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Information Support Services

Managing People for Business Outcomes

Australian National Audit Office

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Canberra ACT
25 June 2002

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a benchmarking study in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this study, and the accompanying brochure, to the Parliament. The report is titled *Managing People for Business Outcomes*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. J. Barrett'.

P. J. Barrett
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations/Glossary of Terms

ACEPS	Achieving Cost Effective Personnel Services.
ANAO	Australian National Audit Office.
APS	Australian Public Service.
AWAs	Australian Workplace Agreements.
Business Contribution	People management strategies, processes and systems can make significant contributions to business in any organisation. People management practices that are not contributing fully to business outcomes generally require attention in at least one of the areas of quality, integration, or effectiveness and efficiency.
Effectiveness and Efficiency	People management strategies, processes and systems achieve their desired outcomes in a cost-efficient manner.
Employee Relations	The processes used to manage the employment relationship between agency management and employees, e.g. negotiation of employment contracts, liaison regarding industrial matters, management of grievance processes, and provision of employee counselling services.
EOP	End of Period.
FTE	Full Time Equivalent Employee(s).
HC	Headcount.
HR	Human Resource.
HR Integration	People management strategies, processes and systems need to clearly integrate with each other to contribute coherently to high levels of people and organisational performance.
HRMIS	Human Resource Management Information System.
Learning and Development	All processes associated with the identification of agency and individual requirements in relation to skills development, and the design, delivery and/or brokering of opportunities to bridge gaps in skills or behavioural requirements.
Occupational Health and Safety	The health, safety and welfare of employees at work.

Organisation Development	A term applied to a wide range of strategies used by management to change the organisational climate and the 'style' in which people work together, in order to improve organisational effectiveness. It is change which is planned and managed from the top, and involves groups or a 'team' of people rather than individuals.
People Management Practice Areas	People management was categorised into nine 'practice areas', to enable comparisons between the participating agencies. These practices are listed at paragraph 1.7 of this report and in more detail at Appendix 4. Better practice organisations focus on those practice areas, or components of practices, which are most critical to business needs, before focusing on areas that are of lesser importance.
Performance Management	The framework and processes which assist the agency to become a 'high-performance organisation', through the alignment of individual and agency objectives. This includes planning, managing, reviewing and providing feedback about the work performance of employees, teams, and managers, and developing employees accordingly.
PSMPC	Public Service and Merit Protection Commission.
Quality	The extent to which HR systems/practices are well-designed and professionally competent. Good design provides the base for fully effective approaches to people management in agencies. High standard quality in strategies, processes and systems will enhance the effectiveness of approaches, their ability to integrate with other people management approaches and their impact on agency outcomes.
Recruitment and Selection	Recruitment refers to the process of making contact with people in order to fill an employment vacancy. Selection refers to the process of assessing job applicants, and making a selection decision and job offer.
Reward and Recognition	Salary and non-monetary rewards (such as recognition schemes) provided to attract and retain employees and help motivate them to achieve agency objectives.
Workforce Planning	A continuous process of shaping the workforce to ensure that it is capable of delivering organisational objectives now and in the future. This includes deciding how work is done (job analysis and job design) as well as demand / supply forecasting, gap analysis, succession planning, etc.

Workplace Diversity Taking account of the ways we differ from each other (e.g. gender, age, language, ethnicity, cultural background, disability, sexual orientation, religious belief, educational level, job function, socio-economic background, geographic location, marital status and family or other carer responsibilities) in managing the workplace and using these differences to improve organisational outcomes.

Summary

1. Summary

Introduction

1.1 The shift towards a more competitive, efficient and effective public sector requires agencies to focus on their management of resources and outputs produced, and to measure performance more completely. One of the key resources, if not the prime resource, for agencies is their employees.

1.2 Those agencies whose employees have the ‘right’ skills and are clear about what they are required to do, and are supported by good people management practices, have the potential to significantly improve the quality and timeliness of their outputs and outcomes. The role of managers in leading and developing people is critical. Employee expenses comprised \$18.5 billion (1 per cent of expenses) for budget-funded agencies for the financial year 2000–01.¹ Agencies have a responsibility to ensure that managers and employees understand their accountabilities in delivering a high quality return on this investment.

1.3 This report summarises a review of people management practices, that is, the way in which managers lead and manage people to achieve business outcomes, across 14 agencies. It identifies five key issues and makes a number of recommendations that are relevant at the agency level and across the Australian Public Service (APS).

1.4 This study is part of the ANAO’s Information Support Services (ISS) output which aims to improve the quality of public sector administration and assist agencies by identifying and reporting better practices. The results of ISS benchmarking projects are tabled in Parliament in accordance with the provisions of section 18 of the *Auditor-General Act 1997*. These public reports do not usually attribute findings and recommendations to specific organisations. However, individual agencies are usually provided with a separate report in relation to their particular performance.

Outline of the Benchmarking Study

1.5 The ANAO undertook the benchmarking study to review how line managers plan for and manage their staff and how the human resource (HR) function supports them to do that.

¹ This is the figure for the general government sector, i.e. budget-funded agencies. Refer to *Consolidated financial statements for the year ended 30 June 2001*, Commonwealth Government of Australia, December 2001.

1.6 In this study, people management encompasses organisation-wide accountabilities, that is, the way in which managers plan for and manage people to achieve agency outputs and outcomes. HR function management encompasses the human resource function, (whether in-house, outsourced or a mixture of both) and how it designs, implements and supports people management practices to achieve agency outputs and outcomes.

The study categorised people management into nine 'practice areas'

1.7 People management was categorised into nine 'practice areas', to enable comparisons between the participating agencies. The nine practice areas are:

- organisation development;
- workforce planning;
- recruitment and selection;
- performance management;
- learning and development;
- reward and recognition;
- workplace diversity;
- employee relations; and
- occupational health and safety.

1.8 A study of this kind requires standard definitions for comparative purposes. In reality, the different practice areas are often not as clear-cut and, with the approach taken to 'practice areas' varying according to agencies' individual strategies.

Each of the people management practice areas was assessed against four criteria

1.9 Each of the people management practice areas was assessed against four criteria: quality, HR integration, effectiveness and efficiency, and business contribution. A key assumption of the study was that people management practices will contribute to effective business outcomes if the practices are well designed and professionally competent, and integrated and aligned with the business needs, as well as being effective and efficient.

Key Findings

1.10 The study found that, in most agencies covered, people management planning was not integrated into business planning. This particularly affects agencies in the areas of workforce planning and managing performance, with implications for: the costs of managing a flexible workforce, capitalising on employee capabilities, and responding to changing work practices and work priorities.

1.11 The study identified five key findings. Four relate to people management and the fifth relates to the how the HR function supports agencies in managing people. In summary, the study found the following:

1) The integration of business and people planning activities should be a priority area for agencies.

The lack of integrated business and people planning activities in most agencies in the study means that people management practices are less efficient and effective than they could be. Despite significant resources being allocated, their effectiveness is limited by the absence of a strategic approach.

The need for improvement in the area of people and business planning was raised in the Public Service and Merit Protection Commission (PSMPC) benchmarking study in 1999,² recent State of the Service reports and the ANAO Better Practice Guide on Workforce Planning.³

2) Lack of effective business/people planning, at a strategic level, leads to people management challenges ‘on the ground’.

Less effective strategic people management can lead to: ill-designed approaches to people management, inconsistent application of approaches, widespread application of approaches which may be irrelevant in some circumstances, and inadequate review of the effectiveness of those approaches.

These general problems have contributed to specific challenges for line managers who identified principal challenges to be: attraction and retention of staff, managing staff in a devolved environment, and managing underperformance.

² Public Service and Merit Protection Commission, *Building Corporate Capability*, PSMPC, Canberra, 2000.

³ Australian National Audit Office, *Planning for the Workforce of the Future—a Better Practice Guide*, ANAO, Canberra, 2001.

The study also identified potential for tension between the concept of the APS as a career service, with mobility between agencies, and the cost and impact on individual agencies of that mobility. Each movement comes at a cost. The issue for agencies to consider is the extent to which that mobility is planned for and managed, and the extent to which it is unmanaged.

- 3) **Of the four criteria used for assessing people management (quality, HR integration, effectiveness and efficiency, and business contribution), quality was found to be the strongest performing criterion. However, that performance did not translate to the other criteria, particularly HR integration. This markedly affected the effectiveness and efficiency of people management as well as its contribution to business outcomes.**

Each people management practice area was assessed against four *criteria*: quality, HR integration, effectiveness and efficiency, and contribution to business outcomes.

Agencies in the study generally had well-designed policies and strategies, and evidence of better practice principles and approaches was fairly commonly observed.⁴ HR integration was found to be the weakest of the four criteria. The most significant people management practice areas where integration was generally found to be lacking were in relation to workforce planning outcomes, and recruitment and selection.

- 4) **Workforce planning, performance management and organisation development are most critical to business success.**

Across the study group, workforce planning, performance management and organisation development were rated by managers as most critical to business success.⁵ On the surface, agencies were performing reasonably well in the area of organisation development. However, for performance management, some agencies were rated as poor practice, while in a few agencies, their performance in this practice area was clearly making a difference to their business outcomes. The study found workforce planning to be the lowest performing of the people management practice areas and requiring the largest quantum of improvement. It is a clear area for focus in the short term for most agencies within the study group notwithstanding that it is a practice that is relatively new to most agencies.

The importance of the areas of organisation development and performance management – and workforce planning – means that agencies need to perform at a higher level in these priority areas, to enable people management to ‘make a difference’ to the agency’s business results.

⁴ Appendix 4 lists better practice principles for each of the nine people management practice areas.

⁵ Definitions of all nine people management practice areas are at Appendix 1.

5) While HR functions are ‘doing more with less’, clear opportunities exist in HR service delivery to improve the support of people management practices across the agencies.

HR functions within the ANAO study group are leaner, in terms of staffing numbers and costs, than in previous studies⁶, although significantly better resourced than other organizations.⁷

The key contributing issues to HR’s relatively poor performance across the areas of integration include: availability of HR skills, accessibility of people-related information, and the impact of market testing / outsourcing.

The Way Forward

1.12 The report outlines suggested future action for agencies. It notes that business and people planning activities need to be integrated and is a priority area for improvement. Line and HR staff should also be working more closely together on identifying business critical priorities, and adopting creative and innovative approaches that are well designed, implemented and evaluated. This includes using people related information to inform decision-making and measure or assess performance, and drawing on identified relevant better practice principles.

1.13 Agencies agreed with the findings and the suggested future action identified in this report. A number of agencies have noted the better practice principles, outlined at Appendix 4, to be particularly helpful. Many of those involved in the study advised that they have used the findings for their own agency to further improve their performance.

⁶ Public Service and Merit Protection Commission, *Achieving Cost Effective Personnel Services (ACEPS)*, PSMPC, Canberra, 1995; PSMPC 2000.

⁷ The study used a number of benchmarks from the InfoHRM Program, a comprehensive HR benchmarking program, conducted by HRM Consulting.

Benchmarking Study Findings and Conclusions

2. Introduction

Format of this Report

2.1 This report summarises the review of nine identified people management practices, that is, the way in which managers lead and manage people to achieve business outcomes, across 14 agencies. It identifies five key issues and makes a number of recommendations that are relevant at the agency level and across the Australian Public Service.⁸

2.2 This report contains three concise chapters as well as more detailed appendices. Chapter 2 provides a background to this study, as well as an overview of the study methodology. Chapter 3 identifies and discusses the study's five key findings, and introduces the workforce profile and other quantitative and qualitative information. It examines the workforce profile of the 14 agencies participating in the study ('ANAO Study Group'), as this has implications for workforce goals, priorities and strategies. Chapter 4 provides a 'road map' for the future, with recommendations being offered for consideration by all participating agencies, in the context of each agency's specific objectives and priorities.

2.3 The Appendices include more detailed information about the study and its methodology, and discussion of performance against the study's assessment criteria, quantitative benchmark results, qualitative survey results, and 'better practice principles'—a tool for agency improvement.

Background to the Benchmarking Study

2.4 The ANAO study of people management is cognisant of the importance of people management and the extent to which good people management practices can improve the delivery of business outcomes.

2.5 An integrated package of public sector reforms—financial management, performance management and workplace relations—was initiated by government in 1997 to maintain the emphasis on a performance culture within the public sector and ensure that it remains responsive to the needs of government and the community. The APS values and code of conduct, as outlined in Part 3 of the Public Service Act, are a fundamental part of the balance inherent in the public sector reforms. The shift to an accruals-based outcomes and outputs framework, aims to create a more competitive, efficient and effective public sector.

⁸ A related ANAO audit about the management of Learning and Development in the APS will be tabled shortly.

Agencies are required to focus more on the use of government resources and outputs produced, and to measure performance more completely, with clearer links from the price, quantity and quality of outputs to planned outcomes.⁹

2.6 Employee expenses for budget-funded agencies comprised \$18.5 billion (11 per cent of expenses) for the financial year 2000–01.¹⁰ Agencies have a responsibility to ensure that managers and employees understand their accountabilities in delivering a high quality return on this investment. Those agencies whose employees have the right skills and are clear about what they are required to do, and are supported by good people management practices, have the potential to significantly improve the quality and timeliness of their outputs and consequently, result in better outcomes. Legislation, such as the *Workplace Relations Act 1996* and the *Public Service Act 1999*, have provided the framework for agencies to increase flexibility through determining terms and conditions of employment. However, studies by the Public Service and Merit Protection Commission (PSMPC), the Department of Employment, Workplace Relations and Small Business (DEWRSB) and the Australian National Audit Office (ANAO), indicate that agencies' implementation of the reforms has been variable.¹¹

2.7 The ANAO undertook this study in partnership with 14 participating agencies and HRM Consulting Pty Ltd, a company specialising in strategic use of people-related information. As a result of discussions with the PSMPC about their experiences in benchmarking Commonwealth agencies, the study extends more widely to include the more general concept of 'people management' within an organisation. The purposes of the study were to:

- review the effectiveness and efficiency of people management and human resource management:
 - ⇒ how line managers plan for and manage their staff to help achieve agency and program outcomes; and
 - ⇒ how the HR function supports people management practices to achieve agency outcomes;
- understand people management strengths, and where improvement is needed; and
- identify and promote successful people management approaches.

