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30 November 2009

Mr Terry Moran AO
Chairman
Advisory Group
Reform of Australian Government Administration
C/- Office of the Secretary
Department of Prime Minister and Cabinet,
Canberra ACT 2600

Dear Terry,

AHRI Submission

We are pleased to provide you the submission from the Australian Human Resources Institute (AHRI) on Reform of Australian Government Administration. As Australia's leading representative body of Human Resources practitioners, AHRI believes your initiative is both timely and critical to the further development of leadership and career practices within the Commonwealth public sector, so it can thereby serve as the role model for other levels of public service within this country and also internationally.

We are able to amplify and, as appropriate, clarify any of the issues and 13 recommendations made within the accompanying AHRI submission.

We commend the work of your Advisory Group, and very much look forward to your final report and assessments.

Yours sincerely,



Peter S Wilson AM
National President



Meryl Stanton PSM
Director and Steering Group
Convenor

SUBMISSION

**Reform of Australian
Government Administration:
Building the world's best
public service**

30 November 2009

ABOUT AHRI

The Human Resources profession is central in the delivery of solutions to the economic and workplace relations agenda of the Federal Government. Its national professional organisation, the Australian Human Resources Institute (AHRI), is pleased to make this submission to the Advisory Group on the Reform of Australian Government Administration (the Advisory Group). A brief description of AHRI, its role and place in Australia and internationally, is provided at Attachment A. This submission was prepared by a steering group comprising AHRI board members and staff, as detailed at Attachment B.

EXECUTIVE SUMMARY

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

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

1. AHRI recommends that the Advisory Group recognise and recommend to government that the world's best public service will require:
 - a) acceptance of the world's best leadership development philosophies supported by a senior executive group with a readiness to drive innovation, take decisive action and initiate cultural change
 - b) the world's best human capital framework founded on research, metrics and active assessment
 - c) recognition of the essential input of highly talented HR expertise in achieving those aims.
2. AHRI recommends the Advisory Group endorse the development of a comprehensive, strategic, APS wide human capital framework based on a model of exemplary values and principles for the people of the APS and addressing not only the metrics of skills requirements and availability but also encompassing the 'life cycle' of each staff member's APS experience.
3. AHRI recommends that the Advisory Group consider the means by which an APS-wide human capital framework be structured to contain policies and practices which are inherently attractive to

those considering APS employment for all or part of their working lives.

4. AHRI recommends that the Advisory Group consider the importance of utilising more strategic, professional recruitment and promotion methods to attract and recruit high quality staff with diverse characteristics and skills into the APS.
5. AHRI recommends that the Advisory Group support an APS-wide human capital framework which includes a workforce planning initiative, encompassing specific guidance on succession planning in the context of merit.
6. AHRI recommends that the Advisory Group adopt the proposal for a high level academic school dedicated to educating public servants in policy making, service delivery and leadership disciplines.
7. AHRI recommends that the need for formal training and development at middle management levels should also be catered for, as part of a dynamic and forward looking set of development programs.
8. AHRI recommends that the Advisory Group support, as part of a human capital framework, a strong set of development strategies incorporating formal education and coursework, and on-the-job training, including increased mobility opportunities within and between agencies and business sectors.
9. AHRI recommends that the Advisory Group endorse the view that leadership training should involve not only public sector skills development in policy making and service delivery, but concentrate specifically on the complexities of leading and nurturing talented people.
10. AHRI recommends that the Advisory Group endorse the concept that policy hubs, if formed, should include a wide variety of people from within and beyond the bureaucracy, and be used as innovative vehicles for development of talented staff.
11. AHRI recommends that the Advisory Group promote a consistent and equitable reward structure as part of a human capital framework. Such a reward structure should include, but not be limited to, pay and conditions of service
12. AHRI recommends that the Advisory Group endorse the view that individual performance management should measure outcomes on a triple bottom line basis, and include strong metrics on HR outcomes

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

AHRI would be pleased to assist the Advisory Group further by speaking to our submission, should the opportunity arise.

BACKGROUND

The Prime Minister's announcement of an examination of Australian Government Administration, led by an Advisory Group chaired by his Department's Secretary, Terry Moran, comes at an important time for our nation and society, as well as for our place within the world economy. Following the enormous disruption occasioned by the global financial crisis since September 2008, there has been much reflection about how best to organise ourselves to cope with the necessary structural adjustment, and also to be well placed for, and indeed to capture a recovery that produces sound and equitable growth in the years ahead.

Whilst blame for the GFC has been vested with certain of the world's financial institutions, there were related causes in regulatory supervision, and AHRI believes many of the seeds of demise behind the GFC can be found in poor business and policy leadership. Most particularly a lack of ethical leadership at critical levels of decision making in our institutions is probably the root cause.

