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Audit Report No.52 2002-03
Performance Audit

Absence Management in the Australian Public Service

Australian National Audit Office

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of Australia 2003

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Canberra ACT
20 June 2003

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit across agencies in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting. I present the report of this audit and the accompanying brochure. The report is titled *Absence Management in the Australian Public Service*.

Following its presentation and receipt, 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

| | |
|---------|---|
| ABS | Australian Bureau of Statistics |
| ANAO | Australian National Audit Office |
| APS | Australian Public Service |
| APSC | Australian Public Service Commission |
| APSED | Australian Public Service Employee Database |
| CEO | Chief Executive Officer |
| CMC | City of Melbourne Council |
| CMO | Commonwealth Medical Officer |
| Customs | Australian Customs Service |
| DEWR | Department of Employment and Workplace Relations |
| FTE | Full Time Equivalent |
| HIC | Health Insurance Commission |
| HRIS | Human Resource Information System |
| KPI | Key Performance Indicator |
| PSMPC | Former Public Service and Merit Protection Commission |
| UK | United Kingdom |
| US | United States |

Summary

Summary

Background

1. The Australian Public Service (APS) employs about 123 500 staff in more than 100 agencies at an annual direct salaries and wages cost of around \$10.3 billion.
2. Entitlements to sick, carer's and other leave covering an employee's unscheduled absence from the workplace are set out in numerous awards and agreements. Most Commonwealth public servants can claim at least 15 days paid sick leave plus three days paid carer's/other leave each year, accumulating any unused sick leave entitlements. This is in addition to any paid time off work available to staff under APS flextime and other similar arrangements.
3. It is important for staff welfare and productivity that they take leave when they are genuinely sick or for other legitimate reasons. Almost all staff take some sick/carer's leave at some time during their working lives. Such unscheduled absences are conventionally classified into two categories:
 - involuntary and unavoidable—caused by sickness or injury sufficiently severe to render the employee unfit for normal work duties; and
 - voluntary and avoidable—when employees take time off work although they are not medically unfit for normal work duties.
4. In the APS, responsibility for identifying and addressing avoidable unscheduled absence ultimately rests with the Chief Executive of each agency as part of his or her duty to ensure that public funds are administered efficiently, effectively and ethically.
5. Many studies of unscheduled absence have been undertaken in countries all over the world. Some of these have found that, for organisations with high absence levels, up to half of the unscheduled absences from the workplace may be avoidable.¹
6. The causes of unscheduled absence are many and varied. Some absences are influenced by the management environment and job situation, while others are within the control of the employee. However, there is a range of options available to management to provide a healthy and supportive workplace and to implement appropriate administrative initiatives to minimise the extent of unscheduled absence.

¹ Source: *Get Better Soon—The Management of Sickness Absence in the WA Public Sector*, Auditor-General Western Australia, Performance Examination, Report No.5, August 1997, pp. 1, 7.

Audit objective

7. The objective of the audit was to assess the extent and cost of unscheduled absence in the APS; to examine whether unscheduled absence in the APS was being managed efficiently and effectively; and to identify opportunities for improvement.

The extent and cost of unscheduled absence (Chapter 2)

8. There is no APS-wide data regularly available on staff absences. However, based on an extrapolation of the information provided to the Australian National Audit Office (ANAO) in survey responses covering 74 APS agencies, representing about three-quarters of total APS agencies and 99 per cent of APS staff, the ANAO calculated that for the APS during 2001–02:

- total unscheduled absences, such as sick leave, carer's leave, workers compensation and various types of miscellaneous leave, were some 1.36 million days, of which 73 per cent was sick leave;
- average unscheduled absence was 11.9 days per Full Time Equivalent (FTE) employee (8.9 days for the median agency, compared to a median of 6.8 days in the private sector);²
- average sick leave taken was 8.7 days per FTE employee (7.0 days for the median agency); and
- the overall direct salary cost of APS unscheduled absence was estimated to be \$295 million, or about \$2600 per FTE employee. This does not include on-costs and the additional costs that can arise from the need for replacement staff or any possible consequential costs associated with potentially reduced government services. Total costs of unscheduled absence can be up to three times the direct cost of the salaries of the absent staff.³

These results indicate that, on any given working day, at least one in every twenty APS employees will be absent on unscheduled leave.

9. International and Australian research indicates that unscheduled absence rates in the public sector are commonly higher than in the private sector.⁴ Research has also found that organisations with lower sick leave entitlements

² HRM Consulting Limited, *The Australian Human Resources Benchmarking Survey*, Unpublished data, 2002.

