

Chapter 2

Recent trends and issues in APS recruitment

2.1 This chapter begins with a historical sketch of how APS recruitment has changed over the last two decades. It then sets out some of the main trends in Australian Public Service (APS) recruitment. This includes a brief overview of engagements to the APS, and a survey of some of the key features and trends in the area of recruitment: the ageing of the workforce, the use of non-ongoing as well as ongoing appointments, the shift toward a more highly skilled workforce, and the changes in patterns of retention.

2.2 Having outlined these major trends that have changed the face of the APS, the chapter then turns to what are regarded as the main policy issues that might be addressed to deal with APS recruitment issues in general. The chapter also provides the background for a more detailed analysis, in Chapters 3 to 5, of several major issues confronting the APS (namely the recruitment of young people, indigenous people and graduates).

History of changes to APS recruitment

2.3 Many changes that underpinned the reforms of the 1980s and 1990s had their genesis in the Royal Commission on Australian Government Administration, known as the Coombs Commission, which reported in 1976.¹ Prior to the changes, base level and graduate level recruitment was centralised and administered, in the first instance, by the Public Service Board (PSB). Subsequent to the abolition of the PSB in 1987, the conduct of recruitment became the responsibility of the then Department of Employment, Education, Training and Youth Affairs (DEETYA), while the Public Service Commission held responsibility for recruitment matters.

2.4 It was mandatory for departments to draw their base grade recruits and graduates from the centralised recruitment service until 1990, when the then Public Service Commission (PSC) introduced a provision enabling agencies to seek the approval of the Public Service Commissioner to undertake their own recruitment. The Clerical Assistant and Clerical Selections Tests were replaced by a single selection test to fill base level vacancies (Administrative Service Officer 1).

2.5 An aptitude test, the Public Sector Recruitment Test, and a biodata questionnaire (the Public Sector Recruitment Questionnaire) were introduced by the PSC in 1996. Together, these examined ten competencies identified as necessary for staff in the APS1–4 group.

1 Royal Commission on Australian Government Administration, Report, AGPS, Canberra, 1976

2.6 By the mid-nineties reform of the APS was well underway, and with it an overhaul of its human resource management arrangements. In 1995 the Management Advisory Board (MAB) report, *Achieving Cost Effective Personnel Services in the APS*, highlighted inefficiencies in public service recruitment practices and the need to reform recruitment arrangements. The report found that the average cost of recruiting an employee to survey participants was three times that of ‘best practice’. Further, it took 96 days to fill a position — three times that of best practice, with only 55 per cent selected for a long term vacancy staying in the job after six months, compared to 96 per cent in best practice.²

2.7 In June 1996 the *National Commission of Audit: Report to Commonwealth Government* argued that ‘the existing highly centralised and inflexible public service employment provisions did not meet the diverse needs of a modern public sector and represented a significant impediment to efficient program delivery.’ Key recommendations related to:

- re-engineering public sector business and contracting out functions where this was cost effective;
- confining legislation covering the public sector to the core fundamental principles and values underlying the operation of the public sector; and
- allowing employment conditions, including remuneration, to be set by individual agencies and subject to the same industrial relations processes applying in the community more generally.

2.8 The report also found that the cost of recruitment and selection (as well as management of attendance, payment of allowances, performance management and management of part-time work) was much higher in the APS than for private sector best practice. From a management perspective, arrangements for recruiting employees were seen as too process driven. It led to a series of reforms relating to financial management and reporting, employment and workplace relations and a focus on core business and client services.

2.9 In 1998 agencies were given the choice as to whether or not they wished to use the centralised recruitment service provided by Recruitment Services Australia (RSA). At the same time, as a result of administrative reforms, there was a change in advertising policy which opened up APS employment to the wider community.

2.10 Following a major overhaul of the legislation, the *Public Service Act 1999* (PS Act) came into effect on 5 December 1999. Its main objective was to remove much of the detail and prescription from the legislation and to provide a legal framework for APS employment that achieved a maximum balance between improved accountability

2 *Achieving Cost Effective Personnel Services*, Joint Publication of the Management Advisory Board and its Management Improvement Advisory Committee, Number 18, November 1995

and devolved responsibilities, so as to maximise the efficiency and effectiveness of the APS.³

2.11 Dr David Kemp, the then Minister assisting the Prime Minister for the Public Service, in an address to mark the commencement of the Act explained that:

Agencies will need to understand that removal of this prescription has also removed the detailed underpinning of the employment framework that was part and parcel of the old centralised approach. They should be aware that, where some of those detailed provisions have been removed, they will need to be replaced with agency-specific arrangements or the provisions will no longer operate...

It is the Government's expectation that agencies will develop flexible, innovative and creative local arrangements within the new framework.⁴

2.12 A key change was the devolution of recruitment which became the responsibility of each agency head. Section 20 (1) of the Act states:

An Agency Head, on behalf of the Commonwealth, has all the rights, duties and powers of an employer in respect of APS employees in the Agency.

2.13 As will be seen, the impact of devolution on both recruitment and training is a recurring theme in the Committee's report.

Trends in recruitment

2.14 The Committee notes that trends in recruitment reflect the impact of the broad changes affecting public sectors internationally. In particular, key issues affecting recruitment in the APS include:

- The need for more highly skilled personnel.
- The convergence of the public and private sectors. This involves the erosion of the concept of a 'career service', potentially reduced levels of corporate knowledge and skills and the consequences for the APS in terms of its future role.
- The changing expectations and attitudes of young people leading to lower recruitment and retention rates for young people in the APS. According to one witness:

...some of the reasons why people do not join or why people leave are not only specific to the Australian Public Service; the private sector is also experiencing difficulties in retaining youth and meeting some of the

3 APSC, Submission No. 15, pp.52-54

4 Dr David Kemp, Minister Assisting the Prime Minister for the Public Service, Press Release, 2 December 1999, p.7

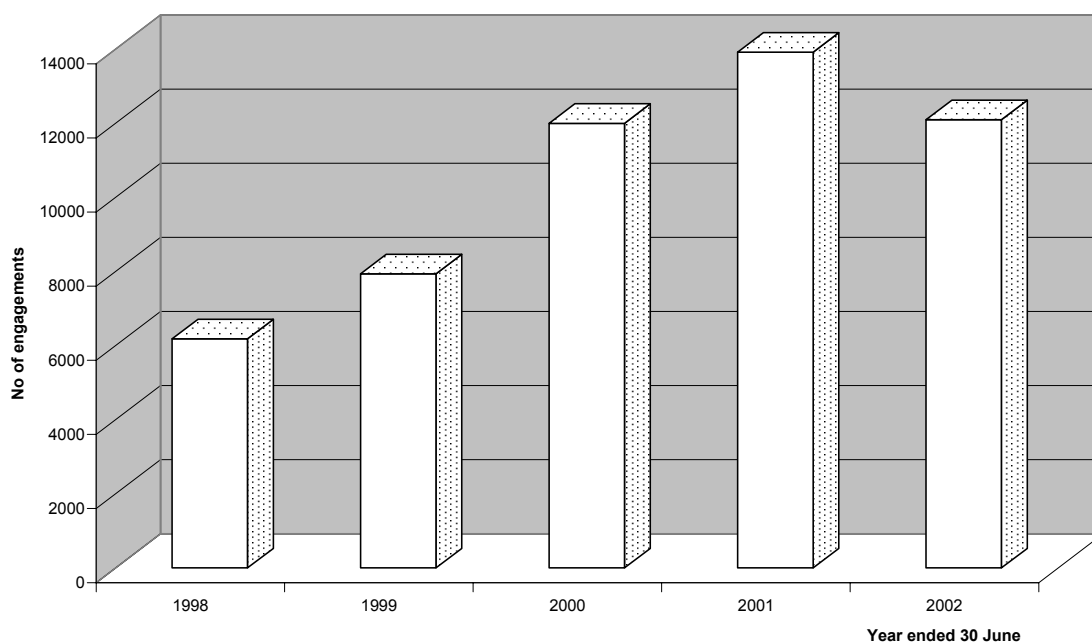
expectations and ambitions of youth. Partly, it is a balancing of expectations versus reality.⁵

2.15 This section begins with an overview of data on engagements to the APS, and then turns to the key trends that underlie the changing patterns of APS recruitment and retention.