Australia has been spared much of the blame and has maintained a strong economy, as well as astute policy and institutional responses, to keep ourselves clear of the most severe GFC consequences. As part of that, there is no doubt we have a proficient and well performing public sector, and many professional and committed senior public servants who make up its hard working executive ranks today.

But the terms of reference for the Advisory Group go further. In short they ask "How do we prepare for and achieve the world's best public service?" If that can be achieved, the philosophy and frameworks adopted here would become world's best practice, and Australia would become the role model of choice for other governments in their aspirations and restructuring plans.

AHRI embraces these objectives and principles and has spent considerable time studying world's best practices in people management within both the public and private sectors, here and abroad.

Our general conclusion is that public sector people practices lag behind those of the best private sector organisations regardless of geography, and many lessons from business life would translate well to the public sector environment, and are probably the best initial means for the Review's objectives to be realised.

THE WORLD'S BEST ORGANISATIONS

As the Discussion Paper issued by the Advisory Group acknowledges, 'Many modern business management practices and philosophies may need to be adopted by the APS to enhance program and service delivery capabilities.'

This is so not just in terms of financial and technical business practices and philosophies, but equally in terms of managing the scarcest of all resources, high quality people. In a current longitudinal research study started in 2008, the World Federation of People Management Associations (WFPMA) surveyed its members to identify their main business challenges. The top challenges included labour productivity, workplace and corporate reorganisation, innovation and rebalancing outsourcing and insourcing – all elements appearing in the Discussion Paper as relevant to the APS.

The WFPMA survey went on to identify the 10 top people challenges to be met by its members. They were:

1. managing talent
2. improving leadership development
3. managing work-life balance
4. managing demographics (younger and older workers)
5. becoming a learning organisation
6. managing globalisation
7. enhancing employee engagement and commitment
8. improving performance and rewards alignment
9. managing change, cultural transformation and diversity
10. managing corporate social responsibility.

Through AHRI, Australia holds a seat on the WFPMA board, and took an active role in that study. The study's second stage is under way and due for release later this year. Australian respondents in 2008 agreed that managing talent, improving leadership development and managing demographics were the top three people challenges. Again, all of these feature prominently in the Discussion Paper.

Which global companies might set the standard in leading people? One place to look is the research regularly done by the Hay Group in conjunction with *Fortune* magazine, identifying the world's most admired companies. Every year, the Hay Group asks executives in leading global companies to assess their peers on attributes such as the quality of their management, their long-term investment value and their ability to attract and retain talented people.

In 2009, the top 50 most admired companies were led by Apple, and included Google, Toyota, General Electric, Singapore Airlines, Nokia and Samsung. (Note that Apple, Google and Toyota were also *Business Week's* global Top 3 Most Innovative Companies in 2009). The Hay research assessed common characteristics of these companies, and this year included an extra analysis on how the companies were organised. The results, published in a Hay Group whitepaper *Charting a Course to Success*, highlighted four key characteristics that the most admired companies share:

- ▶ They have clear, enduring strategies
- ▶ Their structure is aligned to both strategy and the business model.
- ▶ They have flexible, visible operating models.
- ▶ They equip their leaders to succeed.

Somewhat different aspects are surveyed each year, but a composite of the last three years' results show that when the human capital or people strategies are examined, common findings include:

- ▶ 100% of the companies have strong performance and career development cultures
- ▶ 90% have delegated decision making at the right level
- ▶ 90% measure staff engagement and alignment regularly and take remedial actions based on the results
- ▶ 88% have well understood visions and are known for being quick to communicate and implement change

- ▶ 82% have regular monthly reporting to board with information and metrics on human capital management
- ▶ 81% of CEO, executive and boards have KPIs that include success measures for developing people.

These challenges are also being met in the public services of other comparable countries. The benchmarking study undertaken by KPMG for the Advisory Group illustrates this to some extent (although the data drawn upon in that study is very limited), as does the public administration literature including that published in Australia in the *Australian Journal of Public Administration* and *Public Administration Today*. The *Asia Pacific Journal of Human Resources*, published under AHRI's auspices is another source of such information.

In Canada, for example, public service renewal has focused on four areas – recruitment of the next generation of public servants, development (especially development of leaders), planning (especially the integration of business and human resource planning), and enabling systems. Canada has recognised the interconnection of increasing global complexity and competition for scarce human resources as the demographic impacts of an ageing population play out in the Canadian public service, just as they do in Australia.

Adam Lewis from McKinsey & Co indicated in a recent piece appearing in several newspapers that “one of the toughest challenges the Government has in reforming the public sector is changing the culture. This is achieved by strong visible and sustained leadership from the top; clear reform milestones and performance management, focused program management, and momentum through early wins and success stories.” (*Canberra Times*, 6 October 2009)

This view is strongly endorsed by AHRI and indeed reflects the clear experience of the private sector in Australia and worldwide. Leadership and change go hand in hand. Strong leaders supported by capable human resources frameworks and highly skilled human resources practitioners will breed success.

