Department of Foreign Affairs and Trade. It is, however, within the Committee's scope to comment on the apparent effects of the amalgamation and the evidence available to the Committee supports a generally favourable verdict. One issue the Committee had to consider was the risk that necessary specialisation in trade policy might be lost or unduly diluted as a result of the survival of DFA's stress on generalist abilities. A related issue for consideration was the possibility that diplomatic imperatives could be given undue weight relative to Australia's trade policy interests because of DFA's central concern with diplomacy.

3.37 It could be expected that any deficiencies in the development of trade policy would come to public attention, especially in evidence to inquiries like this one. In fact, there was little such criticism. Most of the evidence to the Committee on this issue was favourable to DFAT.

3.38 The Foreign Affairs and Trade Association (FATA), which has about 320 members employed in DFAT (Evidence, p. 122) commented in its written submission that the amalgamation was the "successful implementation of a good idea" and that:

The integration of trade and political work in the geographic divisions has given emphasis to these linkages in bilateral and regional relationships (Evidence, p. S495).

In oral evidence to the Committee the President of FATA reiterated the Association's view that "the great majority of officers" believed that the amalgamation had been a success (Evidence, p. 205).

3.39 However, the Association also commented:

there is a concern, especially among officers of the former Trade Department, that trade policy skills are still not valued sufficiently highly by DFAT. These same officers feel that dedicated trade policy skills at senior levels are eroding as officers either leave DFAT or seek to become 'multi-skilled' with a mix of trade, foreign policy and administrative experience (Evidence, p. S496).

FATA commended the coverage of trade-related issues in DFAT's in-house tertiary training courses but suggested that there should be more ad hoc training in trade work, particularly in the commercial/business aspects, for middle and senior ranking officers (Evidence, p. S496). The Association also sought a review of the structure of the two trade-oriented divisions after the conclusion of the Uruguay Round of GATT and greater rotation of staff through those divisions at that time (Evidence, pp. S496, 205).

3.40 The Public Sector Union, the main registered staff association with coverage of DFAT staff, did not raise the issue of the amalgamation in its written or oral evidence. However, the PSU's representatives, who were present during the oral evidence given by FATA's officers, expressed no disagreement with the FATA position.

3.41 The Committee presumed that if there was serious dissatisfaction with DFAT's performance of the trade policy role it would be reflected in evidence from the business community. In fact, the Committee received submissions from BHP, OTC, the Monash-ANZ Centre for International Briefing, the Confederation of Australian Industry, and the Australia-Indonesia Business Council, all of which were generally laudatory of DFAT. The only minor criticism, in the BHP submission, was subsequently modified by the company.

3.42 It appears that at least some of these submissions, along with numerous others from non-profit and community organisations, had been encouraged by DFAT. The Australian Journalists' Association tabled at a Committee hearing a copy of a DFAT internal minute noting that the first 29 submissions released by the Committee included only one from the business community and reporting that the Secretary to DFAT was pursuing submissions from "some heavy-hitters in the private sector such as BHP, CRA, WMC and TNT" (Evidence, p. 805). Although the Department seems to have had only modest success in any approach it may have made to the "heavy hitters", it is relevant to note that the Committee received no significant criticism of DFAT from the business community.

3.43 Professor Nancy Viviani, an academic who has published extensively on DFA/DFAT, has also supported the amalgamation, commenting in 1991:

An important change in departmental culture is taking place. In place of the rival cultures of elitism and pragmatism of the former departments, the process of trade officers working side by side with foreign officers and undertaking each others' functions at home and abroad has led to some cross-fertilisation of perspectives. Many foreign officers are now as committed to promoting commercial opportunities overseas as former trade officers, and the latter have been sensitised more to political issues. In this amalgamation, Harris sought synergy, the advantages said to be delivered by the mutual reinforcement of the pursuit of objectives. He may have achieved it (Viviani, 1992, p. 54).

3.44 The only strong criticism of the amalgamation to come before the Committee was in evidence from the DFAT Reform Group. The Group claimed in its submission:

The Trade and Foreign Affairs amalgamation is a failure. There is deep-seated, philosophical and operational friction between the two areas. Trade policy still has its own separate operational and policy divisions. At senior level it has its own Minister, Deputy Secretaries and First Assistant Secretaries. This separateness continues right down the line and includes financial controls, staffing selections, postings and policy considerations. The marriage remains unconsummated and unproductive. Both are ready to go their separate ways 'tomorrow' (Evidence, p. S960).