Engagements

2.16 The number of engagements to the APS of ongoing staff in 2001-2002 decreased by 13 per cent from 13,916 to 12,093 (see Figure 1). This represents a return to levels similar to that experienced in 1999-2000 but is considerably higher than 1997-98 and 1998-99. The peak recruitment experienced in the previous year was partially attributable to increased recruitment activity by the Australian Taxation Office (ATO) associated with the introduction of the Goods and Services Tax (GST).⁶

*Figure 1: Total Engagements of Ongoing Staff to the APS 1997-98 to 2001-02*⁷



2.17 The Department of Defence recorded the highest number of engagements at 2,611 in 2001-2002 (or 22 per cent of ongoing staff). This represents an increase of 37 per cent from the previous year and is attributable to the increased national security demands facing Defence. Engagements also rose significantly in the Department of Agriculture, Fisheries and Forestry (AFFA), especially in the Australian Quarantine and Inspection Service (AQIS), and in the Australian Customs Service (ACS),

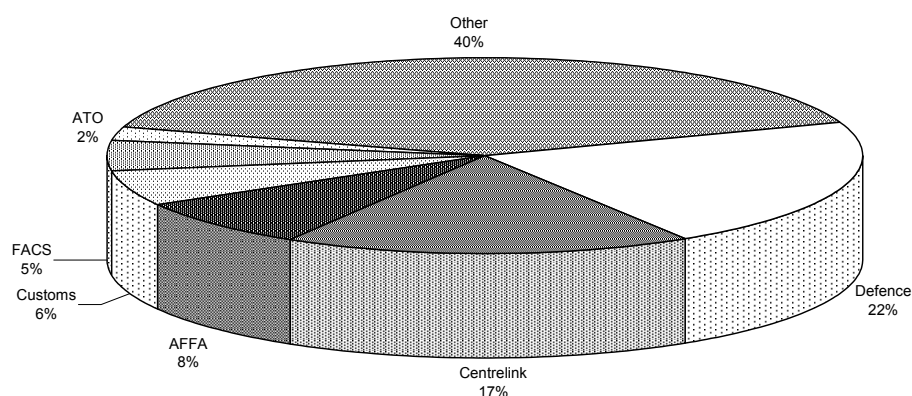
5 Mr M McArthur, RCSA, Committee Hansard, 27 September 2002, p.175

6 *Australian Public Service Statistical Bulletin 2001-02*, APS Commission, p.8

7 *ibid*, p.50

accounting for a further 8 per cent and 6 per cent of engagements respectively.⁸ On the other hand, engagements by Centrelink decreased by 1,133 to 2,114 in 2001-2002, representing 17 per cent of ongoing staff engagements during the year (see Figure 2).

*Figure 2: Percentage of Total Engagements by Agency 30 June 2001 to 30 June 2002*⁹



2.18 Appointments of lower classifications (that is, APS1 to APS5) have fallen over the past five years. The only notable exception in these categories concerns the APS4 classification, which increased from 10 per cent of all engagements in 1997-1998 to 28 per cent in 2001-2002.¹⁰

2.19 In 1997-1998, 76 per cent of all engagements across the APS were at or below the APS 4 level. This had fallen to 69 per cent in 2001-2002.

2.20 The move towards recruitment at a higher classification level continues a long term trend. In 1985-86, nearly 70 per cent of new entrants were engaged at base grade classifications equivalent to the current APS1, while only 2.3 per cent of recruits entered the APS at levels above the equivalent of APS6.¹¹

2.21 The change in agency classification profiles and, consequently, the number of recruits entering the APS at different classification levels is further discussed in the next two chapters in relation to both recruitment of young people and graduates.

8 *ibid*, p.8

9 *ibid*, pp.50-51

10 *ibid*, p.49

11 *ibid*, p.60

Changing recruitment methods

2.22 Recent research by the APS Commission suggests that human resources reforms have been successful in rendering APS recruitment processes more efficient. In 2000, according to the report *Building Corporate Capacity: the APS in Transition*, the average time to fill positions in the APS was 67.7 days. This was lower than for other public sector employers and 25 per cent lower than that found in the 1995 MAB study. Nonetheless, it remained about 20 calendar days higher than the All Industry median, although this was affected by a very low result from a small number of private sector organizations.¹²

2.23 The traditional recruitment approach screens applicants based on written applications, comments by referees and the interview process. Alternative approaches include dispensing with the interview process or use of an assessment centre. The assessment centre concept generally involves ‘a series of simulated exercises designed to gauge the performance of candidates in work situations’.¹³

2.24 For State of the Service reporting purposes, agencies are asked to report any changes to their selection processes during the previous two years. A quarter of APS agencies advised that in 2000-2001 they had made no changes, some stating that they had no agency-wide preferred or mandated approaches. Of the remainder, 15 per cent said that for some, if not most, non-SES selection processes, the interview process was no longer used. About 15 per cent of agencies reported that they had used assessment centres.¹⁴

Convergence of public and private sectors

2.25 As discussed in Chapter 1, the ability to recruit and retain high performing staff with the right skills provides an ongoing challenge for APS managers, particularly ‘as the distinction between the public and private sectors becomes less well-defined as public services are outsourced to the private sector and the public sector increasingly adopts private sector practices’.¹⁵

2.26 The fact that the APS is now in direct competition with the private sector for labour means that it needs to recruit and retain ‘people with different or enhanced skills sets to those traditionally associated with public administration’.¹⁶ The Institute of Engineers Australia, for example, claimed that lateral recruitment might be a means

12 *Building Corporate Capability: the APS in Transition*, 2000, PSMPC, p.37

13 APSC, Submission no. 15, p.26

14 *State of the Service Report 2000-01*, PSMPC, pp.64-65, 174

15 ANAO, Submission no. 25, p.1

16 *ibid*, p.2

of obtaining the required staff for some areas, for example, technology areas, provided remuneration in the APS was at the market rate.¹⁷

2.27 Griffith University told the Committee that the Australian School of Government (now ANZSOG) emphasises the importance of knowledge and skills associated with the delivery of public services for both public and private sector employees. It highlighted the move to portable skills and knowledge that would allow employees the flexibility to move between jobs within and across sectors:

This may become increasingly important as more flexible modes of employment brings the likelihood that people will transfer between sectors. There is a need for courses that can give graduates qualifications and technical expertise that will equip them to function in a range of diverse sectors at different times during their careers.¹⁸

2.28 Noting that ‘the composition and capability of an agency’s workforce – including access to appropriate knowledge and level of expertise – was the key to the efficient and effective delivery of quality public services’, the ANAO agreed that the future workforce was ‘likely to increasingly alternate between the two sectors’ and considered that workforce planning practices needed to accommodate this.¹⁹ The Committee considers workforce planning issues in more detail in Chapters 4 and 6.

An ageing workforce

2.29 The profile of the APS, like the wider Australian workforce, is ageing. There are now a greater number of workers in the older cohorts in the APS than there were a decade ago and the average age of employees is five years older than it was ten years ago. Reasons include the relative stability of the APS workforce combined with the higher levels of recruitment in the 1960s and 1970s, lower recruitment of younger employees in recent years along with higher levels of recruitment of older workers and a shift in the engagement profile. The APS workforce is generally older in comparison with the Australian labour force, with proportionally fewer employees at both the younger and older ends of the age profile. In June 2001, 68.3 per cent of ongoing SES employees and 46.1 per cent of ongoing Executive Level employees were aged 45 years or over, up from 58.9 percent and 35.1 percent respectively in 1992.²⁰

2.30 Certain technical professionals are particularly affected by the ‘ageing’ phenomenon. There is a ‘skewing of the age profile’ of engineers in the APS, with 50 per cent aged over 45. Because of the potential loss of much of this senior cohort of engineers in the coming decade, the Association of Professional Engineers, Scientists

17 IOEA, Submission no. 38, pp.1-2

18 Griffith University, Submission no. 16, p.3

19 ANAO, Submission no. 25, pp.1-2

20 GCCA, Submission no. 15, APS Commission, pp.8-12

and Managers Australia (APESMA) was particularly concerned at the apparent lack of strategies to ensure that corporate knowledge would be passed on to upcoming young professionals in a timely way. It told the Committee:

Our assessment is that there is a gap of some significance between the ages of about 30 and 45. In recent years, there has been a bit of an upturn in recruitment of young graduates, but that gap in the age profile is, I think, an important one for the future of the APS...I do not think it is being addressed in any significant way in the APS...²¹

2.31 In its view, salary disparities, the de facto breakup of ‘the public service’ and the loss of tenure for APS employees had contributed to the loss of the APS’ reputation as ‘an employer of choice’.²² The lack of opportunities for career development for engineers in the APS due to the changing role of the APS was a concern. APESMA stated:

These days I think that [engineers] would see themselves as having a career in their particular department or agency. Therefore they would see that their career opportunities are limited to a significant extent. I think that is just because—and I would not like to call them silos—there does not seem to be a lot of opportunity for people to move, particularly engineers, among departments. Perhaps that is also reflected in the fact that there are not that many engineering positions in the Australian Public Service any longer.²³

Ongoing and non-ongoing recruitment

2.32 Sections 22 (2) and (3) of the *Public Service Act 1999* provide that APS employees may be employed as either ongoing (the usual form of employment) or non-ongoing (when work is intermittent or of fixed duration). The Public Service Regulations 1999 (PS Regulations) state that the employment of staff for a specific term should, in most instances, be not more than 18 months, although up to three years is permissible. A merit employment process must be undertaken if a staff member is to be employed for more than 12 months. Regulation 3.5 of the PS Regulations allows for non-ongoing employees to be generally engaged for 1 month, while Regulation 3.6 allows for an extension of 18 months. However, it should be noted that this precedent is limited by the APS Agency’s Certified Agreement provisions relating to extra claims for non-ongoing staff.

2.33 The *State of the Service 1999-00* report noted that the introduction of the APS Employment Database (APSED) in that year would allow more consistent tracking of non-ongoing employment henceforth. The data, however, were not directly comparable with data collected previously on temporary staff. Bearing this in mind, it reported a slight decline in non-ongoing employees since 1999, from 10.9 per cent to

21 Mr J Vines, APESMA, *Committee Hansard*, 11 November 2002, p.224

22 APESMA, Submission no. 44, p.5

23 Mr J Vines, APESMA, *Committee Hansard*, 11 November 2002, p.226

9.0 per cent in 2001. This compares with 16.7 per cent of the APS who were temporary staff in 1985.