To achieve this across the whole APS in a uniform way, while having regard to the specific context of individual agencies, is the challenge. This will require a coordinated and strategic approach to the development of leadership and HR capability. Investment in people, and return on that investment, will be crucial.

It is not simply a matter of applying selected private sector practices to the public sector. As the Discussion Paper points out, there are some genuine difficulties in such transplantation, including the application of acceptable risk management strategies to an increased imperative for innovation. There are challenges also in changing public sector cultures

to include the relevant characteristics exhibited by the best global companies, which are known for their:

- ▶ open communication and genuine engagement
- ▶ respected management and leadership
- ▶ respect for the ‘customer’ – known for service and innovation
- ▶ global competition and understanding cultural differences.

The Government has been clear in its vision for a public service that operates as a cohesive whole, that employs a diverse range of high quality people and skills, and that improves on its current levels of innovation, policy advice, service delivery and leadership.

But the results of an AHRI survey of its public sector members, conducted in November 2009 (and hereafter referred to as ‘the AHRI survey’), give some indication of the work to be done to achieve such outcomes. The survey, the results of which are unpublished at the time of writing, drew over 250 responses, mostly from people involved in HR aspects of public sector work. Among the results to note are the following:

- ▶ 77% say their agency has no widely recognised succession plan in place for key people
- ▶ 66% say that the main feature of their agency’s values is to achieve the agency’s objectives, rather than cross-portfolio objectives.
- ▶ 65% say staff in the agency are not sufficiently well trained or resourced to deal creatively with long-term strategic policy matters
- ▶ 60% say high performing staff are not identified, developed and mentored
- ▶ 58% say their agency does not encourage innovation through strategic risk taking
- ▶ 52% say their agency has no cultural change initiatives
- ▶ 36% say the SES in their agency do not see themselves as part of a broader public service leadership group
- ▶ 35% say the leaders of their agency are not unified in achieving cross-government policy agendas
- ▶ 21% say their agency’s leaders do not model public service values in their own behaviour.

Similar messages were presented by a range of senior HR executives from various agencies through a November 2009 focus group meeting of the ACT AHRI State President's Advisory Forum. Key themes to emerge were:

- ▶ Recognition of the strong desire of staff to achieve high standards and be recognised for their contribution by being actively supported in their growth and development and have strong leaders to guide them.
- ▶ The importance of having strong supervisory relationships through local leaders with the skills and empathy to help guide and develop staff through the ongoing changes and pressures faced by the Public Service.
- ▶ Strong support for a more structured and service wide approach to leadership and management development at a service wide level.
- ▶ Concern about the lack of a strong central agency and/or coordination approaches to assist in the development of strong leadership, governances and HR frameworks
- ▶ A clear view that collaboration, innovation and sharing is not rewarded within agencies.
- ▶ Concern that the absence of common support systems in areas such as finance, IT and Human Resources added to the complexity of managing in the Public Service and did not promote efficiencies or a common one-Public Service culture.
- ▶ Conviction that the absence of common HR frameworks and in particular pay and conditions of service results in wasted effort developing separate approaches, strong internal agency completion of staff and acts as a disincentive for many staff to move to some agencies with less attractive conditions.

There is clearly some way to go to achieve a public service which meets the vision, values and principles articulated by the Government.

AHRI Recommendation 1

AHRI recommends that the Advisory Group recognise and recommend to government that the world's best public service will require:

- a) acceptance of the world's best leadership development philosophies supported by an executive group with a readiness to drive innovation, take decisive action and initiate cultural change
- b) the world's best human capital framework founded on research, metrics and active assessment

-
- c) recognition of the essential input of highly talented HR expertise in achieving those aims.

HUMAN CAPITAL IN THE WORKPLACE OF THE FUTURE

‘Human capital’ is an economic concept that implies investment, and return on that investment. In responding to the Advisory Group’s five aspirations as set out in its Discussion Paper, a recent KPMG benchmarking report added a sixth key aspiration: “Attracting and retaining people of the highest quality”.

Comparisons with other countries on this element proved difficult, but in any event KPMG could rate the APS no better than the ‘medium’ category. The Government should resist the temptation to concentrate only on the three lowest rated elements (coordinated, informed and strategic policy; integrating external expertise and citizens’ views into policy development and service design; and understanding government priorities through developing an overarching framework). If these aspects are to be improved, they will require concomitant investment in human capital, including but certainly not limited to that already in the APS.