In its written submission the Group recommended that the political and economic aspects of foreign policy development be carried out by separate "policy think tanks" in different portfolios (Evidence, p. S972). However, in oral evidence to the Committee, a member of the Group, Alistair Gaisford, suggested instead that the amalgamation "should be completed" and criticised what he saw as tardiness on DFAT's part in moving officers from the former Trade Department into non-trade policy divisions (Evidence, p. 490).

3.45 Unlike the Reform Group, the Committee has no objection to the continuation of a trade specialisation in DFAT. Its interest, rather, is in the question of whether that specialisation might have been unduly weakened. Contrary to the apparent intent of its authors, the Committee took the DFAT Reform Group evidence as indicating that a strong trade specialisation continues in DFAT. Information on DFAT's structure and staffing profile was also reassuring in this regard.

3.46 Two aspects of the portfolio and departmental structure seem likely to maintain an appropriate amount of specialisation. The area in which trade specialisation is most required - the trade promotion field - remains organisationally separate from DFAT in Austrade with policy links between the two bodies. Within DFAT, two specialist trade policy divisions continue to exist with much of their staff drawn from the former Department of Trade and with the capacity to recruit staff with specialised backgrounds. Both factors should work to promote trade specialisation.

3.47 Changes in DFAT's staffing profile since the amalgamation are also likely to have strengthened the Department's capacity to deal with trade-related questions. As shown in Appendix IV, the amalgamation provided a substantial boost in the proportion of senior officers with tertiary qualifications in economics and related areas likely to be relevant to trade policy. It appears that such officers are currently concentrated in Canberra where the emphasis is on policy development work. The pattern of lateral recruitment to DFAT documented in Appendix IV reinforces the impression that DFAT has sought to build up trade-relevant expertise, showing that a significant proportion of lateral recruits, particularly in recent years, have had backgrounds relevant to trade policy.

3.48 Many of the direct entrants of earlier years came from the Defence Officer stream in the Department of Defence which matched the Foreign Affairs Officer structure in DFA, recruited graduates and dealt with work relevant to foreign policy. However, as far as a trend can be discerned in more recent lateral recruitment, it appears to favour recruits with a background in economics or commerce. Since the DFAT Reform Group's complaint about excessive use of one-off "specialist" recruitment referred in particular to the trade divisions, it also lends support to the view that specialisation in trade policy is continuing in the Department (Evidence, pp. S1375-6).

3.49 The proportion of SES officers in DFAT with experience and qualifications relevant to trade policy is probably sufficiently large to ensure that neither diplomatic imperatives nor any residue of the DFA preference for policy generalists could over-ride national trade interests. Any failure in this direction would be more the responsibility of the Government than of public servants in DFAT and the existence of a Minister for Trade could be expected to further reduce the risk.

3.50 The Committee received no credible evidence that the amalgamation of the former Trade and Foreign Affairs departments has been other than a success. However, the Committee would be concerned if the amalgamation were to lead eventually to the loss or dilution of expertise relevant to specialist areas. It believes that it would be sensible for the Department to guard against that by taking up the suggestions of the Foreign Affairs and Trade Association to promote the trade relevant skills and sensitivity to trade issues of those of its officers not formerly employed in the Department of Trade. DFAT might wish to give priority to the trade divisions in setting its program of Divisional Liaison Visits. The Committee notes, however, that it is also important that DFAT officers specialising in trade matters should be sensitive to the broader policy implications of their work. The Committee would not wish to be understood as giving trade issues absolute priority in foreign policy.

Promotion Australia

3.51 Generalist-specialist tensions were also raised with the Committee in relation to the amalgamation of the former Promotion Australia into DFAT. Promotion Australia had been a specialist public affairs unit, employing mainly journalists, which had existed in one form or another since 1939, generally with a high degree of organisational autonomy. The functions that Promotion Australia brought to DFAT in 1987 had been carried out in a variety of portfolios other than Foreign Affairs under organisational titles

which included Australian News and Information Bureau and Australian Information Service. Promotion Australia, as it became known in 1985, had been assigned specific objectives involving the promotion of Australia's image and policies and general knowledge of Australia overseas (Evidence, pp. S442-3).