⁹ See *Specifying Outcomes and Outputs*, Department of Finance and Administration, 1998.

¹⁰ This figure includes the general government sector, i.e. budget-funded agencies. Refer to *Consolidated financial statements for the year ended 30 June 2001*, Commonwealth Government of Australia, December 2001.

¹¹ *Building Corporate Capability* (PSMPC 2000), *Australian Workplace Agreements in the Public Sector*, (DEWRSB October 2000), ANAO Audit Report No.13, 2000–2001, *Certified Agreements in the Australian Public Service*.

2.8 Participating agencies have been provided with a detailed report on their performance in relation to the other participants. The study will assist agencies and the ANAO to assess people management priorities and strategies; design and implement systems and approaches; and evaluate the impact of new systems and approaches.

Overview of Study Methodology

2.9 For the purpose of this study, people management was defined as ‘how line managers plan for and manage their staff to help achieve agency and program outcomes’. HR function management was defined as ‘how the HR function—whether in-house, outsourced or a mixture—designs, implements and supports people management practices to achieve agency outcomes.’

2.10 People management was categorised into nine *practice areas* for the purpose of this study to enable comparisons between the participating agencies. The nine practice areas are:

- organisation development;
- workforce planning;
- recruitment and selection;
- performance management;
- learning and development;
- reward and recognition;
- workplace diversity;
- employee relations; and
- occupational health and safety.

2.11 Definitions of these practice areas are included in Appendix 1.

2.12 Research into ‘high performing work systems’ has found that people management practices will contribute to effective business outcomes if they are well designed and professionally competent, aligned with the business needs, and effective and efficient.¹² Therefore, each people management practice area was assessed against the following four *criteria*:

¹² See, for example, BE Becker, MA Huselid, PS Pickus & MF Spratt, ‘HR as a Source of Shareholder Value: Research and Recommendations’, *Human Resources Management Journal*, vol 31, no. 1, spring, 1997.

Quality	'To what extent are the HR systems/practices well-designed and professionally competent?'
HR Integration	'To what extent do the practices align with other People Management practices?'
Effectiveness and Efficiency	'To what extent do they work well in practice?'
Business Contribution	'What impact does the practice have on business outcomes?'

2.13 A range of qualitative and quantitative information was used by the study team to determine the rating for each criterion across each practice area. Data sources included:

- desktop review of agency documents;
- interviews with a senior line sponsor and HR manager;
- focus groups with line managers and HR staff;
- surveys of line managers and HR staff;
- workforce profile information from agencies' HR Information Systems; and
- HR staffing and cost indicators.

2.14 A more detailed explanation of the methodology is contained in the appendices to this report.

3. Key Findings

Introduction

3.1 The study team examined a wealth of qualitative and quantitative information from the 14 participating agencies, and external comparator groups. Participating agencies have been provided with a detailed report showing their comparative performance and including recommendations regarding their priority improvement areas.

3.2 The study found that, in most agencies, people management planning was not integrated into business planning. This particularly affects agencies in the areas of workforce planning and managing performance, with implications for: the costs of managing a flexible workforce, capitalising on employee capabilities, and responding to changing work practices and priorities.

3.3 Based on the study group's overall performance, five key findings have been identified and are discussed in this chapter. The first four findings relate to people management and the fifth relates to how the HR function supports agencies in managing people.

Finding One: Integration of Business and People Planning Activities

3.4 The integration of business and people planning activities should be a priority area for agencies. Most agencies had well-designed systems for individual performance management. These contributed to establishment of clear linkages between individual, business unit and business objectives. Line managers and HR staff agreed that employees generally were clear about their work roles.

3.5 The linkages between business objectives and workforce planning were considerably less successful in most agencies. Line managers identified workforce planning as a priority, but did not feel that their agency's current workforce planning practices made any real contribution to agency performance. Line managers rated the actual contribution of workforce planning to an agency's business as the second lowest item in the survey that accompanied focus group discussions.

3.6 The study found little evidence of effective workforce planning processes. Over half the participating agencies had no system for workforce planning in place. Quantitative data about agencies' employees, in particular, separation rates for employees with less than 12 months' service, indicated that few agencies

managed employee turnover levels. Quantitative data also highlighted issues in relation to weak management of ongoing and non-ongoing employees. Individual managers often determined resource issues, with the result frequently being short-term or isolated solutions, for example, using non-ongoing employees, rather than resolving underlying resource issues that would lead to a more sustainable strategy for the agency as a whole.

3.7 In most agencies, line managers tended to incorporate people management as best as they could while focusing on their day-to-day business. At the same time, the HR function focused on design and procedures that were often not clearly connected to managers' business. Few agencies demonstrated that they employed an integrated people management strategy which provided coherent and well-designed policies that were well understood and practised by the majority of managers. In most instances, this was the result of poor integration and implementation, as well as an absence of an overall strategic purpose between people management and the agency's business.

3.8 Particularly in a changing environment, integrated business/workforce planning is an essential means of developing a flexible workforce capable of responding to emerging needs; capitalising on the range of employee capabilities; and adapting work practices to respond to changing demands.

3.9 Workforce planning is particularly important for the study group, given the group's current workforce profile. The following issues are likely to entail challenges for many agencies:

- an ageing workforce—particularly at the managerial/professional level;
- a workforce with long tenure;
- high turnover in some agencies; and
- high recruitment and turnover of temporary (non-ongoing) employees—these employees typically have short tenure.

3.10 More generally, the need to continue to identify and develop future skill requirements also highlights workforce planning as an important practice area. The study found little evidence of agencies understanding their skills base or forecasting their emerging skill requirements. Interviews and focus group discussions identified that agencies tend to focus more on short-term 'replacement management' rather than taking a medium to long-term view of shaping the workforce to ensure that it is capable of delivering organisational objectives.

3.11 The need for improvement in the area of people and business planning was raised in the PSMPC benchmarking study in 1999 and again in recent State of the Service reports. The PSMPC study found that the APS did not have in

place a robust means of forecasting the staffing and skills implications of the changing environment. The 2000–01 State of the Service Report¹³ suggests that agencies' thinking in relation to the use of strategic workforce planning techniques has progressed in the last 12 months. While this may be the case, there remains a clear requirement for further improvement in terms of designing well-integrated plans and translating them into practice to ensure that they play an integral role in contributing to business outputs and outcomes.¹⁴

Workforce Profile

3.12 To understand the key findings of the study, it is useful to examine the workforce profile of the ANAO Study Group, as this has implications for workforce goals, priorities and strategies. Data for the ANAO Study Group were provided by the agencies involved and relate to the 2000–01 financial year. Comparative data for the Australian national 'All Industry' group relate to the period January to June 2001 (annualised), and were sourced from InfoHRM.¹⁵ The PSMPC study percentiles are based on 31 Commonwealth agencies which participated in the PSMPC's People Management Benchmarking Study, contributing data for the 1997–98 financial year. Almost 80 per cent of participants in the ANAO study participated in the PSMPC study.

3.13 The workforce profile of the ANAO study group is characterised as one with:

- reasonably long tenure;
- a similar age profile to the Australian workforce, with nearly one-third of workers aged 45 years or more;
- remuneration levels slightly higher than the All Industry median;
- high turnover levels influenced by high levels of contract expiry (for non-ongoing employees) and mobility among APS agencies; and
- marginal growth in workforce size at a total level.

3.14 The following features of the ANAO Study Group workforce profile are particularly relevant to the study:

- tenure profile;
- age profile;
- remuneration profile;

¹³ Public Service and Merit Protection Commission, *State of the Service Report 2000-01*, PSMPC, Canberra, 2001.

¹⁴ Refer *Planning for the Workforce of the Future*, a Better Practice Guide, ANAO, March 2001.

¹⁵ The InfoHRM program, a comprehensive HR benchmarking program, conducted by HRM Consulting.

- employee turnover; and
- recruitment rates.

3.15 Each of these is discussed in some detail in the following sections of this chapter.

Tenure Profile

3.16 The workforce tenure profile of the ANAO Study Group shows that agency employees typically have long tenure. On average, 30 per cent of employees within each agency have 10 or more years' service within the agency. While this is quite consistent with the All Industry profile (see Figure 3.1), it remains an important consideration that nearly one-third of employees in the average study group agency have significant periods of service and experience within the agency.

Figure 3.1
Tenure Profile

Staffing Rate by Tenure	All Industry January–June 2001 Results Annualised			ANAO Study July 2000–June 2001 Results Annualised		
	25 th	Median	75 th	25 th	Median	75 th
	(Percentage)			(Percentage)		
Staffing Rate <1 year Tenure (EOP HC* <1 year tenure with agency/Total EOP HC)**	12.5	15.5	18.9	14.0	15.5	17.8
Staffing Rate 1<3 year Tenure (EOP HC* 1<3 year tenure with agency/Total EOP HC)	14.6	17.8	26.9	17.2	23.8	27.9
Staffing Rate 3 <5 year Tenure (EOP HC* 3 <5 year tenure with agency/Total EOP HC)	8.2	10.9	12.9	9.0	10.8	12.7
Staffing Rate 5 <10 year Tenure (EOP HC* 5 <10 year tenure with agency/Total EOP HC)	13.2	17.3	20.7	12.4	16.6	19.1
Staffing Rate 10+ year Tenure (EOP HC 10+ year tenure with agency/Total EOP HC)	19.0	30.8	46.9	20.1	30.1	41.5

Source: ANAO and HRM Consulting

Notes:

*All Industry: the study used a number of benchmarks from the InfoHRM Program.

**End of Period (EOP); Headcount (HC).

3.17 Planning for, and managing, the people-related issues of employees with long tenure is essential to ensure their continuing contribution to organisational goals and objectives. Initiatives to keep long tenured employees engaged and motivated may include job rotations, special project work, secondments and investment in personal development.

Age Profile

3.18 Nearly one-third of workers in the ANAO Study Group (32.3 per cent) are aged 45 years or more. This is consistent with the national average (Figure 3.2). Australian business generally is facing the prospect of an ageing population. The ANAO Study Group needs to consider these issues as well. Issues relate to the potential impending retirement of a large group of people, and include knowledge management, succession planning and skills replacement, particularly in professional and managerial roles:¹⁶

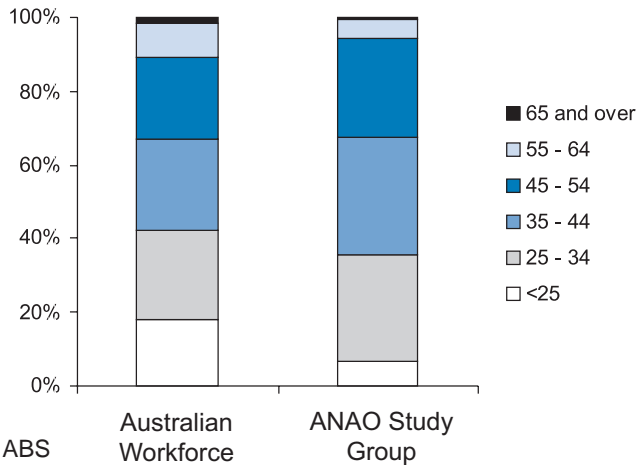
- the study group's relatively low proportion of managers/professionals in the 55 year and over group suggests a potential turnover of those in the 45–54 year age group (37.7 per cent of managers/professionals in the study group were aged 45–54 years);
 - ⇒ the potential impact may be less than expected given analysis and commentary on the issue in the 2000–2001 State of the Service Report which found that there is an increasing trend for members of the Senior Executive Service to remain in the APS beyond age 55 (page 133);
- while there is an increasing rate of resignation by staff in their mid-fifties across the APS, the number of staff aged 55 and over is also increasing; and
- the impact of the resignation of Commonwealth Superannuation Scheme members at age 54 may not quite have the effect on the APS's capabilities that had been anticipated.

3.19 The ANAO Study Group has a relatively low percentage of employees under the age of 25 years. This reflects the educational/entry levels of the typical APS recruit.

¹⁶ These issues will be subject to more detailed analysis through the Management Advisory Committee's Organisational Renewal project, which is due to report late in 2002.

Figure 3.2

Age Profile—ANAO Study Group All Staff v. Australian Workforce¹⁷

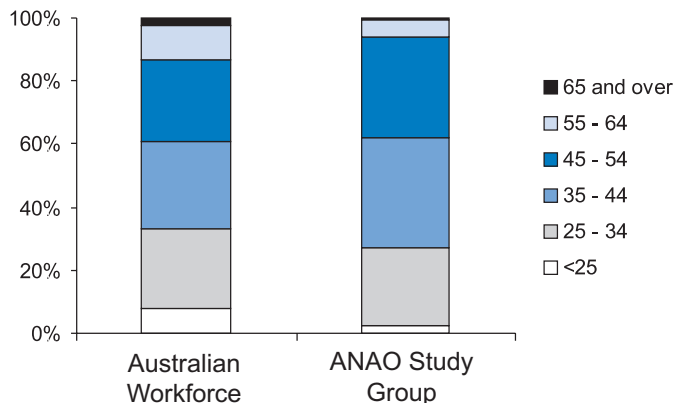


Source: ANAO and ABS

3.20 Figures 3.3 and 3.4 provide the ANAO Study Group/Australia age comparison for managers/professionals and for clerical/operatives¹⁸ respectively. Figure 3.3 shows that the ANAO Study Group has a relatively low proportion of its managers/professionals in the 55 year and over age group. Anecdotal evidence is that many APS staff retire at around age 55 years.