Top people and workplaces don’t happen by accident. In 2008 The Hay Group in Australia provided AHRI with detailed published and unpublished material from the 2007 ‘World’s Most Admired’ survey which demonstrated that the ‘best of the best’ organisations have the following characteristics:

Their business mission and strategy have meaningful people strategies at their heart

- ▶ The top executive team meets as a ‘talent council’ 2-4 times a year
- ▶ They support business and corporate talent councils within
- ▶ They identify roles and people critical to the organisation’s survival
- ▶ HR is always at the executive table.

AHRI supports the proposal in the Discussion Paper to develop an APS-wide human capital strategy endorsed by the Government and driven centrally. This would set an overall framework in which individual agencies (or other interested public or private sector organisations) could develop their own human capital strategies, or refine those they already have (39% of respondents to the recent AHRI survey indicated their agencies had a human capital strategy). The main advantages of the framework would be: an increased understanding of the Australian

Government as an employer of choice, within which there are many opportunities for a varied career over time, either continuously or in one or several phases.

The main elements of such a framework should be to create and maintain values, culture and innovation in order to:

- ▶ Attract the best people
- ▶ Recruit and retain the best people
- ▶ Ensure learning and development for policy, operations and leadership skills
- ▶ Connect people
- ▶ Reward and recognise people.

The first step in this process is to understand what the workforce of the future might look like, in order to set values and create a culture that will attract and retain those on whom we will rely to produce creative policy outcomes for government. The public service of the future will need to develop levels of excellent practice in the following:

- ▶ Enable massive and immediate transfer of communication to anyone, anywhere (within legal and privacy constraints)
- ▶ Manage distributed work patterns at home, at work, and in ever more remote locations
- ▶ Adopt sophisticated programs to manage talent, career performance and engagement
- ▶ Be perpetually resourceful and innovative in implementing flexible approaches to restructuring the workplace in order to allow for new work patterns and modern work-life preferences.

AHRI Recommendation 2

AHRI recommends the Advisory Group endorse the development of a comprehensive, strategic, APS wide human capital framework based on a model of exemplary values and principles for the people of the APS and addressing not only the metrics of skills requirements and availability but encompassing the 'life cycle' of each staff member's APS experience.

Attracting the right people

Public service has some natural advantages in this area; the literature constantly talks, for example, of the attraction of young people ('Gen Y') to not-for-profits and private sector organisations with a strong ethical base and commitment to corporate social responsibility (CSR) programs.

Research conducted by the Society for Human Resource Management in the US indicates that graduates are willing to forego up to US\$14,000 in annual salary in order to be satisfied with the ethical base of the organisation for which they work. In essence, those 20-somethings appear to be seeking:

- ▶ a transparent, values based culture, with a clear mission and vision
- ▶ reduction in red tape (both in entering the work environment and when working), allowing them to 'make a difference' through innovation
- ▶ maximum use of new technology, particularly in communication
- ▶ rapid opportunities to be 'in the thick of things', complemented by formal and accredited learning opportunities
- ▶ varied work over short time frames
- ▶ flexibility for 'down time' by way of travel and/or voluntary work
- ▶ rapid promotion for good performers that satisfies both their emotional and financial needs.

The first five of these points reflect exactly what is being foreshadowed in the Discussion Paper. Some elements, for example the first, second and third, are already priorities across the APS. There may however be some rhetoric-reality gaps when it comes to how staff perceive the present situation. The *State of the Service* report evidence, cited in the Discussion Paper, that fewer than 45% of surveyed staff consider themselves well managed is cause for concern. (This percentage has dropped further, to 43%, according to the *2008 State of the Service* report released last week.)

In the future it will not be enough to know the needs of those the APS wishes to attract and promise to fulfil their expectations. The APS will need to know how to reach such people to attract them, and to monitor the changes in what attracts and keeps them over time. The AHRI survey shows that 80% of respondents' agencies conduct staff surveys, which are a good vehicle for such research.

Much of this should be integral to a human capital framework, with suitably qualified people assessing trends in what it is that attracts high

quality recruits and designing recruitment marketing strategies. It is worth noting here the recent efforts by the Canadian Civil Service to re-brand government service with an emphasis on how it caters for Gen Y preferences. For example, it conducts employing strategy initiatives such as public sector job fairs, and targets university lecturers in particular subject areas to encourage talented public sector recruits.

In a presentation given in Canberra on 6 November 2009, the Hon Kevin Lynch, former Clerk of the Canadian Privy Council, made the following point: 'In seeking public service renewal, we recognised early on that it had to be a sustained effort, that it had to be a team effort, and it had to have a validation element – that being a public servant matters to the country.'

In this context one respondent's comments in the AHRI survey are noted. In response to an invitation to list ideas for a better public service, the person wrote:

"More recognition of public sector employment as a rewarding career choice – there is still the mentality that if you are in the public service your career means nothing and is far less important than a corporate position..."

AHRI Recommendation 3

AHRI recommends that the Advisory Group consider means by which an APS-wide human capital framework be structured to contain policies and practices which are inherently attractive to those considering APS employment for all or part of their working lives.

