

Chapter 6

Devolution and the role of the APS Commission in APS recruitment

6.1 Reforms to enhance public sector flexibility and devolution were initiated under the Hawke and Keating governments and have accelerated under the Howard government.¹ Underlying the changes was the government's desire to achieve greater flexibility in the allocation of staffing and financial resources with a view to ensuring that optimal benefit is extracted from public resources, in line with moves to a smaller public sector. Reduction of centralised controls and devolution of responsibility to line managers were introduced to ensure managers' authority matched their increased responsibilities. The question for the Committee has been what are the effects, and the effectiveness, of that devolution?

Effectiveness of devolved arrangements

6.2 The inquiry found that there was strong support for the devolved arrangements from most agencies. They considered devolution beneficial because of the flexibility it provided both in terms of streamlined processes and greater accountability and ownership, as well as better targeting of recruitment programs to meet agency priorities.

6.3 For example, the Department of Industry, Tourism and Resources (ITR) stated:

The devolved arrangements under the new *Public Service Act 1999* and the Public Service and Merit Protection Commission's change in focus from prescriptive direction to promoting good practice, have allowed greater flexibility in recruitment and increased organisational efficiency and effectiveness by allowing faster filling of some vacancies and a greater variety of recruitment options.²

6.4 The Department of Prime Minister and Cabinet (PM&C) stated that efficient and cost-effective recruitment processes are particularly important. This is because of the traditionally high staff turnover in PM&C due to the wish of many APS officers to gain experience in a central agency and exposure to Cabinet processes for a period of time only, rather than over the long term. PM&C considers that the more flexible arrangements possible under devolution have reduced the complexity of processes and

1 R Verspaandonk, *Changes in the Australian Public Service 1975-2000*, Parliamentary Library, Parliament House, Canberra, August 2000

2 DITR, Submission no. 5, p.3

provided time savings in completing selection exercises. PM&C outlined the process for filling vacancies under the new arrangements:

Where appropriate, the department will now keep active the list of candidates from a selection process and continue to use this list for recruitment actions, should the original candidate move on to a new opportunity. The department will also, on occasions, select employees on the basis of the applications submitted rather than conduct interviews, where there is a clear and demonstrable case to do so. The department is unaware of any diminution in the quality or fairness of the recruitment process.³

6.5 In the views of some witnesses, the former centralized arrangements had allowed oversight of the process only, rather than the outcomes in terms of engagement of suitable staff. Dr West and Mr Gourley, for instance, stated:

Few would contest that this devolution has brought many benefits. Most notably it has enabled decisions to be made much closer to the work place by people who know more intimately what is required; certainly more intimately than delegates in the Public Service Board when it was responsible for these decisions. They could do little more than ensure that proper process had been followed and for this a significant cost was sometimes incurred in terms of delays in making a decision.⁴

6.6 Agencies had also taken advantage of the new arrangements to develop training programs for particular needs. The Department of Industry, Tourism and Resources (DITR) advised:

The Department has been able to use the devolved arrangements for training to develop programs that meet its particular needs such as the Master of Management (Industry Strategy) program which the ANU runs for the Department. In this sense the devolved arrangements have been effective.⁵

6.7 The new arrangements have some disadvantages, however. Dr West and Mr Gourley indicated that overall recruitment costs had increased rather than reduced.⁶ A centralised system had the advantages of economies of scale, consistency of standards, more professional selection practices and less difficulty for small offices in remote areas. In particular, the previously centralized major avenue of APS recruitment (that is, to base levels of clerical/office based categories, including generalist graduates), gave rise to significant economies of scale as well as the opportunity for agencies to be able to obtain staff quickly ‘without incurring any direct costs’.⁷

3 PM&C, Submission no. 18, p.2

4 Dr J West and Mr P D Gourley, Submission no. 29, pp.8-9

5 DITR, Submission no. 5, p.7

6 Dr J West and Mr P D Gourley, Submission no. 29, p.9

7 Dr J West and Mr P D Gourley, Submission no. 29, p.9

6.8 The Australian Electoral Commission (AEC) said that duplication of processes across agencies and diseconomies of scale are a particular disadvantage to graduate recruitment.⁸ Similarly, Dr West and Mr Gourley told the Committee that they had observed duplication ‘particularly at the graduate, executive and senior executive levels...The agencies certainly all differ in their types of business but they are adopting very similar frameworks in the recruitment processes that they want to follow’.⁹