3.52 After the 1987 amalgamation, the core functions of the former Promotion Australia settled in the Overseas Information Branch (OIB) of DFAT (Evidence, pp. S442-43). The Branch initially was headed by a former officer of Promotion Australia and then by a former DFA officer who had worked as a journalist. That officer was succeeded early in 1991 by a career diplomat from DFA with no experience as a journalist (Evidence, pp. 307, 309-10). It was obvious to the Committee from an early stage in the inquiry that there were serious tensions between the specialist staff of the Branch and DFAT management.

3.53 The Committee received several written submissions and heard oral evidence from the Media, Entertainment and Arts Alliance (MEAA) objecting to DFAT's management of the public affairs function. The MEAA incorporates the former Australian Journalists' Association. DFAT responded to the MEAA's evidence at length and also told the Committee that the Public Affairs Division of the Department, of which OIB is a component, was currently undergoing a major internal evaluation of the type which DFAT calls a divisional liaison visit.

3.54 The MEAA raised three main complaints:

- . the public affairs component of Australia's diplomacy has suffered through undue allocation of priority to publicising DFAT's activities within Australia, through excessive staff cuts in OIB and through a shift in the focus of public diplomacy to cultural relations activities (Evidence, p. S424);
- . DFAT has downgraded the value and contribution of public affairs specialists and over-estimates the capacity of generalists to do their jobs (Evidence, p. S424);
- . public affairs officers are unable readily to transfer into generalist diplomatic and policy streams at an appropriate level of status and salary (Evidence, pp. 248-9).

3.55 The first and second of these were the MEAA's main concerns and it argued that DFAT should declare its unequivocal commitment to the philosophy of a specialist overseas public affairs/public diplomacy unit, clarify OIB's role, goals and responsibilities, return to the Branch a central coordinating role in Australia's international public affairs programs and retain within OIB sufficient resources for these functions. The Association suggested that if DFAT failed to take such steps, the Committee should recommend that OIB be moved to another portfolio and reconstituted as an independent specialist agency. The United States Information Service was suggested as an appropriate model for such an agency (Evidence, pp. S422-3).

3.56 The Department rejected all the MEAA's complaints, arguing that OIB's resources had not been cut inappropriately, that any change of focus to domestic publicity and cultural relations was justified, that much of DFAT's public affairs work could be and had to be done by non-specialists and that many Public Affairs Officers (the public service designation for the specialist officers of OIB) had welcomed the broader career opportunities offered by the amalgamation. The Department informed the Committee that the Public Affairs Branch, of which OIB is a component, was undergoing a major internal evaluation of the type that DFAT calls a Divisional Liaison Visit (DLV) (Evidence, p. S66).

3.57 At a late stage in the inquiry, a DFAT review team operating as part of the DLV reported on its preliminary assessment of OIB. The report, which has not been publicly released but a copy of which was supplied to the Committee by the MEAA, summarised the review team's main concerns as:

The Overseas Information Branch does not operate in a favourable environment. Too many managers in the department do not value its role and that of public diplomacy in general. The expertise of Public Affairs Officers is extensively used while notionally devalued. Clients in general value the skills of Public Affairs Officers, although mostly as one element in a mix of skills.

Different groups of clients judged the effectiveness of the Overseas Information Branch differently. But the group that placed the most importance on public affairs - heads of overseas missions - was most critical of the branch's performance. Departmental clients and external clients were less critical. The handling of visits and special events was generally praised. *Effectiveness, not efficiency is the problem: the branch is not supplying what its clients want.*

The Overseas Information Branch works for too many clients. It does not appreciate the importance of overseas posts as represented by heads of mission. *The branch needs to find out what its main clients want and to supply their needs.* It must improve its coordination with posts and with policy areas in the Department. Above all it needs to concentrate on producing the targeted material they require at the expense of general and less useful material.

The Overseas Information Branch needs reorientation and restructuring to work better. It does not have a clear understanding of its role in the department. It believes that it should select Government and departmental objectives as part of its general promotion overseas of Australia. It concentrates on wide rather than influential audiences (DFAT 1992d, p. 1, emphasis added).

3.58 The emphasised sections in the extract above raise a fundamental issue. In defining OIB's clients as heads of mission and policy branches, the review team has directed attention away from the need for the Branch, and indeed the whole Department,

to be responsive to Government. There is in fact agreement in both the review team report and in a response to it from the staff of OIB, that the Government has not set clear objectives for the Branch. Lacking such direction, it appears that OIB has attempted to continue the general promotion function that had been explicitly assigned to Promotion Australia under its various titles, while DFAT management and posts have expected the Branch to fulfil a different role.