³ Cited in *An Industry Approach to Managing Absence Supports Greater Organisational Productivity*, Betsy Robinson, *Employee Benefits Journal*, June 2002, p. 7.

⁴ ABS Australian Social Trends 1996. Mercer Cullen Egan Dell Corporate Benchmark Monitor 2001, p. 7.

have lower absence rates than those with higher entitlements.⁵ One conclusion often drawn is that, for some individuals, sick leave expands to fill the entitlement available, suggesting that not all sick leave taken is genuine. However, there is no conclusive evidence to support such a conclusion.

Agency cost estimates

10. Information about the extent and cost of unscheduled absence in an agency can assist managers in determining whether any remedial action is required. About two-thirds of APS agencies reported that they do not estimate the cost of unscheduled absences in their agency. Few agencies had trend data on their costs. Only 40 per cent of APS agencies asked, were able to provide the ANAO with their estimate of the costs incurred in 2001–02. In addition, the ANAO noted that the methods used by these agencies to estimate the cost of unscheduled absences varied widely.

11. The ANAO considers that the promulgation of a standard methodology, with uniform definitions, would encourage agencies to prepare reliable cost estimates. Adoption of a common approach would also allow APS-wide comparisons of the cost of unscheduled absence on an agency-by-agency basis and particularly over time as appropriate action is taken to test its cost-effectiveness. This could encourage more effort to establish reliable information on causes of absences and assist in remedial action, as necessary.

Absence by size of agency

12. The ANAO found that, in general, larger APS agencies had a higher rate of unscheduled absence than smaller APS agencies. APS agencies with up to 500 FTE staff had an overall average of 9.1 days per FTE, compared with 12.2 days per FTE for APS agencies with more than 500 staff. This correlation between size of agency and absence levels is generally consistent with the findings of other Australian and international absence studies.⁶

13. The audit did not explore the reasons for the 33 per cent difference in absence rates between large and small APS agencies. However, one possible connection is that there is generally a greater proportion of staff at lower classification levels in the larger agencies, where there are higher absences for many reasons. Nevertheless, this illustrates the importance of comparing like with like when making comparisons between agencies. Larger agencies should be aware that they are more likely to face the risk of higher absence rates than do smaller agencies.

⁵ *Hallis 2002 Contact Centre Turnover and Absenteeism Survey*, p. 4. See also *HIC Absenteeism Review Joint Working Party Report*, HIC/CPSU Joint Working Party on Absenteeism, June 2000, p. 47.

⁶ *HIC Absenteeism Review Joint Working Party Report*, op cit, p. 16.

14. The ANAO's analysis of the characteristics of the top performing group of agencies (the 25 per cent of APS agencies with the lowest reported absence rates) did not reveal any substantial differences to those of the remaining APS agencies, other than that the better performing agencies generally had fewer employees and were twice as likely to require medical certificates to support absences taken.

Absence by employee classification level

15. The average number of days of unscheduled absence that an APS employee takes tends to decrease as classification level (salary and job responsibility) increases. This trend is again consistent with other Australian and international studies of absence levels and provides a useful indicator as to where APS agencies may best focus their absence reduction strategies. However, some caution is required in interpreting this result as, for example, one study in another jurisdiction found that the requirement to submit a leave application may be less strictly enforced at higher classification levels.⁷

Accountability and commitment (Chapter 3)

16. APS agencies are not required to include in their Annual Reports details of the number or percentage of working days lost each year to sickness or other types of unscheduled absence or to disclose the aggregate cost of unscheduled absence in their annual financial statements. This is in contrast with the present reporting of some relatively less material or lower cost aspects that are presently included in the financial statements, such as separation and redundancy expenses or other employee expenses. The costs of unscheduled absence are 'hidden' simply because many agencies do not separately record them in their accounting systems.

17. Under current purchaser-provider arrangements, part of the costs of unscheduled absence for APS service delivery agencies can be passed on to their client departments. Improving the transparency of the rates and costs of unscheduled absence throughout the APS would assist in promoting greater awareness and accountability for this important aspect of APS human resource management.

18. Staff in those agencies where absence levels are never reviewed, or are only infrequently reviewed, may perceive that there is a lack of management commitment to reducing an apparently high rate of unscheduled absence in their agency. Only one-third of APS responding agencies reported to the ANAO

⁷ *Effective Sick Leave Management*—Public Service Act Staff Census 30 June 1993, Public Service Commission Western Australia, November 1993, p. 2.

that they review the level of unscheduled absence in their agency on a monthly or quarterly basis. Another one-third conducted six-monthly, annual or 'as required' reviews. However, the remaining one-third of agencies reported that they did not conduct any reviews. The ANAO found that over one-third of these latter agencies also reported unscheduled absence rates that were above the 2001–02 APS-wide median.