Figure 3.3

Age Profile—ANAO Study Group Managers & Professionals v. Australian Workforce (Managers and Professionals)



Source: ANAO and ABS

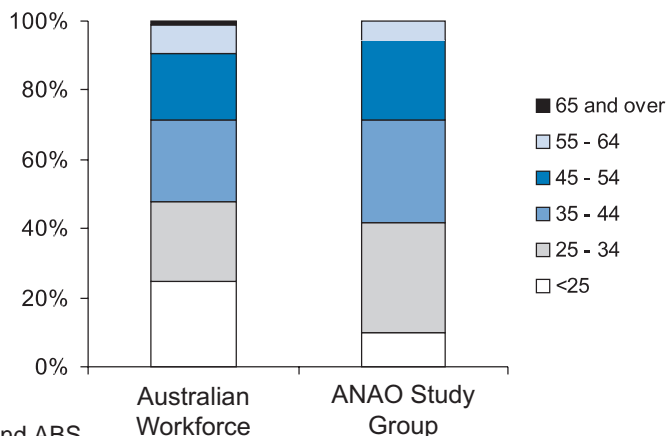
¹⁷ Australian Bureau of Statistics, Labour force data, cat. no. 4430.0, ABS, Canberra, 2001.

¹⁸ Using the Australian Standard Classification of Occupations (ASCO) methodology. In the majority of agencies, the managerial/professional grouping includes classifications APS 5 and above.

3.21 The trend is similar for clerical/operative employees (Figure 3.4) though not as pronounced.

Figure 3.4

Age Profile—ANAO Study Group Clerical/Operative Staff v. Australian Workforce (Clerical/Operative)



Source: ANAO and ABS

Remuneration Profile

3.22 The ANAO Study Group's median Remuneration per Employee (\$53 416 per annum) is higher than the All Industry's result (\$50 037 per annum). This reflects the predominant profile of the ANAO Study Group agencies. Many of the participating agencies exist to provide high-level policy advice or professional services, requiring a highly skilled and relatively well-paid workforce.

Figure 3.5

Remuneration Profile

Financial Profile	All Industry* January–June 2001 Results Annualised			ANAO Study July 2000–June 2001 Results Annualised		
	25 th	Median	75 th	25 th	Median	75 th
Remuneration per Employee (Direct Compensation/FTE)**	\$45 015	\$50 037	\$56 337	\$49 413	\$53 416	\$54 928
Overtime Factor (Overtime/Direct Compensation)	0.6%	1.9%	3.9%	0.4%	0.8%	1.6%

Source: ANAO and HRM Consulting

Notes:

*All Industry: the study used a number of benchmarks from the InfoHRM Program.

**FTE=Full Time Equivalent

3.23 The Overtime Factor for the ANAO Study Group is relatively low when compared to that for the All Industry group. This could be due to greater flexibility in the APS via 'time off in lieu' for staff working additional hours. Alternatively, it could suggest over-staffing within some agencies. This is a potential area for investigation in future years of this study.

Employee Turnover

3.24 As Figure 3.6 shows, the ANAO Study Group's median Total Separation Rate is 19.7 per cent. This means that, on average, nearly one in five employees left their agency during the reporting period. Using the InfoHRM database, the 'target range' for Total Separation Rate is the 25th percentile (the national 25th percentile for the relevant period is 10.3 per cent). That is, the ANAO Study Group's median Total Separation Rate is about twice as high as the national 'better practice' target. To appreciate the significance of this statistic, we need to examine the sub-categories which make up Total Separation Rate.

Figure 3.6
Turnover Rates

Turnover	All Industry* January–June 2001 Results Annualised			ANAO Study July 2000–June 2001 Results Annualised		
	25 th (target)	Median	75 th	25 th (target)	Median	75 th
	(Percentage)			(Percentage)		
Total Separation Rate (Terminations/Headcount)	10.3	15.2	22.1	16.2	19.7	22.6
'Voluntary' Separation Rate (Employee-Initiated Separation + Separation by Transfer/Headcount)	6.1	9.6	14.6	7.0	9.7	13.3
Employee-Initiated Separation Rate (Employee-Initiated Terminations/Headcount)	5.8	8.4	12.3	4.8	5.9	8.1
Organisation-Initiated Separation Rate (Organisation-Initiated Terminations/Headcount)	1.0	1.8	4.0	0.8	1.9	3.3
Separation by Transfer Rate (Terminations by Transfer/Headcount)	0.3	1.2	2.2	2.2	3.8	5.1
Separation by Contract Expiry (Terminations by Contract Expiry/Headcount)	0.4	1.5	5.0	4.8	5.7	8.1

Source: ANAO and HRM Consulting

Notes:

*All Industry: the study used a number of benchmarks from the InfoHRM Program. The target rate for this metric is the 25th percentile.

3.25 The key elements driving the ANAO Study Group's Total Separation Rate are the 'Voluntary' Employee-Initiated Separation Rate and the Separations by Contract (non-ongoing employees) Expiry Rate.

'Voluntary' Employee-Initiated Separation Rate

3.26 The 'Voluntary' Employee-Initiated Separation Rate is comprised of resignations and retirements (Employee-Initiated Separation Rate) plus transfers to another APS agency (Separation by Transfer Rate). For this 'Voluntary'

Employee-Initiated Separation Rate, the ANAO Study Group's percentile results are similar to the All Industry and PSMPC study results. That is, voluntary turnover within the ANAO Study Group is not especially high, *in comparison with All Industry norms*. However, as the target rate for voluntary turnover is the 25th percentile, then, by definition, 75 per cent of the ANAO Study Group has voluntary turnover above target levels. This means that a number of study group agencies are experiencing turnover which is quite / very high, *in comparison with better practice targets*.

3.27 The ANAO Study Group's median Separation by Transfer Rate is approximately three times the All Industry's median benchmark.¹⁹ It should be noted that mobility by transfer to other APS agencies is generally unmanaged / unplanned turnover. This should be considered at agency level in the same context as separations from the APS.

3.28 There is potential for tension between the concept of the APS as a career service, with mobility between agencies, and the cost and impact on individual agencies of that mobility. Each movement comes at a cost. The issue for agencies to consider is the extent to which that mobility is planned for and managed, and the extent to which it is unmanaged.

Separations by Contract Expiry Rate

3.29 The ANAO Study Group median Separations by Contract Expiry Rate (5.7 per cent) is considerably higher than the All Industry median (1.5 per cent). ANAO Study Group's relatively high rate has advantages—in terms of workforce flexibility—as well as disadvantages, such as disruption to client service and program outcomes and the impact on managers and staff (line and HR) of having to recruit and train new temporary staff.

3.30 The ANAO Study Group median Total Separation Rate (19.7 per cent) is lower than the figure reported for the 1999 PSMPC study (25.8 per cent). This reduction is predominantly due to:

- a lower Organisation-Initiated Separation Rate, which essentially means fewer redundancies took place within ANAO Study Group agencies than during the PSMPC study; and
- a lower Separation by Contract Expiry Rate, which suggests that the ANAO Study Group uses fewer temporary staff than the cohort in the PSMPC study.²⁰

¹⁹ The All Industry Separation by Transfer measure includes data from state and local government agencies as well as from private sector companies. The relatively high rate of Separation by Transfer for the APS should be considered in terms of the extent to which it is proactively, or reactively, managed.

²⁰ Another possibility for the reduced rate is that temporary staff are engaged on (possibly longer) contracts which did not expire during the data reporting period.

3.31 In summary, while turnover levels may have declined within the APS since 1998, some agencies continue to grapple with high levels of turnover. However, in the main, the high levels of turnover are the result of:

- high use of non-ongoing / temporary staff (Separation by Contract Expiry Rate); and
- moderate to high levels of inter-APS mobility (Separation by Transfer).

Recruitment Rates

3.32 The ANAO Study Group's median Net Recruitment Rate is 1.1, indicating slight workforce growth during the reporting period with 1.1 external recruits for each termination. This result is higher than the All Industry median of 0.77. Consistent with the ANAO Study Group's relatively high results for Net Recruitment Rate and Total Separation Rate, its External Recruitment Rate is also relatively high (22.3 per cent).

Figure 3.7
Recruitment Rates

	All Industry January–June 2001 Results Annualised			ANAO Study July 2000–June 2001 Results Annualised		
	25 th	Median	75 th	25 th	Median	75 th
Net Recruitment Rate (Total External Recruits/ Total Terminations)	0.60	0.80	1.01	1.03	1.10	1.16
External Recruitment Rate – Total (Total External Recruits/ Headcount)	7.1%	11.6%	20.3%	17.1%	22.3%	26.3%
External Recruitment Rate –Permanent (Permanent External Recruits/Headcount)	3.7%	6.5%	12.9%	6.6%	9.4%	11.3%

Source: ANAO and HRM Consulting

Note:

*All Industry: the study used a number of benchmarks from the InfoHRM Program.

Finding Two: People Management Challenges 'On the Ground'

3.33 Lack of effective business/people planning, at a strategic level, leads to people management challenges 'on the ground'. The lack of effective strategic people management (discussed in Finding One, page 23) can lead to ill-designed approaches to people management, inconsistent application of approaches, widespread application of approaches which may be irrelevant in some circumstances, and inadequate review of the effectiveness of approaches. It would seem these general problems have contributed to specific challenges for line managers. Line managers identified the principal among these to be:

- attraction and retention of staff;
- managing staff in a devolved environment; and
- managing underperformance.

Attraction and Retention

3.34 Line managers identified difficulties in attracting the necessary volume of high quality candidates for advertised vacancies. Reasons included:

- the perceived (lack of) attractiveness of APS employment;
- the perceived (lack of) attractiveness of individual agencies as employers; and
- salaries that are not seen as competitive when compared with the private sector.

Attractiveness of APS employment

3.35 In focus group discussions, line managers mentioned that negative perceptions of the APS (e.g. being unduly bureaucratic and lacking innovation) may detract from agencies' ability to attract the best available job applicants.

Attractiveness of individual agencies as employers

3.36 Line managers' feedback suggests that current approaches to attraction/recruitment are not enabling them to compete for high-quality candidates in the market place. Traditional approaches are currently the norm. A common theme from line managers was the need for recruitment strategies to be creative and innovative, and/or targeted. Several agencies are re-evaluating how they portray themselves through job (and other media) advertising, and/or approaching non-traditional sources of job applicants.

3.37 Managers in the study generally understood their own business objectives and those of their agency, but found it more difficult to articulate the people requirements for individual jobs, such as for recruitment purposes. In those cases, it is less likely that agencies would be able to attract the right pool of quality applicants, because the job and skills required have not been sufficiently defined. If quality internal and external recruits cannot be attracted, engaged and retained, the impact on agencies will ultimately be a reduced capacity to meet business outputs and outcomes.

Salary

3.38 As noted in the previous finding, the study group tends to pay salaries higher than the Australian average in the InfoHRM database (Figure 3.5 refers). Nonetheless, several agencies identified the salary issue as a constraint in competing with other employers in the labour market (in both attraction and retention). The need to be creative and innovative in relation to reward and recognition was a common theme. For example, some agencies were making effective use of the flexibility provided through Australian Workplace Agreements (AWAs).

3.39 As well as being an attraction and retention device, salary should play an important role in motivating staff to achieve agency outcomes. However, across the ANAO Study Group, line and HR staff were generally dismissive of the ability of their agency's reward and recognition systems in this regard.

Managing Staff in a Devolved Environment

3.40 In many agencies, people management responsibilities such as learning and development, and recruitment and selection have been devolved. Line and HR staff cited positive outcomes (e.g. enhanced flexibility, greater accountability) of devolution. However, disadvantages were also cited, as follows:

- devolution not sufficiently supported by development of line managers' skills in the relevant areas;
- practices operating in isolation, with little evaluation for the purpose of quality control, as well as identification and promotion of 'better practices';
- lack of clarity in relation to lines of responsibility and accountability;
- potential duplication in line areas, resulting in increasing costs; and
- where overarching organisation-wide principles do not exist or have not been well communicated, organisation-wide recruitment/selection and development needs may be undermined.

3.41 One example of ‘dysfunctional devolution’ is that line managers frequently referred to internal movement of staff as ‘poaching’. While employers have a responsibility to provide staff with information about career options and opportunities, individual staff are responsible for managing their own careers. The study team found that a combination of devolved recruitment/selection and inadequate workforce planning often led to competitive and short-term approaches to agency staffing. These short-term approaches may be counter-productive to organisation outputs and outcomes in the medium to longer-term as they often do not take account of broader organisational requirements in a future context. Better planning of agency skill needs would assist line managers to staff their units more effectively, as well as motivating staff through better identification of career opportunities.

3.42 In summary, devolution of people management responsibilities needs to be supported by more effective:

- positioning of the importance of people management (e.g. clarifying this in a corporate framework);
- operational support from HR (e.g. training, online and hard-copy guidelines, coaching/advice); and
- corporate evaluation and promotion of ‘better practices’, so that individual managers do not continually ‘re-invent the wheel’ or try to ‘muddle through’.

Managing Underperformance

3.43 A high-performing workforce—with the appropriate knowledge and skills—is essential for the efficient and effective delivery of quality services and/or policy development. Line managers tended to see their agencies’ performance management systems as assisting in the identification and measurement of performance expectations. However, their feedback also highlighted a general lack of support in dealing with underperformance, in particular, the processes and procedures which need to be adhered to, as well as support in tackling difficult and often drawn out cases.