6.9 There was strong support for the use of bulk recruitment rounds and the establishment of orders of merit that could be drawn upon to fill vacancies arising within 12 months of gazettal. This was considered particularly useful for smaller agencies or those with a limited presence in certain geographic areas. Such agencies could further reduce their individual costs by pooling resources to purchase recruitment services.¹⁰

6.10 Mr Robin Henry, a former recruiter in the Australian Public Service, favoured decentralisation of recruitment processes along State and Territory lines. He suggested that, either professionally staffed agencies could provide recruitment services on a fee-for-service basis to agencies, or that recruitment for the whole of the APS could be outsourced to a national employment agency, such as Employment National.¹¹

6.11 The AEC also commented on the diminution of the concept of the ‘career service’ due to: recruitment for careers within particular agencies, rather than the APS; fewer staff with skills and experience that might apply across the APS and training in competencies specific to agencies, as well as enterprise bargaining that has ‘segregated mobility opportunities for ongoing employees’.¹²

6.12 On the other hand, the Australian Tax Office (ATO), one of the larger Commonwealth agencies, claimed that in-house recruitment was more advantageous for that agency than centralized recruitment because of the close links and shared corporate knowledge between staff in the business lines and recruitment staff. It considered that flexible recruitment arrangements were suited to the ATO’s ‘distinct recruitment cycle’ involving recruitment drives to implement particular government initiatives followed by natural attrition, as well as for seasonal recruitment required in relation to some ATO functions.¹³

6.13 Clearly, if agencies develop and conduct separate recruitment procedures, it is more difficult to ensure that cross-APS measures have been implemented. Some

8 AEC, Submission no. 24, p.1

9 Dr J West, *Committee Hansard*, 27 September 2002, p.216

10 Dr J West and Mr P D Gourley, Submission no. 29, p.10

11 Mr R Henry, Submission no. 1, pp.9-10

12 AEC, Submission no. 24, pp.250-251

13 ATO, Submission no. 22, p.5

commentators have expressed concern about the capacity of government to pursue objectives such as employment equity, without strong centralized management. Davis notes that ‘devolution improves local performance but comes at a cost for system-wide objectives’.¹⁴

Role of the APS Commission

6.14 The changes to the APS provide for agency heads to exercise greater management and employment powers balanced by increased accountability for the use of those powers. This includes the flexibility to determine recruitment practices that best meet each agency’s needs and, consistent with the legislative framework, both the authority and responsibility to make decisions relating to organizational performance.

6.15 Citing the legislative framework in which it operates, in particular the range of statutory functions of the Public Service Commissioner set out in section 41 of the Public Service Act, the APS Commission told the Committee that, as a consequence of the highly devolved environment of the contemporary APS, it had no direct or centralised role in the areas of recruitment and learning and development activities. Instead, its mission was ‘to foster the achievement of a high performing, ethical and client focused public service, promoting quality management of people and work’.¹⁵

6.16 The APS Commission described its approach as ‘generally one of ‘facilitating’, ‘supporting’, ‘contributing to’ and ‘fostering’...with ‘evaluation responsibilities and, to a degree, a coordinating, developing and promoting role’. It advised the Committee that its current output structure focused on:

- APS policy legislation and information;
- leadership performance and development in the APS; and
- employment related services and functions.¹⁶

6.17 Within this context, the Commission:

- offers a suite of development programs designed to meet current and emerging corporate learning and development needs across the APS, the context and issues that underlie these needs, and various associated issues such as preferred mode of delivery, timing and cost constraints;
- responds to training needs identified by external oversight, for example:
 - the need for contract management skills identified in the Joint Committee of Public Accounts and Audit report on *Contract*

14 Dr G Davis, ‘A Future for Public Service? Human Resources management in a shrinking sector’, *Canberra Bulletin of Public Administration*, no. 89, August 1998, p.24