Recruitment and retention

The APS has long prided itself on the assiduous application of 'the merit principle' in recruiting staff. Up until the 1980s this was done across numerous entry points using centralised, validated selection tests suited to the work specifications of particular jobs. Since then, recruitment has been decentralised to agencies and the methodologies used for selection vary, although most rely on notoriously imperfect interview models.

The Discussion Paper foreshadows the reintroduction of something like the former Administrative Trainee Scheme, attracting high quality graduates into a central annual training program. AHRI supports such a move as likely to attract young high flyers, and suggests that selection for any new program or programs (e.g. cadetships to attract specific scarce professional skills like accountancy, HR or ICT skills) ensure the use of rigorous, validated methods.

At a more decentralised level, there is room to better assist agencies to design and validate their selection methods to attract, recruit and promote suitable people from across the community, including men and women of more mature age, Indigenous Australians, those from ethnic backgrounds not traditionally attracted to government service, and those with disabilities. These people will assist a more citizen-centred approach in both policy and service delivery roles. HR expertise has the capacity to make a critical contribution to such an outcome.

Similarly, the area of high quality job design has been largely ignored by public sector agencies and by the Australian Public Service Commission in recent years, other than in determining classification guidelines. The HR profession, broadly defined, spent much of the Twentieth Century exploring how to design jobs that are effective and rewarding, but such expertise is now less used for mainstream APS positions.

In the free form comments invited in the AHRI survey, a constant theme was concern at the inefficiency and 'red tape' of slow, outdated systems and methods, including for recruitment. AHRI notes that this was also a theme in the online discussion forums hosted by the Department of Prime Minister and Cabinet (PM&C).

AHRI Recommendation 4

AHRI recommends that the Advisory Group consider the importance of utilising more strategic, professional recruitment and promotion methods to attract and recruit high quality staff with diverse characteristics and skills into the APS.

Staff retention is no longer about retaining a recruit in the APS for a continuous 20, 30 or 40 years. Most young recruits will be loyal to good leaders, but not to organisations, and they tend to seek variety and continued challenge. AHRI research on staff retention and turnover shows the winners at keeping the best people are those who:

- ▶ implement sound communication programs
- ▶ look after their employees' training and development needs
- ▶ win respect for leadership throughout the organisation.

While some agencies have turnover rates that are too high, others may in fact benefit from greater turnover. There is a fine balance between the return on investment from the recruitment and development of a staff member, and the dysfunction that can occur from too little movement. That is one reason why it is important to promote the variety of opportunities across APS agencies, including across various geographic locations. A staff member leaving one APS agency for another should not be seen as a loss in ROI terms, and nor should someone leaving the

APS for another government, a not-for-profit organisation or a private company necessarily be seen in that way.

On the other hand, it is worthwhile examining the reasons why people leave, and why they stay. This should be a central aspect of any human capital framework, as it is of the strategies some agencies already have in place, in order to inform recruitment, development and reward programs.

The best organisations have clear workforce plans at lower levels and succession planning strategies for higher levels and pivotal positions. The pools used to inform such plans are usually much wider than the organisation's existing staff. While some agencies do undertake workforce planning, 77% of the AHRI survey respondents indicated there was no recognised succession plan in place for key people. In the comments appended to the survey, there was a theme of uncertainty about how people were identified for promotion, with some allegations of cronyism (as also noted in the PM&C online forums). This lends weight to the need for guidance by way of an APS-wide initiative on workforce and succession planning, within the context of merit. On the basis of this wider initiative, agencies can feel more confident in developing their complementary workforce planning.

Ability to assess and plan attraction, recruitment and retention trends is a core skill of the HR professional. It is therefore of concern that the AHRI survey shows that for nearly two thirds (64%) of survey respondents, the most senior HR executive in their agency did not report directly to the Secretary/CEO. Only a little over half the respondents (54%) were able to say that this executive had a seat at the agency's most senior executive leadership meetings. This is clearly not in accord with global best practice.

AHRI Recommendation 5

AHRI recommends that the Advisory Group support an APS-wide human capital framework which includes a workforce planning initiative, encompassing specific guidance on succession planning in the context of merit.

Strategic learning and development

AHRI considers that development of strong leaders who can efficiently and effectively deploy their resources to meet the Government's objectives is of equal importance to the priority to develop high level policy capability. The direction signalled by the Prime Minister on 3 September in the course of his John Patterson Oration to ANZSOG is a good way forward. The notion of having a "Kennedy School" concept

developed in Australia through partnerships between ANZSOG and a prestigious institution like the Australian National University is supported.

AHRI suggests that the focus of this initiative be expanded to include leadership development and HR management education to shape a high performance culture through programs run on a Service-wide basis through such a body. This would be another plank of a major investment in the capability development that will be needed to achieve the goals set by the Prime Minister. Leadership training must begin at the lower management levels, not once people are thrust into senior leadership roles.