3.44 Dealing with under-performance is possibly *the* most difficult people management task facing any manager—line and HR. Reflecting this difficulty, to date under-performance has not been handled well within the APS.²¹ However, the continuing success of the APS demands adoption of performance-based cultures which manage poor performance. As well, line and HR staff need to

²¹ See recent State of the Service reports and the Management Advisory Committee study.

work together to find effective means of managing performance. Means of doing this include:

- improved training for line and HR staff in how to identify and manage poor performance;
- development of HR skills as ‘internal consultants’ or ‘coaches’ to assist line managers to undertake their performance management responsibilities;
- implementation of effective reward and recognition systems which effectively differentiate between high and low performers;
- continuing development and evaluation of employee welfare and skills development systems which assist staff to perform at their highest level; and
- implementation of variable pay systems which reward managers for effectively undertaking the full range of their performance management accountabilities.

3.45 In summary, line managers need to be trained, supported and motivated to manage poor performance early.

Finding Three: People Management Practices Are Well Designed But Not Fully Embedded Across Organisations

3.46 As noted in the previous Chapter, research into high performing work systems has found that people management practices will contribute to effective business outcomes if they are well-designed and professionally competent, integrated and aligned with business needs, and effective and efficient. Drawing on this research, the study used four criteria for assessing each people management practice: quality, HR integration, efficiency and effectiveness, and business contribution.²²

3.47 Of the four criteria, agencies were generally found to perform well on quality. That performance did not translate to the other criteria, particularly HR integration. This affected the efficiency and effectiveness of people management as well as the extent to which it contributes to business outputs and outcomes.

²² Appendix 4 identifies better practice principles for the nine people management practice areas by the four components of quality, HR integration, effectiveness and efficiency, and business outcomes.

Quality

3.48 The quality criterion was defined as the extent to which HR systems and practices are well-designed and professionally competent. Quality was found to be the strongest performing of the four assessment criteria. Agencies generally displayed some strength in the design of practice areas. Evidence of better practice principles and approaches was fairly commonly observed. Practice areas with the highest results in relation to the quality criterion were:

- organisation development;
- performance management;
- employee relations; and
- occupational health and safety.

3.49 Most agencies had well-designed performance management systems that linked an individual's objectives to their unit's and agency's objectives. Generally, line managers and HR staff agreed that employees were clear about their work roles and that the performance management system helped achieve this.

3.50 In most agencies, workforce planning failed to demonstrate any substantive areas of quality. Other practice areas with relatively low ratings for quality were recruitment and selection, and learning and development, which are key elements of attraction and retention within the sector.

HR Integration

3.51 HR integration was defined as the extent to which people management practices are aligned with each other, for example, the extent to which an agency's recruitment policies and practices are consistent with their learning and development and performance management practices. HR integration was found to be the weakest of the four assessment areas. HR focus group discussions highlighted a lack of clear and consistent approaches to integrating new or modified strategies for existing practice and aligning them with organisation objectives. Several agencies' HR functions appeared to operate in functional 'silos' without a clear understanding of the linkages between the practice areas.

3.52 The most significant areas where integration was generally found to be lacking were:

- workforce planning outcomes, i.e. linking this to career management, succession planning, performance management, recruitment, and training and development initiatives; and
- recruitment and selection, i.e. aligning this with the agency's workforce planning process, and ensuring the selection process identifies skills

development needs of new recruits which are linked with the organisation's learning and development strategy/processes.

3.53 Although in the majority of agencies the integration of the people practice areas was limited, integration (the extent to which people management practices are consistent with each other and the agency's overall objectives) was most clearly present in the following areas:

- performance management;
- employee relations; and
- occupational health and safety.

3.54 Some performance management processes clearly linked individual, business unit and organisational performance, and showed some linkage to learning and development strategies and reward and recognition processes. In relation to employee relations, it was not unusual to see Certified Agreements that were clearly linked to organisational and people management goals, for example absence reduction targets, and which contained a dual focus on organisation performance and employee welfare. There were examples of occupational health and safety needs being identified through linkage with induction arrangements and in some cases performance management.

Efficiency and Effectiveness

3.55 The efficiency and effectiveness criterion was defined as extent to which people management practices work well in practice. The efficiency and effectiveness criterion was rated lower than that for quality but performed better than HR integration and marginally better than business contribution. There were fewer examples of higher performance for the efficiency and effectiveness criterion, which is due to lower levels of evidence that strategies, processes and systems in relation to practice areas were being actively implemented, managers supported, and outputs and outcomes measured and evaluated. The lack of evaluation of the effectiveness and efficiency of practice areas was partially caused by a general difficulty in accessing and using people-related information, and perhaps a lack of awareness of the need to evaluate.

3.56 For the efficiency and effectiveness criterion, practice areas with the highest results were:

- organisation development;
- employee relations;
- workplace diversity; and
- occupational health and safety.

3.57 Workforce planning, and recruitment and selection emerged with the lowest overall ratings for efficiency and effectiveness. Their low ratings for quality and HR integration affect efficiency and effectiveness, which highlights the need for attention in the short-term. This is particularly the case for workforce planning which line managers in the study considered to be one of three critical practice areas for meeting business objectives. Lack of strategic focus in workforce planning and recruitment and selection will continue to impact in relation to attraction and retention of appropriately skilled staff.

3.58 Learning and development, and performance management also received relatively low ratings for the efficiency and effectiveness criterion. The latter finding is surprising on the surface given that this practice area emerged with one of the higher ratings for quality and HR integration. Its rating for efficiency and effectiveness can be attributed to the fact that a truly performance-based culture has not yet been achieved/embedded in many of the agencies. This is adversely affecting the effectiveness of the performance management process because high and low performers are not being clearly differentiated. As well, managers are not actively dealing with under-performance.

3.59 In general terms, agencies that were rated more highly in efficiency and effectiveness tended to also score well in quality and integration in the same practice area. Agencies whose performance was less than ideal in relation to efficiency and effectiveness tended to have low scores against the other criteria in the practice area. It can be concluded, therefore, that design quality and integration tend to be pre-requisites to good performance in efficiency and effectiveness.

Business Contribution

3.60 The business contribution criterion was assessed by analysing the impact that the people management practice had on business outputs and outcomes. The business contribution criterion was rated as lower than the quality and efficiency and effectiveness criteria, but performed better than the HR integration criterion. The practice areas with the higher overall ratings for this criterion were:

- organisation development;
- employee relations;
- occupational health and safety; and
- workplace diversity.

3.61 Workforce planning emerged with the lowest rating in this criterion, which is consistent with the low ratings for the other three assessment criteria in this

practice area. Learning and development also emerged as one of the practice areas with a relatively low rating in this area. This is of some concern because it suggests the skill levels of staff are not contributing to agencies' success to a large extent. Improvement in other criteria would lead to improvement in contribution to business outputs and outcomes.

Finding Four: Three Critical People Management Practices for Business Success

3.62 Workforce planning, performance management and organisation development are the three people management practices most critical to business success. In environments of limited resources (both human and financial), it is important to focus available resources on areas that will have the most significant impact on business outputs and outcomes. Line managers were asked to nominate which of the study's nine practice areas were most critical to the success of their agency.²³

3.63 On the surface, agencies were performing reasonably well in the areas of performance management and organisation development. (General poor practice in workforce planning was discussed at Finding One, above.) However, the importance of the areas of performance management and organisation development—and workforce planning—means that agencies need to perform at a higher level in these priority areas, to enable people management to 'make a difference' to agency outputs and outcomes.

3.64 The practice areas of workforce planning and performance management have been discussed above under Findings One and Two. Organisation development (linked with other people management practice areas such as performance management) is particularly important for agencies in development of a performance-based culture. Organisation development strategies will also be increasingly important to those agencies with a declining permanent workforce and a growing non-ongoing workforce (see discussion of Net Recruitment rate at Finding One).

3.65 The study has positive and negative findings in relation to how organisation development is currently practised within the ANAO Study Group. A positive finding is that – given its status as a relative 'newcomer' to people management practice within Australia – organisation development is being practised relatively well within many study group agencies. A negative finding is that organisation development initiatives are not being designed and implemented to the level required by study group agencies. Agencies provided

²³ Refer to Appendix 1 for more details about the methodology and ratings.

evidence of:

- processes to identify and manage organisational culture;
- processes to ensure all employees are aware of organisational values;
- linkages between organisational and business unit planning, and individual performance planning;
- processes to improve teamwork and inter-group collaboration;
- promotion of effective work/life balance;
- policy documents which are well-designed, coherent and linked;
- communication about relevant organisational and external issues being frequent, multi-directional, and multi-media; and
- celebration of organisational successes.

3.66 A feature of effective organisation development is the capacity of the agency to continually evaluate and improve its performance against its strategic objectives. This study provides a means for participating agencies—and others—to do this across the people management areas of priority to each agency.

Assessment of Practice Areas—Detailed Results

3.67 As already noted, each practice area was assessed according to four criteria: *quality of design*; *HR integration/alignment* of the practice with other practices; *efficiency and effectiveness* in practice; and *contribution to business* outcomes. These were used because they address the continuum of building, integrating, and applying people management practices, and their impact on the agency's business.

3.68 Figure 3.8 at page 44 shows the:

- relative importance of each of the nine practice areas to meeting business objectives across the horizontal axis, as rated by line managers; and
- range of results across the 14 agencies for each practice area, depicted by the rectangle which represents the 25th to 75th percentile range.

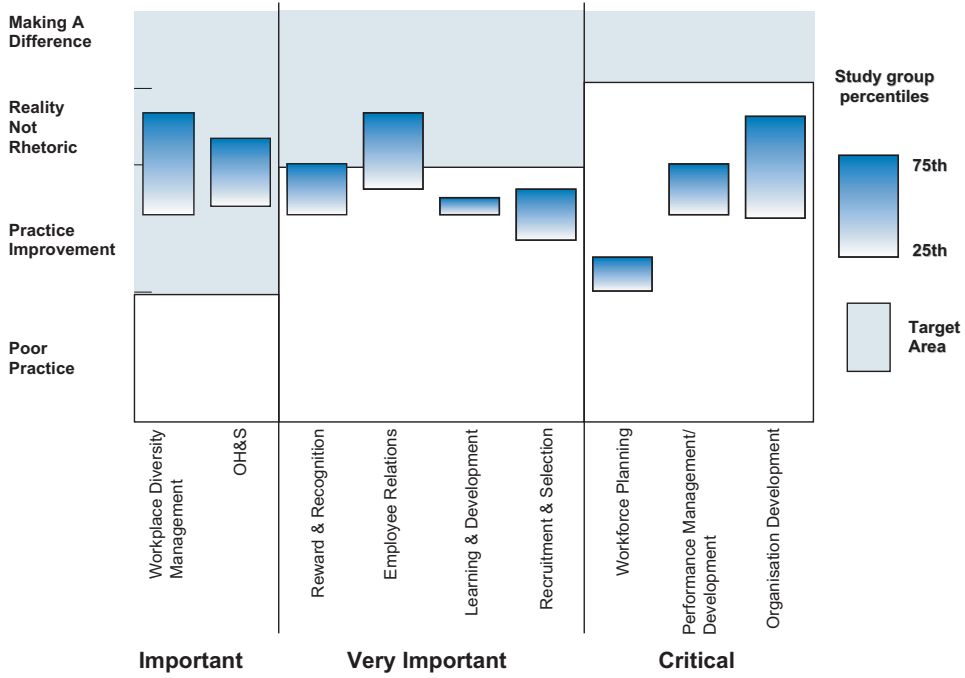
3.69 The results are plotted against suggested target ranges for performance. The 'target area' is stepped by priority order, recognising that practices that are more critical to business success must be performing at higher levels than practices that are less critical. Where resources are limited, they should first be directed to the most critical practice areas whose performance is not yet in the target area.

3.70 Each of these suggested target ranges is more fully defined as follows:

- ‘poor practice’: the strategies, processes and systems may be at an early stage of development or implementation with little or no evidence available to indicate success, or there may be no clear evidence of good practice. Practice areas that fall in this level and are critical to business outcomes require significant attention and improvement in the short-term;
- ‘practice improvement’: the strategies, processes and systems show some evidence of good quality, HR integration and efficiency and effectiveness and there may be some evidence of positive impact on business outcomes. Practice areas that fall in this level and are critical to business outcomes require focused attention on improvement in the short-term;
- ‘reality not rhetoric’: the strategies, processes and systems are of consistently good quality, are integrated, effective and efficient and have a positive impact on business. The experiences of managers and employees in the workplace are similar to the stated people management policy. Practice areas that fall into this group and are critical to business outputs and outcomes require focused attention in the short-term to bring them up to the *making a difference* level; and
- ‘making a difference’: the strategies, processes and systems are of high quality, integrated, very efficient and effective and are making a clear and positive impact on business outcomes. The experiences of managers and employees in the workplace reflect closely the intended strategies, processes and systems set out in policies. Practice areas that fall into this group require monitoring, evaluation and maintenance.

Figure 3.8

People Management Practice Results – ANAO Study Group



Source: ANAO and HRM Consulting

Notes:

1. The 'target area' is stepped, by priority order, recognising that practices that are more critical to business success must be performing at a higher level than those that are less critical. Where resources are limited, they should first be directed to the most critical practice areas whose performance is not yet in the target area.
2. 'Practice improvement' potentially indicates acceptable performance and is a reasonable target for those practices that are rated as 'important'. Practices would show some evidence of better practice principles.
3. The chart represents the views of the majority of line managers in the study. It is possible that individual agencies may rate different practice areas as 'critical', 'very important' or 'important', due to their own business priorities.