15 APSC, Submission no. 15, p.17

16 APSC, Submission no. 15, p.18

Management in the Australian Public Service, tabled in November 2000, and

- the ANAO Audit Report No.12 1999-2000, *Management of Contracted Business Support Processes*;
- offers an APS-wide program for graduates;
- represents the Commonwealth on the National Board of Management and provided secretariat support to the PSM Course;
- in consultation with agencies, develops capability frameworks as a basis for assessing the learning and development needs of APS employees in key categories, including the SES and non-SES HR personnel; and
- through the Career Development Assessment Centre (CDAC), diagnoses the development needs of high-performing staff in the SES-feeder group.¹⁷

6.18 To refine its program offerings, the Commission conducts small, targeted surveys to gather information on the needs of specific levels or groups of agencies. It also seeks continuous feedback from participants and agencies on program relevance and quality:

The Commission conducts a ‘focus group’ exercise at regular (approximately 18 month) intervals to obtain the views of agency staff at all levels on their learning and development needs and other related factors relevant to the design of effective programs. Focus groups were conducted in mid 1999 and early 2001, and it is planned to conduct a similar exercise mid this year. The 2001 exercise involved 26 agencies.¹⁸

6.19 The role of the APS Commission was the subject of criticism in many submissions. People and Strategy (ACT) considered that the APS Commission ‘seemed to suffer from a lack of focus’ and that the need ‘to generate revenue to sustain itself’ (principally by operating as a broker for training activities) had detracted from its important role in making a strategic contribution to human resources issues as well as other useful roles, such as coordinating courses and facilitating contracts between APS departments and consultants.¹⁹

6.20 Geoscience Australia suggested to the Committee that a productive task for the APS Commission would be to benchmark the recruitment function across agencies. It advised that a benchmarking exercise with other APS agencies, key scientific organizations, private sector bodies and international best practice had provided a useful insight into best practice in the APS and private sector. It stated:

17 APSC, Submission no. 15, pp.31-34

18 APSC, Submission no. 15, p.31

19 People and Strategy (ACT) Pty Ltd, Submission no. 6, p.2

It would be useful if such benchmarking was undertaken regularly by a central body such as PSMPC to keep track of improvements made by APS agencies.²⁰

6.21 Dr West and Mr Gourley also argued that the APS Commission could play a greater role in auditing and examining recruitment in each agency to provide a check on the 'health of recruitment systems across the service'. They considered that the extra costs incurred under devolution should be addressed by the APS Commission.²¹

To a significant extent, the integrity and fairness of the system have owed a great deal to the centralised nature of policy and systems design and to centralisation of decision making that provided a check on adherence to proper process.²²

6.22 In response, the APS Commission acknowledged that the State of the Service report processes might provide an opportunity to evaluate agency performance in recruitment, including retention, training and so on. However, it considered that, in terms of recruitment, devolution had worked well, and that agencies themselves were 'best placed' to recruit according to their 'very different requirements'. Citing evidence from agencies about the suitability of the current arrangements, it did not consider the matter a priority. It noted, however, that, if there were evidence of major problems it would 'revisit [its] priorities'.²³

6.23 On the other hand, the APS Commission pointed out that it has been making efforts to improve its 'evaluation capacity' in other areas:

We have been increasing our evaluation activity very substantially over the last short period and we intend to take that further, but it has not at this stage focused on recruitment; it has focused on a number of other areas...For example, we are putting particular effort at the moment into the application of the values in agency systems and processes, which we see as being a particular priority in the coming period.²⁴

6.24 It also noted that recruitment is covered as part of an assessment of the performance of the APS in the State of the Service reports along with career development and 'a range of other factors to do with HR policies'.²⁵

6.25 The Australian National Audit Office (the ANAO) supported devolution so that agency decisions about recruitment and training needs would better match their activities. However, it considered that the APS Commission had a role to play in