This arrangement should involve other industry partners and AHRI considers that it can make a substantial contribution through such an approach. AHRI can build on its already extensive network of programs and affiliations through the higher education sector and connections internationally.

AHRI Recommendation 6

AHRI recommends that the Advisory Group adopt the proposal for a high level academic school dedicated to educating public servants in policy making, service delivery and leadership disciplines.

AHRI Recommendation 7

AHRI recommends that the need for formal training and development at middle management levels should also be catered for, as part of a dynamic and forward looking set of development programs.

While formal learning environments are attractive because they offer high quality instruction, accreditation and some good reflection time away from the demands of everyday working life, it is equally important to consider the learning which can be achieved in the working environment.

Even in today's more frenetic environment, leaders should be held accountable, through formal key performance indicators, for the on-the-job development of their staff. In the 'need to know' environment there is a tendency to keep the more interesting policy work at a very high level in the organisation. Those at the top, at SES level, can become burnt out, while those in the middle and lower ranks feel underemployed and undervalued - not a good retention strategy. Senior executives, ministerial staff and ministers should encourage 'bag carrying' by more junior staff to observe and absorb the skills they require to make policy and to implement it.

Similarly, a variety of policy formulation work, and where possible, service delivery work, will hone the skills of both future policy makers

and those who will be in the front line dealing with Australia's citizens or others who are the subject of government activity.

A theme in the comments appended to the recent AHRI survey was a plea to be allowed to be delegated responsible work, to acquire skills to take that work forward, and once trained to be held accountable for the results of that work. Respondents were eager to try new things, but require a supportive environment in which to learn, and accurate but non-punitive feedback about their performance. Only about one third of survey respondents were able to say that their agencies encouraged innovation through strategic risk taking.

The Discussion Paper advocates greater mobility between agencies and between industry sectors. The AHRI survey and the PM&C online forums indicate that this is highly attractive to current employees, who consider they do not really have this opportunity currently. From the comments registered, there are two main factors militating against such mobility, or at least skewing the opportunities. The first is the pay inequity between many agencies, meaning that sometimes even winning a promotion to another agency may be at a financial cost, and the second is a perception at least that agencies choose from their internal pool, particularly in leaner times.

Moreover, it is clear that formal development programs outweigh on-the-job training. The AHRI survey asked respondents whether their organisations tended to train formally (i.e. courses, seminars) or less formally (i.e. on the job) for a number of development categories. The responses indicated an overwhelming concentration on formal training, the highest categories being leadership (88% of respondents said their agencies had formal leadership training), risk management (57%), diversity (56%) and customer service (45%).

The highest response for on-the-job training was in relation to teamwork, where one in five respondents considered they received this as part of their jobs; interestingly, only one in twenty respondents considered they received leadership training in the course of their work. One respondent expressed the following concern about on-the-job training:

“(There should be) recognition that proper on the job training takes planning and time which needs to be resourced rather than trying to teach them on the run.”

The AHRI survey also indicated that training in innovation is not common, either formally (12% of respondents said their agencies offered such training) or informally (13%).

This part of the AHRI survey also gives some cause for concern about the recognition of the HR function as a skilled professional service to senior management. , Only 8% of the respondents said their organisations offered training in talent management. There were several

comments in the free form section about staff in HR sections not being professionally qualified, including the following idea:

“Recognise HR professionals are more than just administration and allow skilled HR people to participate in planning rather than just fixing the problems.”

When it comes to identifying training needs, it seems that organisational leaders may take a ‘hands off’ approach rather than proactively determining the development needs of their staff. The most common response (54%) was that the agency’s managers ‘encourage staff’ to seek training in areas that align with agency priorities.

The Discussion Paper suggests the need to develop particular skills in policy formulation and citizen-centred service delivery. It suggests further that some of this will be achieved by imbuing a less risk averse, more innovative culture. But these objectives will also require an understanding of ways such skills can be developed through academic, sessional or on-the-job development. In particular, there should be more recognition given to training in innovation, strategic decision making, and in making high quality well informed decisions in a sometimes highly pressured working environment. These are not mutually exclusive categories, and their interconnectivity should be recognised.

Leaders should be accountable for preparing their staff to do the jobs expected of them, through personal involvement in their development and in providing opportunities for more formal academic learning or development programs. It is time to reaffirm this as a non-negotiable leadership responsibility and hold senior managers accountable for it through specific key performance indicators.

AHRI Recommendation 8

AHRI recommends that the Advisory Group support, as part of a human capital framework, a strong set of development strategies incorporating formal education and coursework, and on-the-job training, including increased mobility opportunities within and between agencies and business sectors.