2.34 The 1999 report notes that two contributing factors to the decline in non-ongoing employees between 1999 and 2001 were the drop in the number of staff employed in industrial and trade occupations and the increased use of contractors and consultants for non-ongoing work.²⁴ The latest *State of the Service 2001-02* report notes a slight increase in non-ongoing staff, to 9.2 per cent of total APS staff at 30 June 2002, most of whom were male employees.²⁵

2.35 Non-ongoing employees are concentrated (60.1 per cent) at APS classifications 1-3, with the median length of service 6 months. A trend that has emerged in the last three years is engagement of a considerable portion (12.4 per cent) of SES Band 3 staff as non-ongoing. This is in marked contrast to the very small proportion (1-2 per cent) of staff at this level engaged as non-ongoing in previous years, although the numbers for earlier years may be underestimated.²⁶

Need for more highly skilled personnel

2.36 The inquiry provided evidence of an overall reduction in the size of the APS and a change in the nature of work in the public sector. The APS Commission told the Committee that ‘higher expectations for service delivery together with the greater focus on results’ required ‘an increasingly skilled and flexible workforce that can respond effectively to the needs of government’.²⁷ This has implications for recruitment at entry level. In the words of Defence, ‘it [i]s becoming harder for unskilled young people to win APS jobs’.²⁸

2.37 The trend to a proportionate increase in higher level jobs in the APS and away from lower level, unskilled positions first noted in the 1990 report *Youth Employment in the Australian Public Service*²⁹ has become acute since that report. The result is that unskilled young people have much greater difficulty gaining employment in the APS. It is clear that a shift in the level at which most recruitment occurs is underway. For example:

- In 1985–86, nearly 70 per cent of new entrants were engaged to base grade classifications equivalent to the current APS level 1. Only 2.3 per cent of recruits

24 *State of the Service Report 1999–00*, PSMPC, pp.44, 58

25 *State of the Service Report 2001-02*, APS Commission, p.7

26 *ibid*, p.8

27 APSC, Submission no. 15, p.19

28 DOD, Submission no 36, p.2

29 *Youth Employment in the Australian Public Service*, APS Joint Council, November 1990, p.5

in 1985–86 entered the APS at levels above the APS 6-equivalent level, and only 0.2 per cent of these were engaged at SES-equivalent levels.³⁰

- By contrast, in 2000-01, the most common point of entry was at APS level 4, with 28.4 per cent of ongoing engagements taking place at this level. Only 4.1 per cent of engagements occurred at APS level 1.

2.38 The APS Commission told the Committee:

The shift in recruitment classification reflects the dramatic shift in the classification profile over the last 20 years. In 1982 the proportion of APS employees at the equivalent of APS 1 or below (including classifications in the then Fourth Division – ie ‘Clerical Assistants’) was over 50 percent. Now, the APS 1 classification represents 2.04 percent of total ongoing APS employment.³¹

2.39 This upwards shift in the level at which employees are recruited reflects a shift in the type of work being conducted by the APS, with an increase in more highly skilled positions and the elimination of lesser skilled positions mainly due to the introduction of new technology. As the Department of Health and Ageing (DoHA) submitted:

With changes in technology and the nature of work in the APS since the mid-1980s, many of the lower-level jobs (for example, the large annual APS1 intakes) that were previously suited to school-leavers and other young people with limited work experience have disappeared.³²

2.40 The MAC report found the key drivers in the streamlining of classification structures to have been ‘functional change, multi skilling and technological advances’ leading to ‘greater flexibility and variation in how agencies gear their classification structures’.³³ The Public Service Commissioner, Mr Andrew Podger, elaborated:

Through the office structures implementation—or OSI—which involved flatter work structures, multiskilling and the greater use of information technology, there have been fewer employment opportunities at lower levels and in supporting roles. The disappearance of many routine and processing tasks and the outsourcing of functions have influenced the range of skills and competencies required by agencies.³⁴

2.41 In addition to the shift in skills and knowledge that has reduced the number of positions in which young people can be placed, the ability to recruit a significant number of young employees is related to the degree to which the business conducted

30 *State of the Service Report 1999-00*, PSMPC, p.60

31 APSC, Submission no. 15, p.22

32 DOHA, Submission no. 28, p.7

33 *Organisational Renewal*, Management Advisory Committee 3, March 2003, p.20

34 Mr A Podger, APSC, *Committee Hansard*, 14 August 2002, pp.4-5

by an agency suits the skills and experience of young people. The business of most APS agencies is not conducive to employing many younger, unskilled workers.

2.42 The declining recruitment rate for young people therefore reflects the more competitive job market leading to a much wider and better educated candidacy and the recruitment of employees with better qualifications and more experience.

2.43 Repeatedly, the majority of agencies told the Committee that the nature of their work was such that they were looking for more qualified, skilled and experienced staff, for example:

- Defence submitted that ‘the changing nature of APS work has seen a significant reduction in the number of entry level positions that previously provided opportunities for relatively unskilled people’.³⁵
- The Australian Maritime Safety Authority (AMSA) told the committee that its specialised skill and knowledge requirements mean that recruitment to most vacancies is targeted at people who are in second or third career transitions with extensive experience in the maritime or aviation industry’.³⁶
- DFAT submitted that when employment opportunities at entry level exist, these are made available to young people. However, this was subject to ‘operational demand’ and there was ‘relatively less work available in the department at the base administrative level than was previously the case’.³⁷
- The Department of the Environment and Heritage stated that, ‘as a policy agency DEH offers limited opportunities for young people’.³⁸

2.44 There are exceptions, however. For example, Centrelink maintains a slightly younger profile than the APS as a whole and recruits more young people. Centrelink, submitted that ‘in keeping with the nature of its customer service duties, the Centrelink classification profile is less oriented towards executive and middle management grades than are the APS or industry generally’.³⁹ Large call centres are one type of business conducted by Centrelink which ‘have a distinctive youthful employment pattern’.⁴⁰

2.45 Despite the fact that the APS profile is ageing overall and that the downward trend in the level of youth recruitment reflects the more highly-skilled nature of business conducted in agencies, the APS Commission pointed out that the age profiles

35 DOD, Submission no. 36, p.2

36 AMSA, Submission no. 34, p.1

37 DOFA, Submission no. 4, p.6

38 DEH, Submission no. 20, p.1

39 Centrelink, Submission no. 26, p.12

40 Centrelink, Submission no. 26, p.17

of agencies do not uniformly indicate this.⁴¹ For example, the Department of Environment and Heritage has a relatively mature workforce, while the Treasury has a higher proportion of young people.

Retention

2.46 The *retention* of APS personnel is a critical issue. It is also complex, due to differing retention and separation patterns between categories of employees.

2.47 Overall, the median length of service of APS employees, as reflected in retention rates, has increased from seven years in 1992 to nine years in 2002. There has also been a decline in the number of employees separating within five years of joining the APS.⁴²

2.48 However, the picture alters when retention and separation rates are disaggregated. The number of ongoing employees with between five and ten years of service fell from 28.5 per cent of employees in June 1996 to 15.8 per cent at 30 June 2002, indicating a decline in retention for this group.⁴³

2.49 The median length of service amongst young employees is shorter than in the past. In contrast, the median length of service for employees aged 50-54 years has increased from 12 to 15 years.⁴⁴ The CPSU highlighted the fact that the representation of employees with less than five years service has increased from 22.5 per cent in June 1998 to 32.8 per cent in June 2001.⁴⁵ The State of the Service 2001-02 report notes a further increase at 30 June 2002 to 36.5 per cent.⁴⁶ Significantly, employees with less than two years service more than doubled during the same period, from 8.6 per cent to 19.1 per cent.⁴⁷

2.50 A pattern appears to be emerging of an older generation of employees maintaining a long-term relationship with the APS, while younger employees appear less likely to be staying on for as long. This has major implications for the future employee profile of the APS. Some of the reasons for these retention patterns are discussed later in this chapter.

2.51 Graduates and indigenous employees also display different retention patterns and these are discussed in Chapters 4 and 5 respectively.