Results for the Practice Areas

3.71 Figure 3.8 shows the level of improvement required in the 'critical' practice areas of organisation development, performance management and workforce planning to reach the target area. Workforce planning has the lowest score of all practice areas and requires the largest quantum of improvement. It is a clear area for focus in the short term for most agencies within the ANAO Study Group.

3.72 In the 'very important' category, each practice area (i.e. recruitment and selection, learning and development, employee relations, and reward and

recognition) requires improvement to reach the target area. The quantum of improvement that is needed to reach the target area is less than for the critical areas. However, resources and efforts should be focused in the 'critical' areas before looking to address these 'very important' practice areas.

3.73 The scores in the 'important' area of occupational health and safety and workplace diversity are both in the target range, given the graduated scale.

Range of Results for the Practice Areas

3.74 Organisation development, employee relations and workplace diversity have the greatest differential between the 25th and 75th percentiles. The fact that some agencies achieved high scores indicates the potential for better practice learnings across the APS.

3.75 The practice areas with the smallest spread between the 25th and 75th percentiles were workforce planning and learning and development. This shows similarity in performance across the ANAO Study Group in these areas, with few agencies leading the way in terms of high performance. This is particularly evident in relation to workforce planning where the 75th percentile is below the 25th percentile for each of the other practice areas.

3.76 Several agencies in the ANAO Study Group demonstrated consistently good performance across the nine practice areas. Their performance was characterised by high levels of quality in design, drawing on better practice elements, and high levels of integration with other practice areas and organisational objectives. These levels of performance generally flowed into good ratings against the efficiency and effectiveness, and business outcomes assessment criteria.

3.77 Better practice principles for each of the practice areas are included in Appendix 4. Where participating agencies display a high proportion of these better practice principles, the overall rating is relatively high, and vice versa.

3.78 The study team examined relationships between agency performance against the assessment criteria, and the size (small, medium and large) and types (portfolio, service delivery and statutory) of agencies. The examination showed no clear relationship between agency size/type and total score against the assessment criteria.

Finding Five: HR Functions are 'Doing More with Less'

3.79 While HR functions are 'doing more with less', clear opportunities exist in HR service delivery to improve the support of people management practices across the agencies. Figure 3.9 shows that HR functions within the ANAO Study

Group are leaner, in terms of staffing numbers and costs, than in previous studies²⁴, although significantly better resourced than the All Industry grouping.

Figure 3.9

HR Resources

HR Service Delivery	All Industry*			ANAO Study		
	January–June 2001 Results Annualised			July 2000–June 2001 Results Annualised		
	25 th	Median	75 th	25 th	Median	75 th
HR Staffing Factor (Total FTE/HR FTE)**	39.0	50.6	62.2	29.9	35.8	38.9
HE Expense per Employee (HR Expense/FTE)	\$1259	\$1735	\$2383	\$2411	\$2626	\$3045

Source: ANAO and HRM Consulting

Notes:

*All Industry: the study used a number of benchmarks from the InfoHRM Program

** FTE=Full Time Equivalent

3.80 In conjunction with these leaner resourcing levels, agencies have—since the PSMPC 1999 study—been developing and reviewing strategies, processes and practices to improve HR outcomes. For example, many agencies have introduced or re-developed their performance management systems; reviewed their diversity policies; re-assessed the contents of their Certified Agreements prior to renewals; and introduced or reviewed AWAs.

3.81 Appendix 1 provides a detailed discussion of each practice area in terms of each assessment criterion. A highlight from this discussion is that ‘quality’—in terms of the design of people management strategies, processes and systems—is a relative strength for HR functions across the ANAO Study Group. Many HR functions work reasonably effectively at the design and early implementation stages of a people management initiative. However, there tends to be less strength in aligning and embedding strategies, processes and systems, and little activity in evaluating their contribution to business outcomes. Line managers provided relatively low ratings for the following areas of HR function performance:

- the extent to which the HR function actively ensures that people-related issues are an integral part of agency and business unit planning;
- the extent to which HR’s new and current programs are consistent with one another, e.g. recruitment initiatives are consistent with skills development strategies; and

²⁴ Public Service and Merit Protection Commission, 1995 and 2000, op.cit.

- the extent to which HR staff are viewed by managers as partners in the management of the agency.

3.82 This being the case, HR functions have not been maximising their impact on agency outputs and outcomes. This is also reflected in the findings of the *Building Corporate Capability* report.²⁵

3.83 The following issues contribute to HR's relatively poor performance across these areas of 'aligning, embedding and evaluating':

- availability of HR skills;
- accessibility of people-related information; and
- market testing/outsourcing.

3.84 These issues are discussed further below.

Availability of HR skills

3.85 Figure 3.10 shows that the ANAO Study Group's HR Staffing Mix is similar to All Industry norms—the median result for both groups is 0.8 HR clerical/operative staff for each HR manager/professional. (The target range for this measure is the 25th percentile for All Industry, on the basis that a high ratio of manager/professional level HR staff can provide 'value-adding' services in strategic people management, as opposed to 'personnel administration' activities).

Figure 3.10
HR staffing mix

HR Service Delivery	All Industry*			ANAO Study		
	January–June 2001 Results Annualised			July 2000–June 2001 Results Annualised		
HR Staffing Mix (HR Clerical and Operative FTE /HR Managerial and Professional FTE)**	0.5	0.8	1.3	0.7	0.8	1.2

Source: ANAO and HRM Consulting

Notes:

*All Industry: the study used a number of benchmarks from the InfoHRM Program

**FTE=Full Time Equivalent

²⁵ Public Service and Merit Protection Commission, 2000, op. cit.

3.86 Despite HR staffing mix results being consistent with All Industry targets and norms, anecdotal feedback from agencies is that they are struggling to acquire the ‘right’ skill mix within HR, principally due to difficulties experienced in recruiting quality HR staff in Canberra. However, the following evidence suggests that many agencies are not paying adequate attention to the internal development of HR skills:

- the PSMPC HR Capability Model, published in 2001, provides a basis on which to focus HR development. At the time of the study, which was only five months after publication, the model was not yet used widely across the study group;²⁶ and
- the study group’s median dollar investment in HR training is 23.4 per cent lower than the All Industry result (see Figure 3.11).

Figure 3.11

HR Training Investment

HR Service Delivery	All Industry*			ANAO Study		
	January–June 2001 Results Annualised			July 2000–June 2001 Results Annualised		
HR Training Investment per HR Employee (HR Training Expense/HR FTE)**	\$529	\$1007	\$1473	\$609	\$771	\$1452

Source: ANAO and HRM Consulting

Notes:

*All Industry: the study used a number of benchmarks from the InfoHRM Program.

**FTE=Full Time Equivalent

3.87 These factors suggest that many agencies are trying unsuccessfully to achieve a professional HR capability through recruitment rather than development.

Accessibility of People-Related Information

3.88 Many HR functions within the study group experienced difficulty in obtaining people-related information from their HR information systems. Some agencies were unable to provide data for the study. Some submitted aggregate data without being able to identify individual elements. Others provided incorrect data which, when invalidated, needed to be re-submitted, re-processed and re-analysed.

²⁶ Nine of the 14 agencies that participated in the ANAO study now participate in a jointly funded (PSMPC/agency) HR development program that has been designed around the HR Capability Model.

3.89 The unavailability of people-related information significantly affects an agency's ability to undertake workforce planning and to measure the effectiveness of people management initiatives. For example, agencies were often not using turnover information to evaluate the effectiveness of recruitment and selection, and reward and recognition strategies.

Market Testing/Outsourcing

3.90 Market testing and the outsourcing of HR functions in some agencies have raised particular challenges in relation to the consistent provision of quality services.

3.91 The requirement to market test HR functions has impacted to some degree on HR functions' ability to deliver high quality advice and services during the preparation for, and actual market testing process. Several agencies, that had re-engineered this function prior to market testing, reported being well placed for the process. Others indicated a decrease in service levels during the market-testing period. The time devoted to the issue of market testing was identified in several agencies as an impediment to effective performance.

3.92 Within the ANAO Study Group, several agencies had recently outsourced all or part of their HR functions. These agencies were at different stages of the outsourced cycle, with some having arrangements bedded in and running effectively, while others were fine-tuning arrangements following implementation. Others were just moving through the initial phases of implementation.

3.93 Several agencies, which have been through the outsourcing process, identified the importance of ensuring that an appropriate balance was maintained between operational and strategic people management practices throughout the process. With or without the outsourcing of HR, too close a focus on operational HR activities is detrimental to strategic people management requirements.

4. Road Map for the Future

4.1 The following lessons are based on the findings of the study. They should be considered at agency level in the context of agency specific objectives and priorities:

- 1) The integration of business and people planning activities is a priority area for improvement.
- 2) Devolution of people management responsibilities needs to be supported by more effective:
 - ⇒ corporate framework;
 - ⇒ operational support from HR (e.g. training, online and hard-copy guidelines, coaching / advice); and
 - ⇒ corporate evaluation and promotion of 'better practices', so that individual line managers do not continually 're-invent the wheel' or try to 'muddle through'.
- 3) Line and HR staff need to work together to find effective means of managing performance. Means of doing this include:
 - ⇒ improved training for line and HR staff in how to identify and manage poor performance;
 - ⇒ development of HR staff skills as 'internal consultants' or 'coaches' to assist line managers to undertake their performance management responsibilities;
 - ⇒ implementation of effective reward and recognition systems which effectively differentiate between high and low performers;
 - ⇒ continuing development and evaluation of employee welfare and skills development systems which assist staff to perform at their highest level; and
 - ⇒ implementation of variable pay systems which reward managers for effectively undertaking the full range of their performance management accountabilities.
- 4) Line managers and HR need to work together to adopt more creative, innovative and targeted approaches to staff attraction and retention.
- 5) People management practice areas should be prioritised based on organisational requirements and objectives. Investment in these areas should reflect key, and critical, priorities. In an environment where resources are stretched, the ability to prioritise and focus on key areas is imperative. Actual performance across people management practice areas should be compared back to the key and critical priorities at agency level.

- 6) An increased focus on integrating, implementing and evaluating people management strategies, systems and processes will provide increased contribution to business outputs and outcomes.
 - 7) Agencies should look to continue the development of HR capabilities and draw from the tools developed to support the PSMPC HR Capability Model (e.g. use the HR Capability 360° feedback questionnaire and survey HR's effectiveness). Demonstration of the broad capabilities will impact across all practice areas and assist with the engagement of line managers in people management and planning activities. The outcome of this will be increased contribution of people management to business outputs and outcomes.
 - 8) Improvement in the area of accessing and using people management information to inform business decision-making will provide on-going benefits to agencies. The majority of agencies should look to develop key skills in these areas, both in line manager and HR roles.
 - 9) The Better Practice Principles contained in Appendix 4 of this report should be considered by agencies in their own operational context. The principles may be used in the design and implementation of new approaches and / or to evaluate current approaches to people management. It is not feasible for agencies to try to demonstrate all better practice principles in all practice areas. Rather, they should identify those practice areas that are most critical for their business and develop appropriate performance targets and measures.
-

Canberra ACT
25 June 2002



P. J. Barrett
Auditor-General

Appendices

Appendix 1

About the Study

Performance Information

Planning for this audit commenced in December 2000 with research into people management across APS agencies. Fieldwork in the 14 agencies commenced in July 2001 and was completed in November 2001. The ANAO provided a report on the results of the study to each agency reviewed as part of the study. The total cost of the study, including reports to each agency on their individual performance, was \$720 000.

Methodology

Definitions

For this study:

- *people management* is defined as how line managers plan for and manage their staff, to help achieve agency and program outcomes, that is, it has organisation-wide accountabilities; and
- *human resource (HR) function management* is defined as how the human resource function itself, whether in-house, outsourced or a mixture, supports people management practices to achieve agency outcomes.

People Management Practice Areas

Nine people management practice areas were defined to provide a common framework for information collection, analysis and benchmarking in participating agencies, and to ensure consistency in application for subsequent years of the longitudinal study. The definitions used for each of the practice areas follow.

Organisation Development

Organisation development is a term applied to a wide range of strategies used by management to change the organisation climate and the 'style' in which people work together, in order to improve organisational effectiveness. Its essence is that it is change which is *planned* and managed from the top, and ... involves groups or a 'team' of people rather than individuals. There is often a dual emphasis upon organisational effectiveness (goal attainment, productivity) and

'quality of work life' issues. The techniques used are based upon behavioural science research.' (CCH *Human Resource Management* 9-000).

Workforce Planning

Workforce planning is a continuous process of shaping the workforce to ensure that it is capable of delivering organisational objectives now and in the future. This includes deciding how work is done (job analysis and job design) as well as demand/supply forecasting, gap analysis, succession planning, etc.

Recruitment and Selection

Recruitment refers to the process of making contact with people in order to fill an employment vacancy. Selection refers to the process of assessing job applicants, and making a selection decision and job offer.

Performance Management

Performance management refers to the framework and processes which assist the agency to become a 'high-performance organisation', through the alignment of individual and agency objectives. This includes planning, managing, reviewing and providing feedback about the work performance of employees, teams, and managers, and developing employees accordingly.

Learning and Development

Learning and development refers to all processes associated with the identification of agency and individual requirements in relation to skills development, and the design, delivery and/or brokering of opportunities to bridge gaps in skills or behavioural requirements.

Reward and Recognition

Reward and recognition refers to salary and non-monetary rewards (such as recognition schemes) provided to attract and retain employees and help motivate them to achieve agency objectives.

Workplace Diversity

Workplace diversity involves taking account of the ways we differ from each other (e.g. gender, age, language, ethnicity, cultural background, disability, sexual orientation, religious belief, educational level, job function, socio-economic background, geographic location, marital status and family or other carer responsibilities) in managing the workplace and using these differences to improve organisational outcomes.