3.59 The review team, having adopted the DFAT view of the overseas publicity role, recommended:

- . the cessation of publication of two of the general publications currently prepared within OIB;
- . the relocation of most specialised activities of the Branch to other Divisions; and
- . the formation of public affairs units in each of the DFAT's policy divisions, with the interesting exception that it is proposed that the two trade-oriented divisions share a unit.

The team also recommended that information and cultural relations positions at posts and state offices be reviewed as they fall vacant to decide whether they should be filled by Public Affairs Officers or by generalists.

3.60 A response to the review team's report from OIB staff, prepared for DFAT management but also released to the Committee by the MEAA, strongly criticised the methodology of the review but accepted that there had been confusion about OIB's role. The staff urged that the Branch be given "clear and unambiguous objectives" and suggested that the objectives be directed towards the implementation of "regional and country specific public affairs strategies in direct consultation with posts and divisions" (MEAA 1992, p. 6.). The staff position was that other functions of the Branch could be moved elsewhere in DFAT and that final decisions on the cessation of the Branch's general publications should be left until full and open surveys of all posts had been undertaken and evaluated (MEAA 1992, p. 6.). The staff were strongly opposed to the recommendation that Public Affairs Officer positions at posts and in state offices be reviewed on a case by case basis, predicting that this would lead to decisions being made "according to the vagaries of incumbent HOMs rather than on a long-term strategic basis" (MEAA 1992, p. 9). The OIB staff suggested instead that the positions be reviewed on a global basis by a team including MEAA representatives (MEAA 1992, p. 7).

3.61 DFAT informed the Committee that the review team's report was a preliminary draft and that the team was now working on a final draft. This in turn was to be followed by consultation between management and unions and a report to the Ministers for Finance, Foreign Affairs and Trade, and Trade and Overseas Development (DFAT letter to Committee dated 3.12.92).

3.62 The threshold question for the Government to consider when it decides on the future of OIB is the extent to which Australia needs overseas public relations activity. If

there is a significant need for such activity, it is likely to be more effectively carried out by specialists than by generalists, or at least by specialists working with the officers who have responsibility for the relevant areas of policy.

3.63 The Committee shares the MEAA's concern that the opinions of heads of mission and senior officers in DFAT's policy divisions may have been given too heavy a weighting in the review team's assessment. The team's report concedes that "the branch does not operate in a favourable environment - public affairs is not understood or highly regarded, and the branch itself is belittled" (DFAT 1992d, p. 20). Commenting on a recent experiment in co-locating OIB Public Affairs Officers (PAOs) in policy divisions in Canberra, the team reported that "the divisions that make best use of the co-located Public Affairs Officer want journalistic rather than specialist skills" (DFAT 1992d, p. 18). However, "only two divisions heads make full use of their co-located PAOs" (DFAT 1992d, p. 15). The team noted that, in one division, the branch heads had decided not to invite the co-located PAO to their branch meetings and that "there seems to have been some resistance in this division to the involvement of the PAO" (DFAT 1992d, p. 15). This example provides some support for an impression gained by the Committee that the relationship between former OIB journalists and the rest of the Department displayed a significant degree of mutual jealousy and disdain.

3.64 The Committee is concerned that officers in senior positions who have not made good use of a specialised resource may not be the best judges of its value. The fact that the divisions assessed as having made the best use of specialist PAOs wanted to retain specialisation adds to the concern on this issue. The review team relied to a significant degree on the opinions of senior DFAT officers drawn from generalist areas of the former DFA. The risk cannot be discounted that the opinions of the "clients" surveyed by the team were excessively biased in favour of the generalist approach. The obvious ill-feeling between OIB and other areas of the Department since 1987 is an additional possible source of bias.

3.65 The Committee had no basis on which to judge the effectiveness of OIB or the necessity for the general overseas promotion task that it carries out. It believes, however, that if there is a significant requirement for overseas public relations activity, DFAT should use public relations specialists for the task. The Committee believes also that if any specialist public relations capacity is to be retained in DFAT it would best be maintained and managed in a specialist branch. It further believes that such a branch should generally be headed by a specialist. If OIB is retained, a general practice of staffing the branch head position with a person with relevant specialist skills should help to maintain professional standards. There is now provision in the Public Service Act for the appointment of specialists to the Senior Executive Service (SES) and that provision could be used to open up competition for the OIB branch head position to journalists and public affairs specialists from outside DFAT or from outside the public service.