41 APSC, Submission no. 15, pp.11-12

42 *Organisational Renewal*, Management Advisory Committee 3, March 2003, p.27

43 *State of the Service Report 2001-02*, APS Commission, p.14

44 *Organisational Renewal*, Management Advisory Committee 3, March 2003, p.27

45 CPSU, Submission no. 42, p.16

46 *State of the Service Report 2001-02*, APS Commission, p.14

47 CPSU, Submission no. 42, CPSU, p.16

The rising age of new recruits

2.52 According to the APS Commission, younger employees spend longer periods in full time education before joining the APS workforce. This means that they enter at an older age and therefore have shorter periods of service during the ages 20-24.⁴⁸

2.53 With the decline in the presence of young people employed in the APS, efforts were made during the nineteen nineties to increase youth recruitment. In 1992, *A National Employment and Training Plan for Young Australians* was released. It included new traineeship funding for the development of entry-level training arrangements, and increased subsidies for additional existing traineeships. The Keating Government gave a commitment on behalf of the Commonwealth to increase the number of trainees employed in the APS to at least 25 per cent of base grade recruitment, supplemented by an additional 1500 trainees in the then Departments of Social Security and Employment, Education and Training. Subsequently, the Keating Government also committed itself in *Working Nation* to increasing the APS intake of trainees to 2500 by 1995-96. APS entry-level training was to be converted to a competency based system and traineeships were to be opened up to adults.⁴⁹

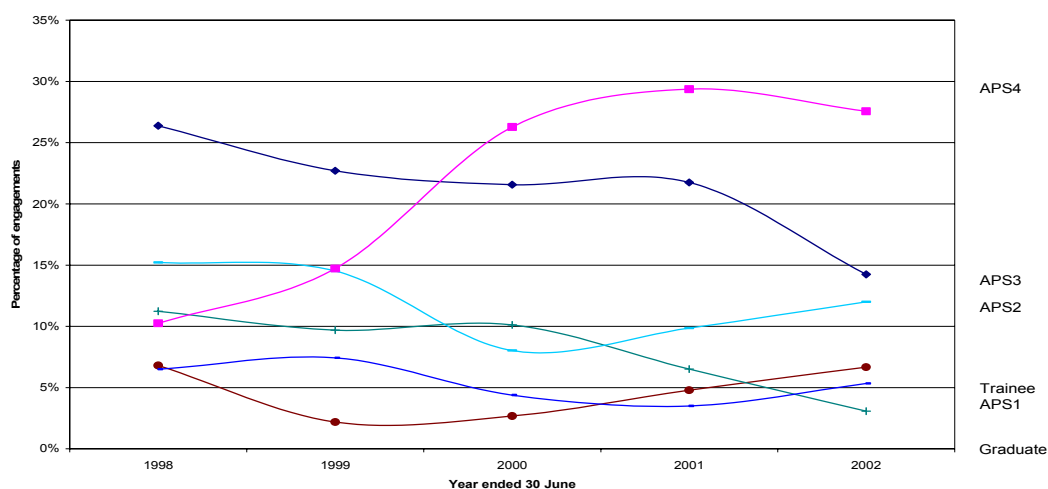
2.54 Despite these measures, the levels of trainee recruitment (a classification which includes graduate recruits under the Howard Government) have fallen as a percentage of all engagements from 17.6 percent in 1996 to 10 percent in 2002. The APS Commission submitted that, within the Trainee classification, there is evidence of increased proportions of graduates, with more widely fluctuating numbers of non-graduate trainees (although the data for 2001-02 shows a sharp reversal of this trend). It further noted that this substantial change from year to year in numbers of graduate/non-graduate engagements may be attributable to major recruitment campaigns run by individual agencies.⁵⁰ Recent figures on engagement at the lower levels, including of trainees and graduates, are shown in Figure 3.

48 APSC, Submission no. 15, p.12

49 *Review of Barriers to Youth Employment in the Australian Public Service*, Interdepartmental Committee, July 1997, pp.34-35

50 APSC, Submission no. 15, p.24

Figure 3: Percentage of Engagements by Classification Level 1996-97 to 2001-02⁵¹



A growing emphasis on work-life balance

2.55 Current analysis suggests there is a growing importance being attached by employees to workplace flexibility or work-life balance. A major OECD study examining work-life balance issues in Australia, the Netherlands and Denmark has indicated that a wide range of industrial measures are being adopted in different countries to enhance the ‘family-friendly’ nature of workplaces.⁵² It noted the progressive shift in Australian industrial relations, from a focus on ensuring full-time employment for single-income family ‘breadwinners’ to providing greater opportunity for flexible participation in employment by both men and women.⁵³ The report summarised evidence regarding the cost savings to employers of having flexible employment arrangements, as well as the arguments that flexible work practices are likely to broaden the potential recruitment base and increase staff morale.

2.56 A recent analysis of career progression in the New Zealand Public Service found that the one of the ‘main deterrents to public servants seeking a higher-level job were potential clashes with life outside the workplace’.⁵⁴ The OECD comparative study concluded that in Australia, ‘the role of government in ensuring family-friendly work practices is less than in the other two countries’.⁵⁵ Nevertheless, some agencies

51 *ibid*, p.49

52 OECD, *Babies and Bosses: Reconciling Work and Family Life*, Volume 1: Australia, Denmark and the Netherlands, 2002.

53 *ibid*, p.187

54 ‘Career Progression in the New Zealand Public Service’, Sally Washington, *Public Sector*, Vol 25, No 3, 2002, p.22

55 OECD 2002, *op cit*, p.16

in the APS, confronted with the issue identified in the New Zealand study, have chosen to use an emphasis on flexibility in the workplace as part of their recruitment strategy. This is discussed later in this chapter.

Current issues with APS Recruitment and retention

2.57 The previous sections have outlined some of the key features of APS staffing and recruitment in recent years. The Committee turns now to some of the issues that were identified during its inquiry and discusses some of the responses proposed to deal with these issues. Chapters 3 to 5 then look at recruitment issues specific to particular groups of employees: young people, graduates, and Indigenous people.

Use of innovative recruitment practices

2.58 The *State of the Service Report 2000–01* reported that agencies appeared to have taken a sensible approach to the development and use of alternative methods of selection, adopting new systems where they seemed to be appropriate to the particular capability requirement and labour market, but retaining more traditional arrangements where these appeared to be working satisfactorily. The report also stated that there was no evidence that alternative systems and methods undermine the principle of merit employment.⁵⁶

2.59 However, Dr West and Mr Gourley considered that there is still too much reliance on interviews as a means of assessing applicants for the APS. They considered interviews to be ‘one of the less reliable means of assessment’ and the continued reliance on interview as ‘a significant failing in the assessment of merit in the Service’.⁵⁷ In their view, interviews, especially if conducted by untrained people, are ‘particularly prone to the introduction of biases’ (including against youth).⁵⁸

2.60 They considered that an individual’s claims regarding employment are best tested against evidence of past behaviour and achievement, such as work samples, supervisor evaluation and referee reports; that other methods such as use of assessment centres,⁵⁹ cognitive tests and personality assessments also had validity; but that no single method should be relied upon solely because each could have biases. They stated:

Reliance on such techniques as work samples and referee reports will generally advantage older people with some work experience; younger people will be at a disadvantage. Therefore, and particularly for entry level

56 APSC, Submission no. 15, p.26

57 Dr J West and Mr P D Gourley, Submission no. 29, p.7

58 Dr J West, *Committee Hansard*, 27 September 2002, p.222

59 ‘The assessment centre concept generally involves a series of simulated exercises designed to gauge the performance of candidates in work situations.’ *State of the Service Report 2000–01*, PSMPC, p.65

recruitment, the use of written tests of ability and potential (such has been used in the past with tests for clerical and graduate recruitment) that are less likely to be affected by age bias will be important.⁶⁰

2.61 The Recruitment and Consulting Services Association considered that personality tests are particularly useful and relevant in the right circumstance, provided they are administered and interpreted by qualified people. It noted that they appeared to be used more during senior executive recruitment processes, but that ‘values based assessment’ is becoming more prevalent at ‘lower or on-hired blue collar or administrative level[s]’ and that this is appropriate in today’s society.⁶¹

...something the APS should look into if it has not already...is trying to align the values of the candidates and applicants to the mapping of the values of the client, rather than looking at personality in a very traditional sense. I think it comes back to...the whole of life experience that [young people] are looking for, which is far more predominant in today’s society.⁶²

2.62 The APS Commission noted that those interviewing indigenous job applicants must be aware of cultural issues when interviewing.⁶³ Ms Sally McMartin, Executive Officer, National People and Development Unit, ATSIC, told the Committee that selection processes, especially the formal interview, could be intimidating for many indigenous job applicants.⁶⁴

2.63 One witness, Mr R Henry, suggested that ‘a more standardized, structured approach to job titles and classifications across the APS would assist applicants and improve public understanding of the APS’. He also favoured moves to job competencies and targeted selection interviewing practices. He considered that, in terms of retention, it was more efficient to match applicants’ skills with job competencies, both in terms of recruiting suitable staff as well as for identifying training needs.⁶⁵

2.64 The Committee notes that the APS Commission published in August a kit on recruitment and selection processes for use by agencies.⁶⁶ The kit covers a range of approaches, and provides comment on when different approaches might be appropriate.⁶⁷

60 Dr J West and Mr P D Gourley, Submission no. 29, p.7

61 Mr C Cameron, RCSA, *Committee Hansard*, 27 September 2002, p.182

62 *ibid*

63 ‘Recruitment of Indigenous Australians in the Australian Public Service’, PSMPC, www.apsc.gov.au/publications01/indigenousrecruitment.htm, p.5

64 Ms S McMartin, ATSIC, *Committee Hansard*, 15 August 2002, p.114

65 Mr R Henry, Submission no. 1, p.3

66 APSC, *Recruitment and Selection Kit*, August 2003

67 EL1 Update, APS Commission, 26 March 2003

IT Professionals

2.65 The Australian Computer Society (ACS) considered it important that IT practitioners acquire appropriate qualifications, working experience and understanding because of the ‘enormous breadth and depth of knowledge and skill’ in the IT industry. It considered that it would be in the interests of the larger community as well as IT professionals themselves if recruitment guidelines for APS IT professionals were established. These should include the ACS Core Body of Knowledge, Code of Ethics and Code of Professional Conduct and Professional Practice.⁶⁸

Merit in employment

2.66 Section 4.2 (1) of the Public Service Commissioner’s directions states that agencies must put in place measures so that all eligible members of the community have the opportunity to apply for vacancies at the APS 1 classification or trainee classification. Likewise section 4.2(2) states that ‘subject to considerations of cost and operational efficiency’ an agency head must put in place measures so that all eligible members of the community have an opportunity to apply for all ongoing positions.