Employee Relations

Employee relations refer to processes used to manage the employment relationship between agency management and employees, e.g. negotiation of employment contracts, liaison regarding industrial matters, management of grievance processes, and provision of employee counselling services.

Occupational Health and Safety

Occupational health and safety (OH&S) refers to the health, safety and welfare of employees at work.

Data Sources

To undertake the review, several different qualitative and quantitative information sources were used. This is consistent with the ‘triangulation’ technique recommended in social science research, whereby researchers make use of multiple and different information sources, methods and investigators to provide corroborating evidence.²⁷

The qualitative and quantitative data used to assess each people management practice area included the following:

- **Desktop review** of published documents:
 - Annual Report
 - Portfolio Budget Statements 2001–2002
 - Other publications e.g. corporate plan, strategic plan, people management plan
 - Results of recent staff surveys
- **Qualitative data:**
 - Interviews with HR manager and line sponsor²⁸
 - Focus group(s) with line managers
 - Focus group(s) with HR staff
 - Surveys of line managers and HR staff
 - Short questionnaires in relation to people management priorities and time spent on people management activities

²⁷ JW Creswell, *Qualitative Inquiry and Research Design*, SAGE Publications, London, 1998.

²⁸ The line sponsor's role was to provide a senior perspective of people management in the organisation and facilitate line manager participation in the focus group/s. In most agencies this person was nominated by the agency head.

■ **Quantitative data:**

- Workforce profile (obtained through the HRMIS)
- People management outcomes e.g. turnover, recruitment, OH&S (obtained through the HRMIS)
- HR staffing and costs for payroll staff only (provided manually by agency)

The quantitative data was collected for the financial year 2000–01.

Assessment Criteria

Each practice area was assessed against four criteria: quality, HR integration, efficiency and effectiveness, and business contribution. These criteria address the continuum of building, integrating, and applying people management practices, and assessing their impact on business.

Quality

‘To what extent are the HR systems / practices well-designed and professionally competent?’

Good design provides the base for fully effective approaches to people management in agencies. High standard quality in strategies, processes and systems will enhance the effectiveness of approaches, their ability to integrate with other people management approaches and their impact on agency outcomes. Therefore, people management strategies, processes and systems should be well designed, drawing upon contemporary standards of professional competence.

HR Integration

‘To what extent do the practices align with other People Management practices?’

People management is a holistic phenomenon, rather than one which can be compartmentalised into HR practice areas such as ‘performance management’, ‘learning’ or ‘recruitment’. Therefore, people management strategies, processes and systems need to clearly integrate with each other to contribute coherently to high levels of people and organisational performance.

Effectiveness and Efficiency

‘To what extent do they work well in practice?’

People management strategies, processes and systems are effective if they achieve their desired outcomes. They are efficient if they can do this in a cost-efficient manner.

Business Contribution

‘What impact does the practice have on business outcomes?’

People management strategies, processes and systems can make significant contributions to business in any organisation. People management practices that are not contributing fully to business outcomes generally require attention in at least one of the areas of quality, integration, or effectiveness and efficiency.

Prioritisation of People Management Practice Areas

Participants in the line manager and HR focus groups, and line sponsor and HR sponsor interviews were asked to rank the nine practice areas in relation to their importance to achieving business outcomes. Participants were asked to rank each area as either *critical*, *very important*, *important* or *not important*. (Participants could include up to—but not more than—three people management areas as critical).

Appendix 2

Quantitative Benchmarks

Category/ Benchmark Measures	ANAO STUDY July 2000-June 2001 Results Agency Percentiles			
	25th	Median	75th	No.
Remuneration Profile				
Remuneration per Employee <i>(Direct Compensation/FTE)</i>	\$49,413	\$53,416	\$54,928	13
Overtime Factor <i>(Overtime/Direct Compensation)</i>	0.39%	0.83%	1.55%	13
Staffing Profile				
Management Staffing Factor - Organisation <i>(Clerical & Operative FTE/Managerial & Professional FTE)</i>	0.60	0.75	1.39	14
Male to Female Staffing Ratio <i>(Male FTE/Female FTE)</i>	0.73	1.00	1.22	14
Male to Female Staffing Ratio - Managerial & Professional	0.92	1.25	1.43	14
Male to Female Staffing Ratio - Clerical & Operative	0.47	0.61	0.83	14
Staffing Rate - Part Time <i>(Part Time FTE/Total FTE)</i>	4.17%	4.73%	7.14%	14
Staffing Rate - Casual <i>(Casual FTE/Total FTE)</i>	0.00%	0.05%	0.28%	14
Staffing Rate - Indigenous <i>(Indigenous FTE/Total FTE)</i>	0.29%	0.77%	0.95%	13
Staffing Rate - Non-English Speaking Background (NESB) <i>(NESB FTE/Total FTE)</i>	4.16%	7.99%	13.05%	12
Staffing Rate - Employee Disability <i>(Employees with a Disability FTE/Total FTE)</i>	1.88%	3.24%	4.15%	13
Staffing Rate Headcount - Full Time <i>(Full Time HCI/(Total HC + Casual HC)</i>	85.78%	91.09%	93.16%	14
Staffing Rate Headcount - Part Time <i>(Part Time HCI/(Total HC + Casual HC)</i>	6.18%	6.77%	9.96%	14
Staffing Rate Headcount - Casual <i>(Casual HCI/(Total HC + Casual HC)</i>	0.01%	0.23%	2.08%	14
Staffing Rate by Age				
Staffing Rate - <25 years Old <i>(End Of Period Headcount <25/Total End of Period Headcount)</i>	4.39%	5.44%	7.35%	14
Staffing Rate - 25-<35 years Old <i>(End Of Period Headcount 25-<35/Total End of Period Headcount)</i>	24.10%	26.40%	28.66%	14
Staffing Rate - 35-<45 years Old <i>(End Of Period Headcount 35-<45/Total End of Period Headcount)</i>	28.43%	30.76%	32.93%	14
Staffing Rate - 45 - <55 years Old <i>(End Of Period Headcount 45-<55/Total End of Period Headcount)</i>	27.03%	29.15%	31.62%	14
Staffing Rate - 55-<65 years Old <i>(End Of Period Headcount 55-<65/Total End of Period Headcount)</i>	4.62%	6.13%	7.95%	14
Staffing Rate - >65 years Old <i>(End Of Period Headcount >65/Total End of Period Headcount)</i>	0.07%	0.10%	0.24%	14
Staffing Rate by Tenure				
Staffing Rate - <1 year Tenure <i>(End Of Period Headcount <1 year tenure with org/Total End of Period Headcount)</i>	14.03%	15.47%	17.76%	13
Staffing Rate - 1-<3 year Tenure <i>(End Of Period Headcount 1-<3 year tenure with org /Total End of Period Headcount)</i>	17.21%	23.83%	27.92%	13
Staffing Rate - 3-<5 year Tenure <i>(End Of Period Headcount 3-<5 year tenure with org /Total End of Period Headcount)</i>	9.03%	10.78%	12.70%	13

Category/ Benchmark Measures	ANAO STUDY July 2000-June 2001 Results Agency Percentiles			
	25th	Median	75th	No.
Staffing Rate - 5-<10 year Tenure <i>(End Of Period Headcount 5-<10 year tenure with org / Total End of Period Headcount)</i>	12.40%	16.56%	19.07%	13
Staffing Rate - 10+ year Tenure <i>(End Of Period Headcount 10+ year tenure with org / Total End of Period Headcount)</i>	20.10%	30.06%	41.55%	13
HR Service Delivery				
HR Staffing Factor <i>(Total FTE/HR FTE)</i>	29.91	35.85	38.91	13
HR Staffing Factor - Managerial & Professional	58.59	63.63	92.11	12
HR Staffing Factor - Clerical & Operative	58.91	73.85	109.74	12
HR Staffing Factor (excluding Payroll)	39.80	42.38	53.97	10
HR Staffing Factor (excluding Payroll) - Managerial & Professional	66.13	78.11	90.63	10
HR Staffing Factor (excluding Payroll) - Clerical & Operative	85.17	124.58	238.48	10
HR Staffing Mix <i>(HR C & O FTE/HR Mgrl & Prof FTE)</i>	0.69	0.82	1.19	12
HR Staffing Mix - excluding Payroll <i>(HR C&O FTE - C&O Payroll FTE / M&P FTE - M&P FTE Payroll)</i>	0.34	0.52	1.23	10
HR Expense per Employee <i>(HR Expense/FTE)</i>	\$2,411	\$2,626	\$3,045	13
HR Expense per Employee (excluding Payroll)	\$1,894	\$2,102	\$2,586	12
HR Expense per Employee - Discretionary	\$1,905	\$2,103	\$2,432	13
Turnover				
Total Separation Rate <i>(Terminations/Headcount)</i>	16.16%	19.65%	22.59%	14
Total Separation Rate - Male	14.65%	17.65%	19.19%	14
Total Separation Rate - Female	18.23%	21.49%	25.38%	14
Total Separation Rate - Managerial & Professional	10.86%	14.95%	15.89%	14
Total Separation Rate - Clerical & Operative	17.60%	26.69%	32.13%	14
Total Separation Rate - Part Time \blacklozenge <i>(Number of Part Time Terminations/Total Part Time Headcount)</i>	18.57%	28.62%	37.06%	13
Total Separation Rate - Casuals \blacklozenge <i>(Number of Casual who ceased work during the period/Total Casuals Headcount)</i>	32.90%	63.29%	243.82%	9
Employee-Initiated Separation Rate <i>(Employee-Initiated Terminations/Headcount)</i>	4.79%	5.93%	8.12%	14
Organisation-Initiated Separation Rate <i>(Organisation-Initiated Terminations/Headcount)</i>	0.80%	1.78%	3.03%	14
Separation by Transfer Rate <i>(Terminations by Transfer/Headcount)</i>	2.17%	3.81%	5.13%	14
Separation by Contract Expiry Rate <i>(Terminations of Contract Expiry/Headcount)</i>	4.82%	5.67%	8.24%	14

continued next page

Category/ Benchmark Measures	ANAO STUDY July 2000-June 2001 Results Agency Percentiles			
	25th	Median	75th	No.
Employee-Initiated Separation Rate (By Tenure Profile)				
Employee-Initiated (EI) Separation Rate by Tenure Profile - <1 year <i>(Total EI Terminations by tenure of <1 year / Total Headcount by tenure <1 year)</i>	7.98%	12.69%	16.46%	13
Employee-Initiated Separation Rate by Tenure Profile - 1-<3 years <i>(Total EI Terminations by tenure of 1-<3 years / Total Headcount by tenure 1-<3 years)</i>	4.89%	7.99%	9.52%	13
Employee-Initiated Separation Rate by Tenure Profile - 3-<5 years <i>(Total EI Terminations by tenure of 3-<5 years / Total Headcount by tenure 3-<5 years)</i>	4.23%	5.45%	6.32%	13
Employee-Initiated Separation Rate by Tenure Profile - 5-<10 years <i>(Total EI Terminations by tenure of 5-<10 years / Total Headcount by tenure 5-<10 years)</i>	3.45%	5.31%	5.60%	13
Employee-Initiated Separation Rate by Tenure Profile - 10+ years <i>(Total EI Terminations by tenure of 10+ years / Headcount by tenure 10+ years)</i>	3.00%	3.87%	5.29%	13
Recruitment				
External Recruitment Rate <i>(External Recruits/Headcount)</i>	17.11%	22.31%	26.28%	13
External Recruitment Rate - Male	13.50%	18.60%	21.71%	12
External Recruitment Rate - Female	23.40%	25.44%	31.10%	12
External Recruitment Rate - Managerial & Professional	8.63%	11.67%	13.45%	13
External Recruitment Rate - Clerical & Operative	21.77%	35.33%	49.21%	13
External Recruitment Rate - Permanent <i>(Permanent External Recruits/Headcount)</i>	6.60%	9.36%	11.27%	14
External Recruitment Rate - Permanent - Male	5.48%	8.01%	9.83%	13
External Recruitment Rate - Permanent - Female	8.54%	12.26%	13.32%	13
External Recruitment Rate - Permanent - Managerial & Professional	5.38%	6.25%	9.30%	14
External Recruitment Rate - Permanent - Clerical & Operative	8.21%	10.55%	14.09%	14
External Recruitment Rate - Temporary <i>(Temporary External Recruits/Headcount)</i>	8.03%	11.17%	15.80%	13
External Recruitment Rate - Temporary - Male	7.29%	8.50%	11.43%	12
External Recruitment Rate - Temporary - Female	13.10%	14.78%	16.42%	12
External Recruitment Rate - Temporary - Managerial & Professional	3.21%	4.20%	4.64%	13
External Recruitment Rate - Temporary - Clerical & Operative	10.77%	26.76%	33.86%	13
Occupational Health & Safety				
OH&S Premium Rate <i>(OH&S Premium Cost/FTE)</i>	\$424	\$449	\$545	14
Agency Incident Frequency per \$M Compensation <i>(Total Occurrences / Direct Compensation) *1,000,000</i>	0.12	0.37	0.50	13
Incident Rate per 100 Employees <i>(Occurrences/FTE *100)</i>	1.23	1.71	2.21	14
Average Time Lost Rate <i>(Working Days Lost/Occurrences)</i>	5.06	8.00	11.38	11

Appendix 3

Qualitative Survey Results

The ANAO conducted focus groups with some line managers and key human resource staff in 14 agencies. People were asked to provide quantitative ratings about some of the people management issues covered during focus groups for the study.