3.66 The alternative proposed by the review team - the dispersal of specialists across an organisation with a strong generalist culture - is likely to weaken their professional impact. The review team's proposed solution to that consequence - the recruitment of persons with public affairs skills as part of the annual Graduate Administrative Assistant intake (DFAT 1992d, p. 19) - is not likely to have much effect in the short term, if at all.

The Committee therefore recommends that, if the Government decides to retain a specialist public relations capacity within DFAT, it should do so in such a way as to maintain a viable core of specialisation within a single branch. The Committee further recommends that the branch be given clear and unambiguous objectives related to the undertaking of specific public relations campaigns and activities.

Generalists and specialists

3.67 The generalist-specialist balance is a difficult area in a broader sense than its application to trade policy and public affairs work. DFA/DFAT has traditionally stressed generalist skills in its recruitment for the diplomatic and policy stream. A generalist culture has been reflected in the Department's posting patterns which often do not appear to have been designed to build specialist knowledge in the affairs of any region or policy area. A former Secretary to DFA, Dr Alan Renouf, was reported earlier this year as commenting that the Department needed "good generalists" and that applicants should not be employed merely because of their skills in one speciality or language. People fluent in Japanese, Dr Renouf was reported as saying, "might find themselves on a permanent loop between Tokyo and Canberra" (Leech, 1992).

3.68 Dr Renouf apparently meant the last comment as an argument against specialisation. However, the Committee saw nothing to be alarmed at and, indeed, considerable merit in the idea that some officers might be on a permanent loop between Canberra and the capital of a country of great significance in Australia's foreign relations. This would seem to offer the possibility of building up specialist expertise, an institutional memory and the intangible asset of long-standing contacts with persons of relevance to the international relationship.

3.69 There are four principal arguments against too great a degree of specialisation of this type. One is that a small diplomatic service cannot carry many specialists without disrupting the pattern of staff rotation necessary to the efficient operation of the service. The second is that national priorities can change during the long period necessarily involved in developing specialist expertise. The third argument is that specialisation in the affairs of one country or region carries with it a risk that the specialist will develop too strong an attachment to the interests of the country or region of specialisation, relative to Australia's interests. The fourth argument is that the practice of diplomacy is itself a speciality and diplomats practice their craft in much the same way in any country or in relation to any policy area. None of these arguments supports the exclusion of geographic or subject matter specialists from DFAT's policy and diplomatic positions. Individually and collectively they imply that there needs to be a balance between specialists and generalists. The Committee's concern is that too strong a generalist culture in DFAT could tip the balance away from desirable and necessary levels of specialisation.

3.70 In earlier sections of this Chapter the Committee developed arguments about the importance of maintaining trade and public affairs specialisations within DFAT. These are distinct and obviously important areas in which it is relatively easy to build and maintain pools of expertise. Similar arguments apply for maintaining a degree of specialisation in the affairs of particular countries and regions and in particular subject areas but the boundaries of these areas are less easily defined and less easily ranked in

relative importance. The need for some specialisation in many of them should not be underestimated for those reasons.

3.71 The Committee believes that an important potential benefit of the 1987 changes was the opportunity it provided to break down what was probably an excessive attachment to the ideal of the policy generalist in DFA's culture. It is not clear whether that potential has been fully realised in DFAT and the Committee can only stress its continued importance. As noted in the next section, DFAT has not allowed the interests of members of the former consular and administrative stream to obstruct the movement to destreaming. The interests of generalist diplomats similarly should not be placed ahead of the need for a degree of policy specialisation in the Department.

3.72 The Committee believes that the Department should take all reasonable steps to foster and develop appropriate levels of specialisation in all high priority areas of its activities. For that reason, it applauds DFAT's practice of filling a significant number of policy vacancies through one-off "specialist" advertisements. It also notes with approval the Department's recent decision to reserve one SES position for full-time training in an Asian language. Measures like these, together with the maintenance of specialist branches and divisions within DFAT, should go a considerable way towards developing a proper place for the specialist in DFAT's culture.

Winners and losers

3.73 The changes of the 1980s clearly had significant impact on DFAT. It would be too much to expect that changes of that magnitude would not bring with them some problems. It seemed to the Committee that particular problems arising in DFAT since 1987 related to the effects on some officers of the elimination of streams for which they were particularly qualified and the problems faced by officers in planning their careers.