AHRI Recommendation 9

AHRI recommends that the Advisory Group endorse the view that leadership training should involve not only public sector skills development in policy making and service delivery, but concentrate specifically on the complexities of leading and nurturing talented people.

Connecting people

Connecting organisations means, at its most fundamental level, connecting their people. One only has to look at the proliferation of new technologies and sites like MySpace, Facebook and Twitter to know that the staff who will come into the APS in the coming years value connectedness beyond the traditional concept of a general connection through the profession of public administration. This accords with the Government's wish to diminish agency silos and forge greater interconnectedness both within the bureaucracy and with external stakeholders. If the culture new recruits enter is truly a 'whole of government' culture, there should be little trouble convincing them of its value.

The current infrastructure and legislation sometimes militates against connectivity, particularly in using data across portfolios, or even across agencies within a portfolio. This is a source of some frustration in those staff who consider efficiency, effectiveness and innovation are being affected as a result; only 6% of AHRI survey respondents reported being offered training in cross-agency cooperation and one respondent put it like this:

"(a better public service would be) able to easily exchange data and information."

In this context, the proposal to establish policy hubs has much merit. Carefully designed hubs can produce not only excellent policy outcomes, but high quality learning environments for both experienced and novice policy makers. But the hubs should be carefully designed to mix subject matter expertise, policy and service delivery experience, and different types of team members, including external stakeholders. Teams need those who are creative, those with an eye for detail, researchers, analysts, writers and those who are driven to identify and communicate the outcome. Not all these attributes will be found in each hub member. Again, HR expertise will be crucial in assisting the process of team building, both before and after formation of the hub.

Communication skills are vital here. The world's most admired companies are skilled communicators, both externally and internally. They understand not only the external media cycles and marketing challenges, but that their employees want to know what's going on, and when, in order to understand where they fit in the organisation and the contribution they can make. Respondents to the AHRI survey commented, in addressing a better public service:

"Ensuring that leaders have the skills and are required to actively lead and manage their people."

“Managers understanding the financials, customer/public needs, people needs etc, not just focusing on the specialist area or skill the manager feels comfortable with.”

AHRI Recommendation 10

AHRI recommends that the Advisory Group endorse the concept that policy hubs, if formed, should include a wide variety of people from within and beyond the bureaucracy, and be used as innovative vehicles for development of talented staff.

Reward and recognition

The public sector inevitably rewards its employees differently to the private sector. The inability to pay high executive salaries has been offset with good starting rates, long career structures and excellent superannuation benefits. However, the last two of these are no longer the attractive propositions they were to a less mobile workforce.

The rewards in a public sector culture should take advantage of the likely attraction its people will have to be treated equitably (not necessarily equally). As the Discussion Paper points out, the current decentralised classification, remuneration and reward system has not fostered equitable treatment, and this should be rectified. There needs to be more flexibility in allowing talented people to move between sectors without subsequent financial penalty. And the non-remuneration reward systems should be loosened up, without affecting public service integrity, to allow agencies to recognise outstanding performance with incentives other than promotion. None of this need jeopardise the important rules about not receiving benefit from citizens (or any other interested parties). Outlay is likely to be modest, return on investment high.

The points made in the previous paragraph were a constant theme in the comments made in conjunction with the AHRI survey. The following comments typify this:

“Public service wide conditions of work and pay scales – this will enable people to work wherever they will make the best contribution rather than keeping people in the agencies/departments that pay more.”

“Whole of Government pay and conditions – one service.”

And, on the rewards side:

“An ability to differentiate and reward our top performing staff.”

Canadian Kevin Lynch, in his presentation mentioned earlier, made an interesting point about risk and reward needing to have some symmetry. In other words, if the risk is high, and the outcome good, there should be high reward, including open praise. Only in this culture will people accept, in high risk situations where the outcome is poor, the blame for

that result. This sentiment was echoed in the comments attached to the AHRI survey, where some respondents considered that people in the lower levels of the organisation were not praised or thanked for high quality results, and that it was very difficult to find innovative ways of rewarding good performance at middle and lower levels in the hierarchy.

The APS currently has a number of ways of publicly rewarding its high achievers, including the Public Service Medal, various awards programs including the Prime Minister's Awards for Excellence (under the auspices of the Institute of Public Administration Australia), but wider recognition of those who win other awards (e.g. those run by Comcover for risk management, and AHRI for excellence in the HR field) should be considered.

It is notable that two of the prestigious AHRI National Awards 2009 went to Australian government agencies or employees. Comcare won the HR Impact Award, with the judges noting "Through a highly successful and strategic people management approach, Comcare has developed key management resources, processes and systems to drive workforce decisions and enable effective business outcomes." Ms Jessica Booth, CSIRO, won the HR Rising Star award. The Department of Education, Employment and Workplace Relations was also a finalist for the Wayne Cascio Award for Responsible Restructuring.