Respondents were asked to complete 27 questions, reflecting on their agency over the previous 12 months. For each survey item they were asked to circle their response in relation to the following ratings:

- 1 indicating 'no extent'
- 2 indicating 'minimal extent'
- 3 indicating 'some extent'
- 4 indicating 'large extent'
- 5 indicating 'outstanding—no change required'

The following four charts indicate which questions were used to inform the study about the effectiveness of people management in relation to quality, HR integration, effectiveness and efficiency, and business outcomes.

Quality

Question no.	Qualitative survey questions (ranked by line manager score, in descending order)	All Line Manager (LM) mean (n=164)	All HR mean (n=127)
9	To what extent does your agency effectively communicate important organisational information to employees?	3.6	3.6
10	To what extent does your agency effectively seek and respond to feedback from employees (e.g. through employee surveys and suggestion schemes)?	3.3	3.3
8	To what extent does the agency have processes which allow it to reflect upon and improve the way work is done?	3.2	3.1

HR Alignment

Question no.	Qualitative survey questions (ranked by line manager score, in descending order)	All Line Manager (LM) mean (n=164)	All HR mean (n=127)
2	To what extent does your agency make an explicit effort to align agency and people management strategies?	3.5	3.4
22	To what extent does your agency effectively address workforce diversity issues as an integral part of its HR strategy?	3.3	3.3
5	To what extent are HR's new and current programs consistent with one another, e.g. recruitment initiatives are consistent with skills development strategies?	3.1	3.2
4	To what extent is the HR function proactive in ensuring that people-related issues are an integral part of agency and business unit planning?	3.0	3.3
19	To what extent do staff have access to information about their career options?	3.0	2.9
25	To what extent are HR staff viewed by managers as partners in the management of the agency?	3.0	2.8

Respondents were asked to complete 27 questions, reflecting on their agency over the previous 12 months. For each survey item they were asked to circle their response in relation to the following ratings:

- 1 indicating 'no extent'
- 2 indicating 'minimal extent'
- 3 indicating 'some extent'
- 4 indicating 'large extent'
- 5 indicating 'outstanding—no change required'

Effectiveness and Efficiency

Question no.	Qualitative survey questions (ranked by line manager score, in descending order)	All Line Manager (LM) mean (n=164)	All HR mean (n=127)
1	To what extent does your agency effectively define its corporate objectives and strategy?	4.0	3.8
24	To what extent does the agency have safe and healthy work practices?	4.0	4.0
3	To what extent are employees clear about their work roles?	3.6	3.6
9	To what extent does your agency effectively communicate important organisational information to employees?	3.6	3.6
11	To what extent is your agency a 'caring employer'?	3.6	3.6
12	To what extent does your agency enable staff to maintain an appropriate work/life balance?	3.5	3.6
7	To what extent does your agency anticipate the future and manage the necessary changes?	3.3	3.1
10	To what extent does your agency effectively seek and respond to feedback from employees (e.g. through employee surveys and suggestion schemes)?	3.3	3.3
6	To what extent is the 'people side' of agency performance seen primarily by senior management as a source of value creation throughout the agency?	3.2	2.8

Question no.	Qualitative survey questions (ranked by line manager score, in descending order)	All Line Manager (LM) mean (n=164)	All HR mean (n=127)
13	To what extent does your agency's performance management system effectively identify employee contributions that are consistent with agency strategy?	3.2	3.2
20	To what extent are the agency's skills needs effectively developed ?	3.1	3.0
15	To what extent does your agency support managers to manage poor performance?	3.0	3.3
18	To what extent do the agency's workforce planning practices contribute to its success?	2.9	2.6

Respondents were asked to complete 27 questions, reflecting on their agency over the previous 12 months. For each survey item they were asked to circle their response in relation to the following ratings:

- 1 indicating 'no extent'
- 2 indicating 'minimal extent'
- 3 indicating 'some extent'
- 4 indicating 'large extent'
- 5 indicating 'outstanding—no change required'

Business Outcomes

Question no.	Qualitative survey questions (ranked by line manager score, in descending order)	All Line Manager (LM) mean (n=164)	All HR mean (n=127)
16	To what extent are staff engaged and motivated to achieve agency objectives?	3.5	3.3
17	To what extent does your agency effectively recruit the 'right' employees?	3.4	3.2
20	To what extent are the agency's skills needs effectively developed ?	3.1	3.0
21	To what extent do the agency's learning and development practices contribute to its success?	3.1	3.1
23	To what extent does the agency's certified agreement contribute to agency performance?	3.1	3.5
14	To what extent does the agency's reward and recognition system motivate staff to achieve agency outcomes?	2.6	2.7

Respondents were asked to complete 27 questions, reflecting on their agency over the previous 12 months. For each survey item they were asked to circle their response in relation to the following ratings:

- 1 indicating 'no extent'
- 2 indicating 'minimal extent'
- 3 indicating 'some extent'
- 4 indicating 'large extent'
- 5 indicating 'outstanding—no change required'

Appendix 4

Better Practice Principles

Introduction

This study was undertaken during 2001 as part of the ANAO's Information Support Services (ISS) program, which aims to improve the quality of public sector administration and assist agencies by identifying and reporting better practices.

During the course of the study, the team compiled a collection of 'better practice principles' in relation to each of the assessment criteria within each of the practice areas used in the study. These were identified via a combination of:

- study team members' professional knowledge of successful approaches to people management (both nationally and internationally, and across private and public sectors); and
- highlighting approaches used by, and proving to be successful for, agencies participating in the study.

The better practice principles are presented in a 'checklist' format designed to assist managers when designing and reviewing the people management practices within their organisation. The better practice principles identified should be considered in the context of organisational priorities and outcomes.

While the better principles cover all nine people management practice areas investigated by the study, organisations should focus in on the practice areas that are assessed as most critical to business needs, before focusing on practice areas of lesser importance.

A range of quantitative indicators are referenced in the efficiency and effectiveness section of the practice areas. These indicators are drawn from the InfoHRM HR Performance Scorecard, some of which are included in this report.

Definitions

The definition of each practice area is included within the section addressing the practice area. The assessment criteria used within each practice area were defined as follows:

Quality	‘To what extent are the HR systems/practices well-designed and professionally competent?’
HR Integration	‘To what extent do the practices align with other People Management practices?’
Effectiveness and Efficiency	‘To what extent do they work well in practice?’
Business Outcomes	‘What impact does the practice have on business outcomes?’

Readers will note that there are not as many examples under ‘Business Outcomes’ as there are under the other assessment criteria. This is because business outcomes are often organisation-specific and therefore difficult to define in general terms. The lower number of examples provided does not mean that ‘Business Outcomes’ is of any lower importance than the other three assessment criteria.

Organisation Development

Definition

‘Organisation development is a term applied to a wide range of strategies used by management to change the organisation climate and the ‘style’ in which people work together, in order to improve organisational effectiveness. Its essence is that it is change which is planned and managed from the top, and ... involves groups or a ‘team’ of people rather than individuals. There is often a dual emphasis upon organisational effectiveness (goal attainment, productivity) and ‘quality of work life’ issues. The techniques used are based upon behavioural science research.’ (CCH *Human Resource Management* 9-000.)

Quality Indicators

- There is a conscious approach to organisation development.
- Processes are in place to:
 - ⇒ identify and manage organisational culture;
 - ⇒ ensure all employees are aware of organisational values;

- ⇒ identify and manage the people implications of all business objectives;
 - ⇒ establish linkages between organisational and business unit planning, and individual performance planning;
 - ⇒ improve teamwork and inter-group collaboration;
 - ⇒ continually improve organisational performance, e.g. through encouraging innovation; and
 - ⇒ promote an effective work/life balance.
- ❑ Organisational change initiatives are planned and managed from the top, with appropriate input; and with recognition of the need to consider and integrate structural, technological and people issues.
 - ❑ Action research methods of diagnosis, analysis and planning are applied to organisational issues.
 - ❑ Policy documents are well-designed, coherent and linked.

HR Integration Indicators

- ❑ The HR function is proactive in ensuring that people-related issues are an integral part of organisation and business unit planning.
- ❑ HR's new and current programs are consistent with one another, e.g. recruitment initiatives are consistent with skills development strategies.
- ❑ HR staff are viewed by managers as partners in the management of the organisation.

Effectiveness and Efficiency Indicators

- ❑ The organisation's vision and objectives are well articulated and understood by all, and reviewed when necessary. Leaders and employees espouse organisational values.
- ❑ The 'people side' of the organisation's performance is seen primarily by senior management as a source of value creation throughout the organisation.
- ❑ Employees are clear about their work roles, and how this relates to the organisation's mission/vision.
- ❑ Communication about relevant organisational and external issues is:
 - ⇒ frequent;
 - ⇒ multi-directional; and
 - ⇒ multi-media.

- ❑ Employees are aware of organisational issues.
- ❑ Employee feedback is acted upon.
- ❑ Employees and managers are aware of the objectives and successes of other business units in the organisation.
- ❑ Good business/people practices operating within the organisation are identified, recognised/rewarded and shared.
- ❑ Appropriate risk-taking and innovation takes place. 'Failures' are used as learning opportunities.
- ❑ Managers are supported (through training and tools) to integrate OD principles into their people management processes.
- ❑ Organisational successes are celebrated.

Business Contribution Indicators

- ❑ Effective integration of culture, planning, leadership, employee involvement and employee welfare combine to achieve good business results.
- ❑ Staff are engaged and motivated to achieve organisational objectives.

Workforce Planning

Definition

Workforce planning is a continuous process of shaping the workforce to ensure that it is capable of delivering organisational objectives now and in the future. This includes deciding how work is done (job analysis and job design) as well as demand/supply forecasting, gap analysis, succession planning, etc.

Quality Indicators

- ❑ The workforce planning process:
 - ⇒ takes direct account of future business directions and workforce needs;
 - ⇒ is iterative in line with the organisation's strategic management cycle, and is linked to the resulting plans;
 - ⇒ has a medium to long term focus (typically three to five years) in line with the organisation's strategic business plans;
 - ⇒ includes supply and demand forecasting;

- ⇒ uses current workforce demographics and staff capabilities in forecasting;
 - ⇒ uses alternative scenarios in its forecasts ;
 - ⇒ relies on the expert judgment of relevant line managers to undertake demand forecasts;
 - ⇒ establishes shared accountability for workforce planning among the executive group, line managers and HR professionals; and
 - ⇒ takes account of external influences and factors such as labour market demographics and employment expectations.
- Existing job roles are reviewed in terms of job design principles.

HR Integration Indicators

- The workforce planning process is linked to career management, succession planning, performance management, recruitment, and training and development initiatives.
- Workforce planning responsibilities are included in performance agreement measures for all managers.
- The HR function is pro-active in ensuring that people-related issues are an integral part of organisation and business unit planning.

Effectiveness and Efficiency Indicators

- Managers are supported (through training, coaching and tools) to effectively undertake workforce planning.
- Information is available to assist managers in demand/supply forecasts (quantitative and qualitative; internal and external).
- Managers use workforce information in business planning and decision making.
- The process identifies job roles, skills needs and employee numbers required now and in the future.
- Forecasts drive/improve people management strategies such as recruitment, career management, succession plans, learning and development and performance management.
- Staff have access to information about their career options.
- Low result for Organisation-Initiated Separation Rate because the numbers and skill needs of the organisation have been planned for through re-skilling, natural attrition etc.

Business Contribution Indicators

- ❑ The organisation has the right person in the right role at the right time.

Recruitment and Selection

Definition

Recruitment refers to the process of making contact with people in order to fill an employment vacancy. Selection refers to the process of assessing job applicants, and making a selection decision and job offer.

Quality Indicators

- ❑ The organisation has a formal recruitment and selection strategy, policy and processes.
- ❑ The process links to the organisation's corporate and business unit planning.
- ❑ At the outset, all options are considered for getting the job done, e.g. job redesign, secondments, contractors, better use of technology.
- ❑ Job descriptions relate to the specific requirements of the position and are reviewed every time a vacancy arises.
- ❑ Selection criteria are reflective of the generic organisational competencies, include job-relevant criteria (as stated in the job description) and future requirements, and are regularly reviewed.
- ❑ The recruitment strategy strikes a balance between targeting the largest possible candidate pool, and providing career opportunities to existing staff.
- ❑ An internal skills and availability database assists in identifying appropriate internal candidates.
- ❑ A variety of innovative and proactive recruitment sources are used which are appropriate for the market, e.g. headhunters, contacting possible market groups (e.g. professional bodies, universities, indigenous bodies), professional journals and publications.
- ❑ Advertisements fulfil a dual role: they attract appropriate applicants and promote the work of the organisation.
- ❑ An external skills and availability database is maintained to identify appropriate external candidates (e.g. from previous recruitment exercises).

- ❑ A combination of selection techniques is used, e.g. behavioural-based interviews, psychometric testing, work sampling, assessment centres, reference checks.
- ❑ Selection panels have at least one person on them who is trained in behavioural questioning.
- ❑ Selection techniques are appropriate to the position requirements, e.g. role playing for customer service applicants.
- ❑ Structured reference checking is used as an integral component of the selection process, not as an 'add on' to confirm a decision.
- ❑ Selection decisions:
 - ⇒ are based on the advertised selection criteria;
 - ⇒ have a longer term outlook, looking at future skill needs; and
 - ⇒ are merit-based and non-discriminatory.
- ❑ Recruitment and selection processes ensure that candidates receive a realistic job preview, enabling them to gain comprehensive and honest expectations about the position/organisation.
- ❑ The recruitment and selection processes promote the work of the organisation.
- ❑ The effectiveness of the strategy, policy and process is regularly reviewed and researched to identify better ways of doing things. (Relevant review mechanisms include benchmarks such as time to fill, survey of managers, examination of exit data to determine the effect of recruitment/selection practices on turnover.)