2.67 As stated in the 1995 MAB report:

Staff should be selected on the basis of merit. The merit principle, which comprises adequate publicity, assessment against realistic standards, absence of unjustified discrimination, and ranking on the basis of an assessment of ability, is central to the preservation of an impartial PAS in which staffing decisions are not influenced by favouritism and patronage.⁶⁹

2.68 The APS Commission advised that, by 2000, almost all ongoing employment opportunities (99.5 per cent) had been opened up to the public. In 1998, when the requirement for access to APS vacancies by those outside the APS ranks was introduced, only 27 per cent of ongoing employment opportunities had been openly advertised. Of exercises finalised in 2000, 43 per cent of opportunities were filled on an ongoing basis by applicants external to the APS, a substantially higher figure than the 20-30 per cent range of the previous three years.⁷⁰

2.69 Open competition for APS vacancies has implications, however, for the recruitment of young people in particular. For example, some positions at the APS 3 and 4 level that in the past would have been filled by promoting or moving ‘insiders’, have been filled by engagements.⁷¹

68 QDPW, Submission no.50, pp.1, 3, 4

69 *Achieving Cost Effective Personnel Services*, Joint Publication of the Management Advisory Board and its management Improvement Advisory Committee, Number 18, November 1995

70 Commonwealth Ombudsman, Submission no. 15, p.27

71 Commonwealth Ombudsman, Submission no. 15, p.23

2.70 According to Dr West and Mr Gourley, the onus on agencies to advertise all vacancies for application from outside of the Service is significant in terms of cost since the majority of vacancies are advertised for nation wide competition.⁷²

2.71 Discrimination on the grounds of age is outlawed in the APS, with young applicants required to compete with more experienced applicants. Agencies noted that merit based employment in the context of a more competitive job market therefore meant that younger people, with less experience and fewer qualifications, could be less likely to secure a position. For example, young applicants for positions in Defence were required to compete with all applicants, including experienced former ADF personnel looking for a career change.⁷³ This was significant given the results of the recent Defence Personnel Environment Scan 2020 that ‘the proportion of people aged 24 years and under will continue to decline, and that the core workforce between 25 and 54 years will steadily become older’.⁷⁴

2.72 Independent commentators also considered that the merit principle was a factor that limited the recruitment of young people into the APS. Mr Craig Matheson described the implications for young people of the merit principle in the new environment. Noting that changes in recruitment since the abolition of the Public Service Board ‘have seen the meritocratic ideology of the administration system finally triumph over the egalitarian ideology of the bureaucratic system and its structural embodiment in the ‘career service’ he argues that ‘the former chief beneficiaries of bureaucratic recruitment policies, namely school leavers, are now severely disadvantaged’.⁷⁵

Open advertising of APS vacancies

2.73 One question that came up during the inquiry was whether the open advertising of virtually all vacancies was an effective personnel management approach. Dr West and Mr Gourley supported the opening of base grade vacancies to the general public, but did not support the compulsory advertising opening of all vacancies. They considered that open advertising of all vacancies imposed increased costs on agencies, and, while this was also the case for base grade recruitment, in their view the added cost of openly advertising general recruitment vacancies was not compensated by the benefits achieved from the advertising.

2.74 More importantly, they supported the views of commentators such as Pfeffer⁷⁶ and Gladwell⁷⁷ that making all vacancies open to application from outside

72 Dr J West and Mr P Gourley, Submission no. 29, p.3

73 DOD, Submission no. 36, p.2

74 DOD, Submission no. 36, pp.2-3

75 ‘Staff selection in the Australian Public Service: A History of Social Closure’, Craig Matheson, *Australian Journal of Public Administration* 60(1):43-58, March 2001, pp.50-51

76 ‘Fighting the War for Talent is Hazardous to Your Organisation’s Health’, J Pfeffer, *Organisational Dynamics*, Vol 29, No 4, 2001, pp.248-259 (attachment to Submission no. 29)

organisations was a potentially flawed policy because of its detrimental effects on personnel management. At issue was the challenge of balancing the need to address the principle of open and competitive employment with merit-based selection.

2.75 On the basis that ‘great companies get the best out of people instead of always searching for different people’, focussing on recruiting talent from outside at the expense of improving performance management within agencies could leave internal workforces demotivated with consequential effects on performance and corporate memory. The concept of a career service was also greatly diminished through open competition for vacancies.⁷⁸

2.76 Dr West and Mr Gourley further noted that open competition for all vacancies was not typical of general employment practice and probably not paralleled by any other public or private organisation in Australia. They suggested that a comparison of the relative success of external applicants with the number of such applicants would be informative. If such a comparison indicated, for example, that significantly more internal applicants were successful relative to the number of external candidates, then current policy appeared to be out of step with reality and unnecessary.⁷⁹

2.77 In response, the APS Commission advised that, while there was a legislative requirement for Gazette notification and a competitive selection process for engagement of a person as an ongoing employee or for promotion of an APS employee, the legislation was flexible and provided for processes other than advertising to fill employment opportunities. Agency Heads were also able to close employment opportunities to the public on the grounds of cost or operational efficiency and orders of merit could be used to fill employment opportunities for 12 months from the date of the initial Gazette notification of vacancies.⁸⁰

2.78 Dr West and Mr Gourley noted two other impediments to a fully based merit system. These are the nationality requirement (section 22(8) Public Service Act) and the prohibition on the engagement of staff who have received a redundancy benefit (section 4.4 Public Service Commissioner’s Directions).⁸¹

Nationality requirement

2.79 Dr West and Mr Gourley submitted that Australian citizenship had ‘nothing to do with either the ability of a person to perform any kind of work or the inherent loyalty and commitment of particular individuals to the service of governments and

77 ‘The Talent Myth’, M Gladwell, *The New Yorker*, 27 July 2002 (attachment to Submission no.47)

78 ‘Fighting the War for Talent is Hazardous to Your Organisation’s Health’, J Pfeffer, *Organizational Dynamics*, Vol 29, No. 4, pp.248-259, 2001 (attachment to Submission no. 29)

79 Dr J West and Mr P Gourley, Submission no. 29, p.3

80 Answers to questions on notice, November 2002, Q.7, pp.9-10

81 Dr J West and Mr P Gourley, Submission no. 29, p.6

the country’,⁸² implying that citizenship should not be a requirement for candidates for APS positions.

2.80 According to the APS Commission, as in the case of advertising, the Public Service Act provides flexibility by allowing Agency Heads either to waive the requirement for Australian citizenship, or to ‘conditionally engage a non-citizen subject to confirmation of citizenship’. It notes, however, that the requirement is based generally ‘on the importance the government places on immigrants becoming citizens in order to express their commitment to and willingness to participate fully in the Australian community’. It is a recognition of the value of Australian citizenship and enhances its significance as a unifying factor in a multicultural society.⁸³

Engagement of APS employees in receipt of redundancy benefits

2.81 Dr West and Mr Gourley considered that there was no sensible rationale to support the prohibition on engaging persons who had received a redundancy benefit and that it was ‘an offence to the merit principle’ to permit a less meritorious applicant to be selected over one with stronger claims.⁸⁴

2.82 The APS Commission advised that the ruling was ‘intended to strike a reasonable balance between the interests of the Commonwealth as an employer and the rights of individuals who have received a redundancy benefit from the Commonwealth’ with a view to ensuring ‘that Commonwealth funds were spent responsibly’. The Committee understands that the prohibition was introduced to prevent ‘double-dipping’ in terms of benefits due to APS employees by former APS staff. Again, the APS Commission drew the Committee’s attention to the flexibility in the legislation and advised that the policy was subject to ongoing review.⁸⁵

Contract positions that become full time

2.83 Another problematic aspect of merit in employment practices related to appointment of contractors to positions that subsequently became full time. The RCSA proposed that it would be more cost effective if recruitment companies used to place the contractor also searched for the full time position. It suggested that the APS could advise companies that the contract position could become full-time, thereby enabling them to interview and select candidates accordingly.