3.74 The Department's evidence acknowledged, as did several other submissions, that the abolition of streaming was an uncomfortable experience for many officers. DFAT, as a responsible employer, would be expected to minimise this discomfort. A particular problem for some DFAT officers arising from destreaming is that its effects appear to have fallen with disproportionate weight on some members of the non-diplomatic streams. While every clerk or typist is now free to compete for diplomatic positions, the converse is also true. Many overseas positions once reserved for consular and administrative officers are now designated as "mixed duties" and diplomats have entered the competition for them. Similarly senior administrative positions in Canberra, once largely the preserve of consular and administrative staff, are also more open to officers from the diplomatic and policy areas. Since these officers are well educated and experienced in the Department, they represent formidable competition. At the same time, cost pressures have led to DFAT using locally engaged rather than Australia-based staff for administrative duties overseas wherever possible.

3.75 Consular and administrative officers, who once had a predictable career path, with an admittedly low ceiling in most cases, now face significant competition from diplomats and from officers in other public service departments for a shrinking pool of the jobs in which they have specialised. While there have been some notable success

stories of officers with a consular and administrative background moving into policy and diplomatic work, many officers recruited to the non-diplomatic streams have probably found that destreaming has narrowed their opportunities. While some may have seen the change as a challenge, others would be justified in seeing it as a threat.

3.76 Changes in communications and computer technology also represent a threat to other support staff such as typists and communicators. Among other results of these changes has been a trend for many officers to be trained, equipped and expected to themselves undertake the majority of their own keyboard work. Members of the former keyboard stream, like the former consular and administrative officers, now face strong competition for a shrinking pool of jobs.

3.77 The problem for members of all the former streams other than the diplomatic/policy speciality is that they must make a proportionally greater investment in multiskilling to be competitive for mixed duties positions than do officers from the diplomatic/policy stream. It is understandable that some of the former should form the perception that destreaming has unduly favoured diplomats and policy advisers. The extent of the concern felt by some officers was brought home to the Committee through discussions by its Chair with officers at several Australian missions overseas in mid-1992 and by contact between other Committee members and various DFAT officers.

3.78 At least some of the change should be seen as part of a phenomenon experienced throughout the Australian workforce. Opportunities for employment in traditional clerical and middle management occupations have been reduced in many organisations in recent years. The Deputy Secretary of DFAT told the Committee:

the potential loss of jobs amongst A-based support staff, particularly overseas, is a general phenomenon across the public service as we try and reduce our corporate services costs (Evidence, p. 839).

3.79 DFAT has, through the development of an in-house tertiary training system, made some effort to assist its staff to adjust to the change. And the magnitude of the change should not be exaggerated. In DFAT, unlike some other areas of public employment facing structural change, there have been relatively few voluntary retrenchments and no compulsory retrenchments as a result of destreaming and (Evidence, p. 841).

3.80 The Committee heard no argument for a reversion to streaming. The Foreign Affairs and Trade Association, whose predecessor voted decisively against "re-integration" in 1973, described destreaming as "essential to the effectiveness of DFAT in the 1990s" (Evidence, p. S507). The argument before the Committee was over the effectiveness, pace and extent of destreaming. In the end, the Committee could not justify any conclusion other than that DFAT has handled a difficult process as well as could be expected. However, it urges the Department to take all reasonable steps to minimise the disadvantages of the process to particular groups of its officers.

3.81 A related issue is career planning. The Committee was told that a particular source of staff discomfort with "destreaming" was uncertainty over the mix of skills and

experience that will be most valued by the Department in future years. The Foreign Affairs and Trade Association, for example, commented "much of the worry that officers have with their careers at the moment arises from the uncertainty of what the Department expects of them" (Evidence, p. S506). The change that DFAT described as "a move from a command to a mixed economy" has confronted individuals with a menu of career choices which were previously made for them by the Department.

3.82 The Association acknowledged that a balance will always be needed between officers setting their own career patterns and the Department's needs (Evidence, p. S509) and the Committee accepts this. The Committee believes, however, that the Department has an obligation to plan its activities so as to minimise the impact on its long-serving staff of changes that are necessary and desirable in the national interest. An element of career planning would also help to give proper weight to the need for specialisation in a range of areas. The actual balance that will emerge from the current system will be influenced by measures the Department takes to influence the decisions taken by officers on their own career development and by the influence on officers of the general culture of DFAT. There is scope for DFAT to remain involved in the career planning of its officers to an extent greater than that required in most domestic departments.