HR Integration Indicators

- ❑ The process is clearly linked to the organisation's workforce planning process.
- ❑ The selection process identifies skills development needs of new recruits, and is linked with the organisation's learning and development strategy/processes.

Effectiveness and Efficiency Indicators

- ❑ The recruitment strategy attracts a large candidate pool.
- ❑ Managers are supported through training, coaching and tools in effective selection techniques.

- ❑ The process is efficient, e.g. low Time to Fill, high Acceptance Rate, low Recruitment Cost Factor.
- ❑ Low result for Employee-Initiated Separation Rate, particularly of short tenure people.

Business Contribution Indicators

- ❑ The organisation recruits the right people.

Reward and Recognition

Definition

Reward and recognition refers to salary and non-monetary rewards (such as recognition schemes) provided to attract and retain employees and help motivate them to achieve organisation objectives.

Quality Indicators

- ❑ The organisation has a financial reward strategy which takes into account market forces, internal relativities, and the organisation's capacity to pay.
- ❑ Reward and recognition processes are appropriate and consistent with the business, and its values and culture.
- ❑ The reward and recognition processes differentiate between high and low performers.
- ❑ AWAs and Certified Agreements include both financial and non-financial reward strategies.
- ❑ Processes are in place to recognise employees through use of non-financial incentives.
- ❑ The effectiveness of the reward and recognition processes is regularly reviewed.

HR Integration Indicators

- ❑ Strategies and programs relating to performance management and reward and recognition are integrated.

Effectiveness and Efficiency Indicators

- ❑ Staff and managers are clear about the organisation's expectations of their performance and behaviour.

- ❑ Managers are encouraged and supported through training, coaching and tools to effectively implement recognition and motivation techniques.
- ❑ Staff survey findings indicate high satisfaction with reward and recognition policies and their application.
- ❑ Average Remuneration is within the desired range for the organisation.
- ❑ Exit data reveals that reward/ recognition factors have a low influence on employee-initiated separation levels.

Business Contribution Indicators

- ❑ The organisation's remuneration system motivates staff to achieve business outcomes.
- ❑ Staff are engaged and motivated to achieve the organisation's objectives.
- ❑ Reward and recognition contributes to retention of key staff/ skills.

Learning and Development

Definition

Learning and development refers to all processes associated with the identification of organisation and individual requirements in relation to skills development; and the design, delivery/brokering and evaluation of opportunities to bridge gaps in skills or behavioural requirements.

Quality Indicators

- ❑ Systems/processes are in place to identify the organisation's current and future skills requirements.
- ❑ On an ongoing basis, staff and managers review each staff member's skills development needs within the context of the organisation's current and future requirements.
- ❑ Learning and development programs include a range of on-the-job and off-the-job approaches to learning, with the former including mentoring, secondments (internal and external), job rotations, higher duties appointments, and special project work.
- ❑ Learning and development activities have a demonstrable balance between technical development and development dealing with roles, attitudes and behaviours in improving performance.

- ❑ The organisation makes an appropriate investment in learning and development initiatives.
- ❑ Performance of training providers is regularly reviewed and opportunities for economies through sharing and collaboration are identified.
- ❑ Processes are in place to evaluate the effectiveness of individual learning and development programs, as well as the organisation's overall learning and development strategy.

HR Integration Indicators

- ❑ Strategies and programs relating to learning and development and performance management are integrated.

Effectiveness and Efficiency Indicators

- ❑ Processes to induct new recruits into the organisation, business unit and job role are effective.
- ❑ Managers are supported through training, coaching and tools to effectively develop the skills of their staff.
- ❑ The skills needs of staff are clearly identified and then developed.
- ❑ Low result for Organisation-Initiated Separation Rate because the skill needs of the organisation have been planned for through ongoing development.
- ❑ The MIS/HRIS accurately records and maintains information on individuals' learning and development activities.

Business Contribution Indicators

- ❑ The skills levels of staff contribute to the organisation's success.
- ❑ Cost/benefit analysis of learning and development initiatives identifies contribution to the organisation's bottom line.

Performance Management

Definition

Performance management refers to the framework and processes which assist the organisation to become a 'high-performance organisation', through the alignment of individual and organisation objectives. This includes planning, managing, reviewing and providing feedback about the work performance and developmental needs of employees, teams, and managers.

Quality Indicators

- ❑ The performance management process effectively measures individual performance against key criteria that are linked to the position and to organisational outcomes. It also measures demonstration of desired behaviours, competencies or organisational values.
- ❑ Performance management is more than simply a performance appraisal. The framework incorporates regular planning sessions, regular formal feedback and review sessions, interim informal feedback and review mechanisms, and processes for managing poor performance.
- ❑ The performance management system formally identifies an individual's current and future development needs from the perspectives of the individual's career and organisational needs.
- ❑ The performance management framework provides a system by which to identify the organisation's current and future skills base.
- ❑ Formal performance appraisals are undertaken at least annually, with more frequent informal reviews.
- ❑ Procedures to negotiate any differences between managers and staff during performance discussions are included. Provision of a mediator is available if required.
- ❑ Clear guidelines for managing poor performance are available and used where necessary. Guidelines are fair and focus upon improving performance while also providing for the dignified exit of non-performing staff.
- ❑ The timeliness and effectiveness of the performance management processes are regularly reviewed.
- ❑ Data on performance levels are captured and analysed for effectiveness, workforce planning and organisational capability purposes.
- ❑ Managers have people management measures included in their performance planning/expectations.
- ❑ The framework is consistent with, and facilitates consistency with, APS and organisational values and Codes of Conduct.
- ❑ Multi-directional feedback (e.g. 360 degree) is incorporated into the process.
- ❑ The performance management system makes provision for planning, feedback and review of groups/teams as well as individuals.

HR Integration Indicators

- ❑ The performance management process clearly links individual, business unit and organisational performance.
- ❑ The process is clearly linked to workforce planning initiatives, learning and development strategies and reward and recognition processes.
- ❑ Remuneration, reward and recognition have transparent links to performance.

Effectiveness and Efficiency Indicators

- ❑ The performance management system is readily accepted and used by staff as an effective tool for planning, feedback and review, as evidenced through participation rates and staff survey feedback.
- ❑ The formal appraisal process is timely, i.e. it does not clash with other major organisational commitments, and is quickly reflected in changes to remuneration and learning and development planning.
- ❑ Managers are supported through training, coaching and tools to effectively manage the performance of their staff and assist staff in meeting the overall objectives of the organisation. Support is provided to managers to implement the performance management framework (or changes), to provide constructive and corrective feedback and to manage poor performance appropriately.
- ❑ Managers are committed to the process and take the appropriate time to implement it.
- ❑ The performance management system effectively identifies and rewards employee contributions consistent with the organisation's strategy.
- ❑ The process identifies both high and low performers and provides guidance to managers on dealing with these instances.
- ❑ Data on the outcome of performance reviews are used in business unit and organisational planning.

Business Contribution Indicators

- ❑ Incidences of under-performance are low.
- ❑ The performance management framework enhances the culture and performance of the organisation.

Employee Relations

Definition

Employee relations refers to processes used to manage the employment relationship between management and employees, e.g. negotiation of employment contracts, liaison regarding industrial matters, management of grievance processes, and provision of employee counselling services.

Quality Indicators

- ❑ Consultation with staff and their representatives occurs in a structured and regular manner.
- ❑ Employment contracts:
 - ⇒ are linked to and facilitate the organisation's strategic business plans;
 - ⇒ effectively include managers, staff and their representatives in the negotiation; and
 - ⇒ have a medium to long term focus.
- ❑ The Certified Agreement is well designed. It clearly articulates its purpose, the goals of the organisation and how these goals will be achieved.
- ❑ The Certified Agreement has a clear approach to change management.
- ❑ The Certified Agreement complements and facilitates the development of a performance based culture within the organisation.
- ❑ An Employee Assistance Program is in place, and is also available to non-employees.
- ❑ Regular staff surveys are conducted, and their results and consequent actions are reported to all staff.
- ❑ Communication to staff about employee relations issues is frequent, multi-directional and uses multi-media.
- ❑ Grievance procedures to deal with issues at the workplace level are in place and are transparent.
- ❑ Respondents to grievance procedures are supported throughout the process.
- ❑ Early intervention strategies for employee issues are evident.

HR Integration Indicators

- ❑ The employment framework (Certified Agreement, AWAs etc):

- ⇒ is linked to organisational and people management goals in a clear and coherent manner;
 - ⇒ contains a dual focus on organisation performance and employee welfare; and
 - ⇒ builds in strategies to address feedback from staff.
- Grievance procedures are separate from but acknowledged within the performance management framework.
 - The Certified Agreement links to other policies in a coherent and clear manner and adds value to these links.

Effectiveness and Efficiency Indicators

- There is a high level of trust within the organisation, with a non-adversarial climate.
- The organisation is seen by employees as a 'caring employer' which promotes a work/life balance.
- Important organisational information is received and used by staff in an effective manner.
- Employee surveys achieve a high response rate.
- Staff feel 'consulted'.
- There are high levels of participation in the Certified Agreement's development and voting, and a high percentage of overall 'yes' votes.
- Managers are supported through training, coaching and tools to participate effectively in the grievance process, and refer staff to the Employee Assistance Program where appropriate.
- There is a high rate of internal resolution of all grievance procedures initiated.
- Grievance procedure processes permit timely and equitable resolutions.
- Usage information reflects an appropriate use of the Employee Assistance Program as an employee support tool.

Business Contribution Indicators

- The Certified Agreement and AWAs encourage staff to commit to the organisation's goals and to work towards these goals.
- The employment framework promotes innovation and flexibility commensurate with the organisation's requirements.

- ❑ The Certified Agreement and AWAs contribute to the organisation's performance.
- ❑ AWAs are used by the organisation to assist with retention of key staff skills.

Workplace Diversity

Definition

'Workplace' diversity involves taking account of the ways we differ from each other (e.g. gender, age, language, ethnicity, cultural background, disability, sexual orientation, religious belief, educational level, job function, socio-economic background, geographic location, marital status and family or other carer responsibilities) and using these differences to improve organisational outcomes.

Quality Indicators

- ❑ The organisation has a formal and comprehensive workplace diversity policy, strategies and action plans which are regularly reviewed.
- ❑ The organisation complies with the legal framework that reflects the expectations of the Government and community about a fair, inclusive and productive public service including the general framework, Public Service Act, and Public Service Commissioner's Directions 1999.
- ❑ There are strategies in place which are aimed at attracting and developing people from culturally and linguistically diverse backgrounds.
- ❑ The organisation implements awareness-raising practices in relation to workplace diversity including holding seminars and forums, and uses the intranet to share information and publicise workforce diversity and achievements.
- ❑ The organisation reports annually on the progress and effectiveness of its workplace diversity programs and ensures that it has up-to-date data on the diversity status of its employees.

HR Integration Indicators

- ❑ Workplace diversity principles are integrated with and underpin all aspects of human resource management, such as planning, selection and recruitment, performance appraisal, training and development, occupational health and safety and workplace relations, e.g. the Certified

Agreement and AWAs reinforce the organisation's commitment to diversity and incorporate flexible working conditions to allow employees to balance their work and other responsibilities.

- ❑ The organisation effectively addresses workforce diversity issues as an integral part of the HR strategy.

Effectiveness and Efficiency Indicators

- ❑ The organisation embeds the principles of diversity in its culture and management systems.
- ❑ The organisation's workforce profile is appropriately diverse, e.g.:
 - ⇒ there is a good balance between male and female staff at both management and administrative levels; and
 - ⇒ there is a relatively high level of employment of culturally diverse people and people with a disability, at both management and administrative levels.
- ❑ Part-time work for staff is allowed for and promoted, where appropriate, and staff are provided with the opportunity to determine the appropriate work/life balance for them.
- ❑ Training and education is provided to staff and management on workplace diversity.
- ❑ Support is provided to managers to assist them in effectively implementing and managing workplace diversity.

Business Contribution Indicators

- ❑ The workplace diversity strategy assists the organisation to:
 - ⇒ increase the level of innovation by providing a broader range of ideas and insights to draw on;
 - ⇒ improve client service by enabling better communication and understanding of client needs; and
 - ⇒ build the organisation's relationship with relevant sections of the community.

Occupational Health and Safety

Definition

OH&S refers to the health, safety and welfare of employees at work.

Quality Indicators

- ❑ The organisation has an OH&S policy which is regularly reviewed.
- ❑ The organisation concentrates on preventative OH&S initiatives to reduce workplace incidents.
- ❑ There is a regional and local work area OH&S network with well-educated and proactive OH&S representatives in each region and local work area.
- ❑ There is a program in place to regularly monitor OH&S issues.
- ❑ OH&S is built into the organisation's risk management plan.
- ❑ Areas/regions get 'recognition' for good OH&S practices and are awarded by some means.

HR Integration Indicators

- ❑ OH&S needs are proactively identified through linkage with other HR initiatives, e.g. induction, performance management and learning and development.
- ❑ Performance management processes assess whether managers fulfil their OH&S responsibilities.

Effectiveness and Efficiency Indicators

- ❑ The case management approach delivers early return to work outcomes.
- ❑ Managers' and staff's OH&S responsibilities are put into practice on a daily basis.
- ❑ The organisation has a safe and healthy workplace, as evidenced by the low Incident Rate per 100 Employees and Average Days Lost Rate.
- ❑ All managers and staff are aware of and accountable for their OH&S responsibilities.

Business Contribution Indicators

- ❑ The OH&S Premium Rate reflects the implementation of successful OH&S initiatives and a healthy and safe workplace.

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