2.84 It considered that, in the case of the successful appointment of a contractor, the requirement under the merit principle for positions to be fully advertised and a rigorous and expensive process of selection undertaken, had already occurred. This

82 Dr J West and Mr P Gourley, Submission no. 29, p.6

83 Answers to questions on notice, November 2002, Q.7, pp.10-11

84 Dr J West and Mr P Gourley, Submission no. 29, p.6

85 Answers to questions on notice, November 2002, Q.7, p.20

was borne out by the appointment, in many cases, of the contractor to the ongoing position. It stated that, in order to follow the merit principle:

the position must be fully advertised and a rigorous and expensive process of selection undertaken to make the appointment. In many cases the contractor wins the role. The RCSA understands that the APS is designed to ensure that all interested candidates can apply for the position. However our concern is that a detailed search was already undertaken to find the contractor who has already successfully filled the role.⁸⁶

2.85 The RCSA also considered that, as in the private sector, on appointment of a contractor to a full-time position with assistance of a recruitment supplier, the APS should pay a release fee to the agency to compensate it for lost earnings. It stated:

...the advantage of using a recruitment agency is that they can screen candidates for various positions and be job match appropriately rather than applicants going for a position that may not suit them. As recruitment agencies specialise in a sector they will build up a pool of applicants suitable for positions reducing the need to constantly advertising for every new position.⁸⁷

2.86 In response, the APS Commission said that it was not aware of subsequent engagement of contractors 'contrary to the legislative provisions' and that it did not intend to impose restrictions or require agencies to enter into any arrangement that would reduce the flexibilities in recruitment provided under the APS legislative framework.⁸⁸ It suggested that if recruitment agencies had concerns, it was up to them to make contractual arrangements with contractors to prevent them applying for ongoing engagement with the APS agency in the same capacity.

2.87 Staff selection directly by managers, in theory, allows selection of new recruits according to the skills and tasks required for particular jobs. However, not all agencies have taken advantages of the flexibilities available to them to recruit the best candidates, due in part to a lack of knowledge of the legislation, in part to a lack of experience in recruitment functions and in part as a result of particular agency circumstances.

2.88 In this regard, the Committee considers that the APS Commission should play a greater role in providing guidance to agencies on the flexibilities open to them regarding recruitment. For example, the Committee notes that the APS Commission responded to criticism from some submitters on specific aspects of recruitment (for example, the requirement to nationally advertise all vacancies, the requirement that APS candidates have Australian nationality and the prohibition on re-engagement of

86 RCSA, Submission no. 9, p.10

87 *ibid*, p.11

88 Answers to questions on notice, September 2002, Q.12, p.19

employees who have accepted a redundancy benefit) by drawing attention to flexibility in the legislation that provides for exceptions to these blanket rules.

Recommendation 1

2.89 The Committee recommends that the APS Commission widely disseminate advice and guidance to agencies clarifying the flexibility with recruitment available under the legislation. This should include information on the exceptions that apply to requirements for advertising vacancies, Australian nationality and candidates who have accepted a redundancy benefit.

2.90 The trend to a ‘stepping stone’ career composed of shorter periods of employment in individual workplaces and continual improvement of skills and experience resulting from this mobility is now well-documented. Given this, it is in the interests of agencies to have streamlined recruitment and selection processes, bulk recruitment rounds and standing orders of merit following recruitment actions, to ensure resource levels are maintained. Those agencies with the most flexible recruitment arrangements will be best placed to compete for staff.

Recommendation 2

2.91 The Committee recommends that to reduce barriers to mobility the APS Commission provide clear guidance to all agencies on efficient, flexible and streamlined recruitment and selection processes.

Appropriate management of non-ongoing employment

2.92 In the view of Dr West and Mr Gourley, it is imperative that the relevant provision of the Public Service Regulations governing non-ongoing employment, Regulation 3.5, is properly administered. This is because, while it is a ‘more robust and more specific legal regulation’ than the previous provision, in some respects it also allowed for longer periods of non-ongoing employment than was the case previously. They stated:

In these circumstances, it is imperative that the new law is administered scrupulously and that non-ongoing employment is not, as it has been in the past, used to recruit people where the work on which they are engaged is of an ongoing nature.⁸⁹

2.93 The CPSU drew the Committee’s attention to a recent Australian Industrial Relations Commission decision that allowed 178 non-ongoing Defence employees to be made ongoing employees. The CPSU stated that the case had implications for the application of the merit principle and also pointed to the need for more comprehensive employment statistics to be made available for public scrutiny on all forms of APS employment, including the use of agency hirees and contract staff and the operation of

89 Dr J West and Mr P Gourley, Submission no. 29, p.4

relevant sections of the Public Service Act. The CPSU recommended that the Committee consider examining advice from the APS Commission on the implications of the recent AIRC Defence decision for APS non-ongoing employees.⁹⁰

2.94 The Committee notes that consultants, contractors and ‘agency hirees’ (staff employed through a labour hire firm) are not engaged under the Public Service Act, and thus do not fall within the purview of this inquiry. It observes that the next *State of the Service* Report intends to report in detail in relation to agency hirees.

2.95 The CPSU also highlighted a recent dispute regarding the treatment of Centrelink non-ongoing employees by a private sector agency that was selecting on-going employees for Centrelink. The selection process resulted in a number of non-ongoing employees being excluded despite what appeared to be strong claims for on-going employment. As a result of CPSU’s dispute listing with the AIRC, Centrelink agreed to modify its selection process to allow for a separate process to consider the claims of current non-ongoing employees.⁹¹

2.96 According to the CPSU, not all non-ongoing employees are made aware of their rights and conditions of employment under the Public Service Act. A CPSU survey suggested that non-ongoing employees were either not aware of the restrictions on non-ongoing employment, or were not confident about raising concerns regarding this. It recommended that:

on employment non-ongoing APS staff be made aware, in plain English, of their rights in relation to circumstance in which non-ongoing staff can be employed, the length of their initial term, the circumstances when an extension can be granted and the maximum total term of employment.⁹²

2.97 The Committee understands that agencies are responsible for ensuring both that the requirements of the legislation are met, and that an employee is given information on his or her rights and responsibilities. The APS Commission is preparing a publication for agency use dealing with diversity and discrimination issues in outsourced recruitment. It is expected to be available by mid 2003.⁹³

2.98 Concerns surrounding the insecurity of employment arrangements under New Apprenticeship arrangements were also raised. These provided for staff to be employed for periods of 12 months only. The CPSU was concerned at the different treatment accorded New Apprenticeship Trainees compared with graduate recruits. It arises because the Trainees are not initially merit-selected as on-going employees but are subject to the successful completion of their New Apprenticeship. The CPSU

90 CPSU, Submission no. 42, p.22

91 *ibid*, p.19

92 *ibid*, pp.22–23

93 Answers to questions on notice, November 2002, Q. 8(1), p.23

recommended that the Committee examine a report by the APS Commission on options to enable New Apprentices to be initially engaged as on-going employees.⁹⁴

2.99 Dr West and Mr Gourley stated that temporary and non-ongoing categories of employment had always been difficult to manage. They observed that the recruitment of large numbers of non-ongoing employees would probably be detrimental to motivation, attitude and behaviour because individuals were left in uncertain positions.⁹⁵

2.100 Given that many agencies now outsource all or part of their recruitment function, an important issue is the extent to which private providers are aware of the APS values and workplace diversity principles and whether they were implementing them in undertaking recruitment on behalf of APS agencies. The Committee is aware of the APS Commission's reassurance in its Workplace Diversity report for 2000-01 that no agencies had grounds for concern in this regard.

2.101 However, it also notes that it is each agency's responsibility to ensure that all employees, including non-ongoing employees are fully aware of their rights and circumstances of their employment under the Public Service Act and of the restrictions on the use of non-ongoing employment. Given the concerns expressed by the CPSU to this inquiry, the Committee is concerned that agencies may either not be fully aware of their responsibilities in this regard, or are not providing adequate information either to their employees or to contractors undertaking recruitment on their behalf.

2.102 This appears to be another area in which the APS Commission should have provided clarification and clearer guidance to agencies. The Committee considers that the APS Commission could assist agencies in the management of non-ongoing employees by providing clear and detailed information, including information about entitlements, the circumstances under which appointment of non-ongoing employees is appropriate and the legislative framework, as a priority.

Recommendation 3

2.103 The Committee recommends that the APS Commission provide clear guidance to all agencies on their responsibilities under the *Public Service Act 1999* regarding non-ongoing employees' entitlements and rights.

Addressing the reasons for lack of retention

2.104 Retention of staff in the APS has long been recognised as an issue. *APS 2000: The Australian Public Service Workforce of the Future (APS 2000)*, a report prepared by a working party convened by the APS Commission in 1989, highlighted the cost of

94 CPSU, Submission no. 42, p.22

95 Dr J West and Mr P Gourley, Submission no. 29, p.4

recruiting and inducting new staff members and the need to increase retention rates to obtain a return on investment.⁹⁶

2.105 The Management Advisory Committee (MAC) report *Organisational Renewal* considered attraction, recruitment and retention issues in the APS. The aim was to provide advice to agencies on work force planning, leadership and learning and development strategies with a view to aiding retention, based on surveys of recent retirees and graduates who have recently left the APS.⁹⁷ The MAC concluded that, amongst other trends, increased movement into and out of the APS with more graduate recruits and young workers leaving within the first few years of entry was likely to continue. Wider demographic trends meant that competition for new entrants into the labour market would also increase, as would pressures to retain skilled employees.⁹⁸

2.106 The MAC described the likely departure of ‘a significant proportion’ of the APS workforce (around 23 per cent) in the next five years due to retirement of the ‘baby boomers’ cohort, as a challenge rather than a crisis. However, it urged APS agencies to actively management the situation through, amongst other things, more systematic workforce planning. This included:

- understanding their own workforce demographics and characteristics, noting the significant interagency variations on factors such as age
- identifying their particular current and future capability requirements and implementing an integrated human resource management strategy to make sure they are met; and
- implementing effective succession management to develop bench strength for key roles.⁹⁹