20 GA, Submission no. 12, p.3

21 Dr J West and Mr P D Gourley, Submission no. 29, p.9

22 Dr J West and Mr P D Gourley, Submission no. 29, p.10

23 Mr A Podger, APSC, *Committee Hansard*, 11 November 2002, p.242

24 Mr A Podger, APSC, *Committee Hansard*, 11 November 2002, p.242

25 Mr A Podger, APSC, *Committee Hansard*, 11 November 2002, p.242

evaluating learning and development activities across agencies and in the development of cross-agency benchmarks. It considered that it would be possible to undertake moderation and provide leadership in this area, without interfering with agency management.²⁶

6.26 Other commentators also supported a central role for the APS Commission, but not one which resumed control of the recruitment function. Linda Colley writes:

...there should be some revitalisation of central HR agencies, not to resume their previous controlling roles, but to provide strategic guidance as well as those services where economies of scale make sense.²⁷

Outsourcing of recruitment

6.27 Using the flexibility available to them under the APS reforms, a number of agencies have outsourced their recruitment function in recent years. This has taken many different forms, with some agencies outsourcing the administrative aspects only, and others the selection process.

6.28 For example, outsourcing in DFAT has been limited to the labour intensive administrative aspects of recruitment, including manual assessment of applications for short listing and cognitive testing. Administration of bulk rounds and management of a temporary employment register has also been outsourced but strategic management of recruitment remained the responsibility of departmental staff. DFAT claimed that these changes have resulted in corporate management efficiencies and freed up 'valuable staffing resources for strategic human resource management'.²⁸

6.29 Centrelink has identified a panel of providers that would process future bulk recruitment rounds. It intends to use evaluation of existing major recruitment exercises to provide benchmarks for future evaluations, and expects that it will use bulk recruitment in future to address its business needs.²⁹

6.30 Other agencies with outsourced recruitment include ACS, the ATO and the Child Support Agency.

6.31 A major concern regarding outsourced public sector recruitment is whether private providers adhere to the principles of APS employment. The APS Commission advised that, in regard to workforce diversity, none of the agencies with outsourced human resources services or recruitment processes had expressed concerns that

26 Mr W Cochrane, ANAO, *Committee Hansard*, 15 August 2002, pp.90-91

27 Ms L Colley, 'The changing face of Public Sector Employment', *Australian Journal of Public Administration*, Australia 2001, vol. 60, no. 1, p.17

28 DFAT, Submission no. 4, p.5

29 Centrelink, Submission no. 26, p.19

outsourced providers are not ‘putting the APS values and workplace diversity principles into practice’.³⁰

6.32 The CPSU, however, referred to problems associated with provision of APS agency data to Comsuper resulting from loss of human resources management staff with specialist knowledge of Commonwealth superannuation arrangements. It considered that there is a risk that private companies would not have the capacity either to accurately process APS data and report accordingly, or to provide comprehensive and relevant employment advice to APS agencies, due to lack of direct experience with and knowledge of APS employment practices.³¹

6.33 From the perspective of private recruitment agencies, a number of problems with the current arrangements for contracting out of recruitment services were brought to the Committee’s attention. RCSA submitted that its members are concerned about suppliers who are not government-endorsed. It claimed that this demonstrated ‘inconsistency’ on the part of APS agencies in dealing with suppliers, and brought into question the value of obtaining government endorsement.³²

6.34 The APS Commission told the Committee that, under the Endorsed Supplier Arrangement (ESA) administered by the Department of Finance and Administration, all IT recruitment service providers required endorsement. DOFA is, however, unaware of any other endorsement arrangements for recruitment services. The APS Commission also said that the PS Act does not require government endorsed status for recruitment agencies either supplying APS employees or labour hirees.³³ It stated:

The Commission does not consider that there are any mixed messages about government endorsed suppliers in the area of recruitment. Recruitment in the information technology field is only a small proportion of total recruitment and the Commission is unaware of any problems with the recruitment of non-ongoing employees or labour hirees or consultants in the information technology area.³⁴

Conclusion

6.35 In the Committee’s view, the APS should be providing leadership in terms of recruitment activity in the Australian workforce. Devolution provides agencies with the scope both to generate employment opportunities to meet their business needs and for employees to achieve their goals in terms of productivity (within agencies and nationally) and continuing employment.