AHRI Recommendation 11

AHRI recommends that the Advisory Group promote a consistent and equitable reward structure as part of a human capital framework. Such a reward structure should include, but not be limited to, pay and conditions of service.

The previous sections have outlined the important elements to be included in a human capital framework, which needs to be a comprehensive but flexible outline of a new approach to valuing those who do the government's work. An essential element is equipping APS leaders to take on their people responsibilities, and be measured against them, as happens in the best global organisations.

AHRI Recommendation 12

AHRI recommends that the Advisory Group endorse the view that individual performance management should measure outcomes on a triple bottom line basis, and include strong metrics on HR outcomes.

This will require a refocusing on the people aspects of leadership, measurable indicators of high quality management in terms of attracting, recruiting, developing, connecting and rewarding the best people. This is every manager's job, not the HR unit's job, but strategic HR expertise throughout the APS will be essential in enabling this to occur.

ATTRACTING AND RETAINING THE WORLD'S BEST HR PRACTITIONERS

AHRI's purpose is to engender HR best practice within Australian organisations. This means that our focus is to enable HR professionals to occupy the 'seat at the table', and to make a difference to their organisations, as perceived by the various stakeholders. AHRI's education and training programs, underpinned by the latest research, enable HR professionals and practitioners to excel and to build their competencies, which in turn, build capability and performance.

Over the past 10 years, Australian organisations have experienced greater numbers of HR professionals operating as strategic business partners, as well as key advisers to their CEO and the top executive team. These professionals have overseen the traditional HR function activities, but have also expanded their sphere of influence to include Corporate Social Responsibility, Risk, Public Affairs and Communication.

The demands placed on HR professionals have also increased as the world is more interconnected and the people issues more complex. According to US based Professor Dave Ulrich there is a world-wide shortage of HR practitioners, who operate as strategic business partners, serving both external and internal stakeholders. Recognised as one of the top global thought leaders in HR and Leadership, Ulrich has undertaken extensive global research on the competencies required of HR professionals. This landmark and longitudinal research has included Australian HR professionals, from both public and private sectors.

While the APS has recognised the need to boost its HR capability through APSC's Human Resource Capability Development Program, competition for highly sought after HR professionals will continue to intensify, and this demands an innovative attraction, recruitment and retention strategy.

In this context, AHRI has developed a Model for Excellence incorporating the latest research results from the HR Competency Study conducted by the University of Michigan. It also draws on the HR Competency Model developed by Professors Ulrich and Wayne Brockbank. AHRI participated as a regional partner in that study. The results are well aligned with the results of both the WFPMA longitudinal study referred to early in this Submission, and the findings of the Hay and *Fortune* magazine's 'World's Most Admired Companies'.



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

AHRI Model of Excellence

The AHRI model acknowledges that human resource management consists of a number of interrelated activities that combine to drive business performance. The base capability is that organisations must be 'business driven'. According to the Model, practitioners in human resources also require additional capabilities as strategic architects, stakeholder managers, workforce designers, credible activists, expert practitioners, and culture and change agents.

Human resource management knowledge and capability underpin HR practice and influence the professional behaviour of HR professionals and how they are perceived. In addition, the overarching goal of HR people leading business is underpinned by the following objectives to which HR practitioners must subscribe:

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

This Model is well suited to modification for purposes of the public sector environment and provides the basis for an APS-wide common development framework. In looking at how elements of the framework could evolve some additional views on key elements of human resources management are outlined below. By way of example, AHRI has worked to establish this model within the leadership practices in public sector agencies including the Commonwealth Defence Materiel Organisation, Queensland Health, the Tasmanian Department of Premier and Cabinet, and the Victorian State Services Authority.

In addition, the Government of Dubai in the Gulf region recognised the value of AHRI's Model of Excellence and engaged the Institute in 2007-08 to train its home-grown public service with a view to achieving world-class policy development and service delivery in the sector. The success of that project was noted by the Government of Bahrain which has just commenced a similar exercise with its public sector.

AHRI Recommendation 13

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

The last word ...

... should go to the HR practitioner who answered the AHRI survey with these three ideas for a better public service:

- 1. Give them time to think.*
- 2. Keep the administration as simple as possible.*
- 3. Show every staff member that their effort makes a difference.*

ATTACHMENT A

ABOUT AHRI

The Australian Human Resources Institute (AHRI) is the only national association dedicated to the representation of human resource and people management professionals in Australia. AHRI has a financial membership of approximately 14,500 from both the private and public sectors and a broader stakeholder base in the order of 25,000.

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

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

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

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

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

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

ATTACHMENT B

SUBMISSION STEERING GROUP

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

Meryl Stanton PSM, Steering Group Convenor

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

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

Peter Wilson AM

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

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

Ron Watts

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

Paul Begley

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

Sandra Cormack

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