2.107 Despite this, the relative lack of concern on the part of the APS Commission at the decline in retention rates, particularly of graduates, surprised the Committee. The APS Commission noted that the recent decline in graduate retention rates ‘is from a cohort with relatively high retention rates, and its impact on career patterns can be overstated’.¹⁰⁰ Its view that gains in agency effectiveness, rather than a loss of efficiency, had resulted from devolution, with ‘agencies having both the imperative and the flexibility to design and structure their workforce strategies to meet their

96 *APS 2000: The Australian Public Service Workforce of the Future*, Discussion paper of the Interdepartmental Working Party convened by the Public Service Commission, 1989, p.16

97 Mr A Podger, APSC, *Committee Hansard*, 14 August 2002, p.9

98 *Organisational Renewal*, Management Advisory Committee 3, March 2003, p.2

99 *ibid*, pp.2-3

100 *Organisational Renewal*, Management Advisory Committee 3, March 2003, p.6

particular business capability and renewal requirements'¹⁰¹ gave further weight to this impression. According to the Commissioner:

There is some evidence of a greater loss rate of graduates than in the past. It is not a huge increase in loss but there is some increase there. It may simply be that young people these days are more mobile...¹⁰²

2.108 There are also indications that more frequent staff movements within and between agencies is affecting individual agencies' retention rates and, consequently, their corporate memory and consistency of skill bases. According to the ANAO, 'large internal churn factors' appear to be a real and ongoing phenomenon.¹⁰³ Referring to the ANAO's own experience, Mr Warren Cochrane stated:

Our churn factor—our turnover in total—has been very high over the last few years. That is a reflection of the fact that the market has been very healthy, firstly, and, secondly, most of our people are accountants, and well-qualified accountants, and the public sector has been going through enormous accounting reform, so our people have been in very strong demand. If you like, it is part of the internal churn factor in the Public Service that we are losing lots of people to other agencies.¹⁰⁴

2.109 On the face of it, this view is not supported by the MAC report which states that mobility rates (including promotions and transfers between agencies) overall have remained fairly constant throughout the last decade, partly due to a greater attention by agencies to internal career and skills development and, possibly, the increased use of broadbanding. However, it also notes that mobility rates amongst young employees are higher and that the rate of transfers increases for employees at higher classification levels.¹⁰⁵ Both these factors would be impacting on corporate memory and skills bases within individual agencies.

2.110 On the positive side, it is notable that retention rates are particularly strong amongst women in the APS.¹⁰⁶

2.111 The Committee sees staff retention and separation issues as an ongoing challenge that agencies will need to monitor and manage for some time to come. Agencies will need a better understanding of the factors behind retention and separation trends if they are to address these issues actively. Conducting exit interviews with departing staff is one measure that should yield important information, particularly if they were to be mandatory and the results were reported on

101 *Organisational Renewal*, Management Advisory Committee 3, March 2003, p.1

102 Mr A Podger, APSC, *Committee Hansard*, 14 August 2002, p.8

103 *ibid*, pp.90-91

104 *ibid*, pp.95-96

105 *Organisational Renewal*, Management Advisory Committee 3, March 2003, pp.28-29

106 Mr A Podger, APSC, *Committee Hansard*, 11 November 2002, p.245

systematically. The Committee also considers that, while agencies have the discretion to design their own exit interview processes, a set of standard questions should be adopted across the APS to identify service-wide trends and allow comparisons to be made. The APS Commission should have a role in developing standard questions.

Recommendation 4

2.112 The Committee recommends that all APS agencies develop mandatory exit interview processes to monitor and report on retention and separation trends. The APS Commission should assist agencies in this process and also develop a set of standard questions to enable it to report on APS-wide retention and separation issues and developments.

Tackling the ageing workforce

2.113 A key finding of the Committee's inquiry concerns the way individual agencies and the APS as a whole have positioned themselves to deal with the demographic trends that will see the APS workforce continue to age over the next five to ten years. With a workforce already older than the average for the wider Australian workforce and proportionately fewer employees at both the younger and older ends of the profile, the peak in departures of 'baby boomers' during this period will place even greater pressure on agencies not only to fill gaps in corporate knowledge, but also to be able to continue to respond to new and complex demands.

2.114 The MAC report's view that the trends present a *challenge*, not a crisis,¹⁰⁷ presupposes appropriate and timely action on the part of agencies and bodies such as the APS Commission to address them.

2.115 The Committee is concerned that there is a lack of recognition and lack of momentum on this matter in some agencies at the present time. It appears that impromptu recruitment to fill short-term needs is the norm rather than the exception in many agencies, and that a strategic long-term vision to target areas needing more resources, and to provide flexibility to channel excess or additional resources to areas of emerging needs, is not yet a ubiquitous feature of the APS.

2.116 It may be that the potential impact of the situation has not yet hit home because, due to the different nature of staffing profiles across the APS, some agencies have not yet faced pressures on their own businesses. This is also the case for some OECD member countries. But research commissioned for the OECD's Public Governance and Management expert meeting on the Competitive Public Employer Project emphasised the critical need to plan ahead in the expectation that OECD

107 Management Advisory Committee 3, APS Commission, *Organisational Renewal*, March 2003, p.3

Member countries ‘will be forced to hire a remarkable number of new employees to replace current employees as they reach retirement age’.¹⁰⁸

2.117 The Committee supports the MAC’s view for ‘more systematic workforce planning’ based on an understanding of each agency’s demographics and characteristics and present and future capability requirements.

Recommendation 5

2.118 The Committee recommends that all APS agencies should, as a priority, develop a detailed analysis of their present workforce profile and a strategic action plan to meet their future workforce needs.

2.119 Given the need for reliance on mature-aged workers in the next decade, the Committee considers there is an urgent need for all agencies to:

- provide incentives for ‘phased retirement’; and
- put in place succession strategies so that agencies’ roles and functions can continue to be met efficiently and effectively.

2.120 The Committee notes that the APS Commission is preparing a kit for agencies on managing a mature aged workforce, including actions to provide for phased retirement such as:

- providing more flexibility in terms of working hours;
- changing the nature of work available (e.g. project work instead of managerial responsibility; mentoring);
- different salary packaging arrangements (so as not to affect superannuation entitlements);
- when appropriate, re-engaging those who have resigned; and
- ensuring OH&S issues have a high profile in terms of management.

The Need for Mentoring

2.121 One strategy put forward to aid staff retention, particularly of young recruits, was mentoring. A major difficulty with this proposal is that senior staff often lacked the time and capacity to become involved in mentoring programs. This problem appeared to be common to both public and private sectors. APESMA stated:

Other organisations have found there is a need to introduce a mentoring program to bring the young engineers up to speed. The other difficulty that they have found—and we suspect that it would probably be the case in the APS—is that the more senior engineers, who are the ones who should be

108 K Aijala, ‘Public Sector – an employer of choice?’ Report on the competitive public employer product, OECD, 2001, www.oecd.org/puma, p.4

doing the mentoring, are too busy to in fact do it. There are some examples in other organisations where they have brought back recently retired engineers to provide that mentoring service.¹⁰⁹

2.122 A conference held in Melbourne in November 2002 for major employers of engineers noted that mentoring was a priority if young engineers were to develop the skills needed to replace the senior cohort when they left the workforce. The summit recognised ‘the need to draw on external expertise and recently retired engineers to facilitate and deliver mentoring to the young professionals’. APESMA agreed to establish a database of ‘suitably experienced and recently retired engineers’ who could assist organisations in the development and delivery and mentoring programs.¹¹⁰

2.123 2.61 The involvement of mentors in Geoscience Australia’s graduate recruitment program was a key feature of that program. Geoscience explained:

Upon arrival at GA, senior level Mentors are made available to the Graduates with a view to ensuring that their Graduate year is not frustrated in any way. As well, an informal buddy system, utilising Graduates from earlier intakes, has now been put to good effect.¹¹¹

2.124 Several agencies referred to mentoring in the form of ‘on-the-job’ assistance.

- AFFA advised that the Australian Bureau of Agricultural and Resource Economics (ABARE), has introduced a scholarship scheme that targets promising students in their third or fourth year of study with a view to more effective assessment of aptitude and progress. It noted that this action also allowed some practical ‘bonding’ to take place via meaningful vacation employment and assistance with theses.¹¹²
- The Treasury said that a major contribution to staff development came from activities such as ‘on-the-job coaching, special projects, secondments, postings and other opportunities’.¹¹³

2.125 A key strategy to improve retention rates, particularly amongst young people, is mentoring and support from ‘buddies’ and teammates. The Committee strongly urges all agencies to develop mentoring, coaching and similar activities as a priority, particularly for new recruits in strategically important areas. A mutually beneficial strategy for agencies and their staff, mentoring, in fact, acts as a bridge between mature aged workers and new young recruits. For the former, it provides an alternative type of work that can act as an incentive for longer working lives, while facilitating the knowledge transfer that is vital to corporate knowledge retention. For

109 Mr J Vines, APESMA, *Committee Hansard*, 11 November 2002, p.229

110 Further information provided to the Committee, APESMA, 23 December 2002

111 RCSA, Submission no. 9, p.2

112 AFFA, Submission no. 19, p.4

113 The Treasury, Submission no. 21, p.3

the latter, it provides encouragement to continue in particular jobs and areas for longer, knowing that their performance is supported and, importantly, that they have been trusted to receive important corporate knowledge and that their contribution is valued.