30 *Workforce Diversity Report 2000–01*, PSMPC, p.112

31 CPSU, Submission no. 42, p.22

32 RCSA, Submission no. 9, p.6

33 Answers to questions on notice, November 2002, Q.8(1), p.13

34 Answers to questions on notice, November 2002, Q.8(1), p.13

6.36 Getting the most out of the new environment, however, requires strategic vision, workforce planning intimately linked to capability requirements which themselves derive from corporate and business goals, and a strong commitment from management to human resources management and the continual development of the APS workforce. The Committee finds that many APS agencies lack these fundamental requirements at present. As a consequence, devolution has resulted in ad hoc responses to recruitment and training rather than development of projected workforce profiles based on business requirements. Even less in evidence is seamless translation of these needs into well-targeted recruitment action.

6.37 The Committee considers that under devolution more systematic planning and monitoring of progress against goals is required by agencies to help address these shortcomings. All agencies should be required to prepare a detailed strategy and set of objectives for both their recruitment policies and their training programs on a three yearly basis. The Committee is also of the view that in a devolved environment greater transparency is required in the recruitment and training area. All agencies should therefore be required to include their three-yearly strategies and objectives on recruitment and training in their annual reports, and report annually on progress to the APS Commission. This should enhance the external scrutiny of the actions being taken by agencies and help identify where improvements or adjustments are necessary.

Recommendation 11

6.38 The Committee recommends that all APS agencies develop a detailed recruitment strategy with a set of objectives for the next three years. Each agency should report annually to the APS Commission on progress in implementing its recruitment strategy. Agencies should also report on progress annually to the APS Commission.

6.39 To give a service-wide view of the progress of agency strategies, the APS Commission should report annually on the results agencies provide it on their recruitment and training efforts. Such a report should attempt to identify common trends, better practice, issues of concern and possible remedial solutions. It would also assist the Commission in establishing benchmarking in APS-wide recruitment practices, as recommended by the Committee below (Recommendation 12).

Recommendation 12

6.40 The Committee recommends that the APS Commission present a detailed report annually, as part of the *State of the Service* report, outlining the progress made by each agency in achieving its objectives in recruitment.

6.41 In the devolved environment, the Committee considers that central agencies such as the APS Commission, the ANAO and the Ombudsman have complementary roles in encouraging and promoting more effective strategies and approaches to recruitment, learning and development in the APS through a range of interventions. These include:

- **identifying areas of present need in terms of recruitment strategies and practices. This could be based on emerging national and international trends, audits of current practice, outcomes of surveys and/or consultation with industry, the community and informed commentators;**
- **undertaking ‘horizon scanning’, including through consultation with industry, and other commentators, with a view to anticipating trends on recruitment and workforce development, and promulgating advice throughout the APS;**
- **benchmarking recruitment practices;**
- **publicising examples of better practice and promoting these to avoid duplication and fragmentation of effort amongst agencies, and to ensure consistency and excellence in human resources management across the APS; and**
- **encouraging and promoting creative, innovative and focused solutions to problems, including through rigorous evaluation of recruitment strategies and through endorsement of programs meeting particular needs. These should include centrally delivered training, for example, to promote consistent strategies of leadership and management across the APS.**

6.42 The Committee is concerned that the fact that agencies are supportive of devolution of recruitment is causing the APS Commission to pay insufficient attention to recruitment matters. The fact that agencies support devolution does not mean there are no ways in which recruitment may be improved by the involvement of an agency with a whole-of-APS perspective.

6.43 The Committee considers that the APS Commission in particular should play a greater role in supporting and promoting agency recruitment, assisting the development of APS-wide strategies through, for example, the collection and analysis of management information, developing techniques for approaching problems common to all agencies and encouraging collaboration amongst agencies.

Recommendation 13

6.44 The Committee recommends that the APS Commission have a greater role in APS recruitment practices and in particular the establishment of benchmarking of recruitment practices.

6.45 The Committee recognises that an enhanced role for the APS Commission may require additional resources, but is of the view that the resulting improvements should be cost effective across the APS as a whole.

Recommendation 14

6.46 The Committee recommends that the government provide the APS Commission with such additional resources as are necessary to fulfil an enhanced role in guiding and monitoring APS recruitment strategies and practices.