Recommendation 6

The Committee recommends that, as a priority, all agencies develop mentoring programs and activities to support new young recruits.

The impact of leadership

2.126 In terms of a more highly skilled workforce, leadership skills are critically important to good governance. Good leadership is needed to develop government institutions. Moreover, good leadership assists staff retention, with OECD research reporting that close to half of all personnel seeking to change their jobs do so because of poor leadership.¹¹⁴

2.127 It has been argued that the most important role of public sector leaders is to solve the problems and challenges faced in a specific environment with a view to promoting certain fundamental values that can be called *public spiritedness*. Public sector leaders, therefore, are people ‘who can draw others into a strong spirit of public service geared to the needs of contemporary society, and thereby make their services to government and to citizens more effective’. In contemporary society, a new kind of leadership characterised by cooperation, open communication and recognition, with highly performing leaders who can act as role models for their staff is required.¹¹⁵

2.128 Leadership is also very important in relation to management capacity and organisational performance, with a focus on leadership providing an integrating role among various human resources management components including recruitment and selection, training and development, performance management, public service ethics, and succession planning.¹¹⁶

2.129 The Committee has noted the critical importance of leadership both if agencies are to deliver the outputs required of them, and if they are to attract new talented recruits. It will be imperative for senior executives to ‘get in touch’ with their workforce, understand its dynamics and the aspirations of individuals. Only in this way will employees feel valued and have an incentive to remain for longer than minimum periods.

114 K Aijala, Public Sector – an employer of choice? Report on the competitive public employer product, OECD, 2001, www.oecd.org/puma, p.16

115 *ibid*

116 *Public sector leadership for the 21st century*, OECD, 2001, www.oecd.org/puma, p.1

2.130 It is significant that recent reports and surveys have found that, while remuneration is important, it is not the primary factor in people's decisions to join and remain with employers. Of far greater importance are other factors such as flexibility, as discussed above. Another key factor, especially for young people, is expectations regarding leadership styles. The image of a conservative, hierarchical, old-fashioned public sector with out-of-date human resources management and practices deters high-quality staff. Prevailing community attitudes mean that potential employees, especially young people, seek a more open, communicative and cooperative culture with flat hierarchies that provide opportunities for recognition of effort, scope to display initiative and have some control over one's work, and to pursue personal goals and development aspirations.

2.131 The Committee considers that there is scope for the APS to improve its leadership record both to attract and retain high quality staff. The expectations described above, while not discounting the need for new recruits to reconcile these with the reality of work, need to be recognised and appropriate responses made.

Enhancing workplace diversity

2.132 In the increasingly competitive labour market of the future, the APS will need to develop strategies to deal with the 'war for talent' that is now underway. In addition to developing strategies to retain mature age workers for longer, there is a fundamental need for the APS to market itself as an 'employer of choice' with the next generation of workers.

2.133 One way in which the 'war for talent' may manifest itself is through an increasing premium being placed on recognizing and retaining the diverse range of employees in the organisation. A shortage of skilled employees means increased emphasis must be placed on strategies that ensure better management of human resources. These include policies of equal opportunity and workplace diversity, and incentives to prolong the career of older employees. The former have been enshrined in the APS for some time and are the basis of formal mandatory reporting by agencies. The latter has been the focus of government policy more recently in the context of consideration of the implications of Australia's ageing population, as noted in Chapter 1.

2.134 With increasing reliance on mature-aged workers likely to continue, agencies will need to consider a range of options as incentives to maximise their contribution and provide incentives for older workers to remain in the workforce. These include examining remuneration packages to address particular superannuation issues and more flexible and targeted working patterns, including more creative use of skills and opportunities for different roles, as well as options for part-time work and phased retirement.¹¹⁷

117 *ibid*, p.4

2.135 The Committee was advised that women made up about 52 per cent of the APS and that the recruitment rate of women was about 54 per cent. This suggested a possible small increase in the number of women in the APS with stabilisation likely at around 54 per cent. Retention rates amongst women in the APS were ‘particularly strong’. However, the APS Commission was not able to provide the Committee with information on the gender impact of the significant reduction in under-20s APS staff.¹¹⁸

2.136 Other evidence indicated no difference between the genders in the trend to an increasing older workforce. In terms of hours worked, it was also noted that the proportion of ongoing staff undertaking part time work, most of whom were women, is increasing.¹¹⁹

2.137 The increasing representation of women in the workforce is a significant issue for the APS and public sectors internationally. Equal opportunity policies have been in place in Australia since 1975 and workplace diversity programs and reporting are a requirement of all agencies under the *Public Service Act 1999* (PS Act).

2.138 The OECD recognises that promoting equal opportunity is one of the basic components of good governance.¹²⁰ It is also strategically important to ensure equal access to the public sector and to the labour market in general for all employees, to attract the highest quality staff to positions that best use their skills. In this respect, workplace diversity can improve agency performance through innovation, new perspectives and greater affinity with clients and the Australian public. Women place a very strong value on flexible employment conditions, and there is a very high rate of return from paid maternity leave to the APS.¹²¹

2.139 The Committee notes that, while there was continuing growth in the proportion of women at senior levels of the APS and that this was likely to be sustained, it would be some time before women made up half of either Executive Levels or the SES.¹²² It notes, however, their high rates of lateral recruitment (engagements) and of promotion to APS5-6 levels and above, in keeping with the fact that women have outnumbered men in graduate programs since the early 1990s.¹²³

2.140 The Committee notes that while strategies to improve opportunities for women have been relatively successful, it is less clear whether this has been the case for other equal opportunity target groups. One of these categories, indigenous employees, is addressed in Chapter 5. Rates of recruitment and representation of

118 Mr A Podger, APSC, Committee Hansard, 11 November 2002, p.245

119 APSC, Submission no. 15, pp.7, 10

120 APSC, Submission no. 15, p.18

121 *Organisational Renewal*, Management Advisory Committee 3, March 2003, p.25

122 *Workplace Diversity Report 2001-2002*, APS Commission, p.38

123 *Organisational Renewal*, Management Advisory Committee 3, March 2003, p.23

people with disabilities and people from non-English speaking backgrounds appear to have stalled.¹²⁴ Because it is up to employees to choose whether to identify as being in these categories, however, it is not possible to be clear about whether numbers of such employees are failing to rise. It is therefore difficult to assess whether these aspects of diversity of the workforce are being addressed effectively. The committee notes the APS Commission's plan to 'work with agencies to develop a framework that will enable them to better evaluate the effectiveness of their diversity programs'.¹²⁵ The Committee looks forward to the results of this work being able to improve the understanding of, and strategies to address, the full range of workplace diversity needs.

Flexibility

2.141 A second way in which the 'war for talent' will manifest itself is through the issue of work-life balance. There is likely to be an increased focus in agencies on retaining employees who are making a valuable contribution by providing opportunities for development and growth that suit their needs and those of the agency. The Committee strongly supports the concept of the APS and individual agencies as 'an employer of choice'. Some agencies such as Centrelink, Family and Community Service and Defence and, amongst non-APS agencies, the ABC and CSIRO, have developed innovative strategies to attract and retain staff. The aim is to embed a preference for employment in the public sector, and particular agencies, at least for periods of up to five years, in suitably skilled and qualified individuals.

2.142 The Committee considers the key to attracting and retaining both mature aged and young people is a *demonstrated commitment to flexibility* through practical, innovative and creative arrangements to allow individuals to balance their work and life commitments (including through part time work, part year tasks, telecommuting, phased retirement and mentoring). The Committee supports a focus on factors other than remuneration such as reward, recognition, a choice of lifestyle, the work environment, and family friendly policies with a view to attracting and retaining employees.

2.143 The Committee urges all agencies to develop innovative work/life balance conditions for their employees. It considers that inclusion of a range of flexibility provisions in Certified Agreements (CAs) is the most appropriate way to demonstrate agency commitment to these strategies and are a key means of positioning agencies as 'employers of choice'. It notes that the latest CAs negotiated by the Department of Family and Community Services (FACS) and the Department of Education, Science and Training (DEST) are examples of 'leading edge' agreements, with innovative menus of offerings providing flexibility across a very wide range of workplace conditions. The APS, in general, is highly regarded for its 'family-friendly' policies

124 APSC, *Workplace Diversity Report 2001–02*, State of the Service Series 2001–02, p.1

125 *ibid*

and the Committee considers that much more could be made of this in marketing the APS as an employer of choice.

2.144 Opportunities for flexibility demonstrate the trust and confidence management places in its employees and are recognition of a strong commitment by management to continued support for employees. The Committee is convinced that the return to agencies and the APS overall in terms of improved morale, increased productivity, reduced performance management issues (for example, excess use of stress leave or counselling), greater staff retention and loyalty far outweigh any initial costs that may result.

Change in attitudes and expectations of young people

2.145 In light of the many challenges facing the public sector and the breadth of responsibilities it faces now and into the future, young people constitute a key potential resource for the APS. An important factor that appears to be affecting the recruitment and retention of young people in the APS is a change in their attitudes and expectations concerning work. Detailed discussion of this phenomenon is presented in the next chapter along with analysis of trends and issues regarding recruitment of young people into the APS.