19. On the other hand, over the last few years, a number of APS agencies have reflected their commitment to reducing unscheduled absence by incorporating specific provisions in their Certified Agreements and individual employees' performance agreements. However, without regular monitoring and reporting, it is difficult to ascertain how any reductions can be demonstrated and a credible assessment made of the impacts on the business of the organisation.

Policy design and communication (Chapter 4)

20. Clearly, there are many factors that influence the level of absence in an organisation. Most modern organisations recognise the benefits of articulating their key policies and procedures and providing clear guidance to their managers and employees on the organisation's position on important matters. A recent study found that there is a strong link between having a documented HR strategy for the organisation and reduced absenteeism.⁸ However, little more than one-half of responding APS agencies in the ANAO survey reported that policies and procedures for absence management had been issued by their agency. Fifteen agencies (almost half the agencies without an absence policy) had reported absence levels that exceeded the APS-wide 2001–02 median unscheduled absence rate.

21. For those agencies that reported having policies and procedures for sickness absence management, the ANAO survey did not seek to establish how long such policies and procedures had been in place. The audit also did not assess whether such policies and procedures were: comprehensive; appropriate; effective; and uniformly applied within agencies. However, agencies with long-standing absence policies may wish to consider whether there would be benefits in reviewing and re-launching their policy in view of their experiences.

22. To assist those agencies that do not have an absence management policy, and to promote a consistent approach across the APS, the ANAO suggested that the Australian Public Service Commission (APSC) could consider compiling and

⁸ PricewaterhouseCoopers identified a positive relationship between a documented human resources strategy and improved revenue per employee—35 per cent higher than organisations where no such strategy exists. It also found that a documented strategy is associated with more effective reward systems, better performance management systems and reduced absenteeism.

issuing APS-wide guidelines for agencies on absence management, and/or use its existing networks to promulgate better practices. The APSC agreed that there would be benefit in developing such guidelines for managers and considers that they could be based on the better practices identified by the ANAO in this audit.

Management information (Chapter 5)

Benchmarking

23. As noted earlier, there is no APS-wide data regularly available on absences. The APSC 1998 People Management Benchmarking Study included the last available figure for unscheduled absence in the APS.⁹ The lack of regularly available APS-wide data also means it is not possible for the Government to make informed judgements about trends in absence management and whether whole-of-government action is required. Similarly, Parliament is not being informed about a significant administrative cost in the APS that can also markedly impact on the delivery of government services. One way of redressing this lack of data is for the APSC to consider the regular collection and dissemination of APS-wide statistics on unscheduled absence.

24. The Commission advised that reporting of high-level information around Service-wide absenteeism, based on information provided by agencies, would be feasible through the annual *State of the Service Report*. It added that relevant data items for departmental and agency collection could be identified during development of the Service-wide guidelines (see para 22).

25. On the other hand, several private sector companies, such as HRM Consulting, Mercers, PricewaterhouseCoopers and Hallis, currently collect and sell information and data on a range of human resource factors, including absence levels, often by organisational size, region and industry grouping. A small number of APS agencies currently participate in the benchmarking activities coordinated by these firms, but this is by no means widespread.

Level of information on unscheduled absence

26. Before any useful action can be taken to launch a program to improve the management of unscheduled absence, agencies should be in possession of the facts on absence levels and the reasons that unscheduled absence occurs in their agency. Accordingly, agencies need to consider collecting information about the factors relevant to their organisation in order to manage unscheduled absence.

⁹ The Commission surveyed 31 APS agencies and reported an APS median rate of 9.84 days per employee. Public Service and Merit Protection Commission—*Building Corporate Capability The APS in Transition*, 2000, p. 37.

27. Most organisations had some relevant information available. Many APS agencies have a Human Resources Information System (HRIS). However, up to one-quarter of agencies reported that they did not have some elements of basic information available to manage unscheduled absence, such as days of the week, reason, dates of absence and cost, for comparison against such factors as employee age and gender, length of service and work unit or location.

28. More agencies had information on the work area of people who take leave than on any other factor, including the duration of absence. However, up to one-quarter of the agencies reported that such information is only available through manual extraction of the relevant records. This suggests that high costs are entailed, and/or that such exercises are only infrequently undertaken.

29. The ANAO therefore suggests that agencies consider the costs and benefits of automating such data collection. As noted earlier, only around one-third of agencies reported that they frequently review the level of unscheduled absence in their agency.

Accuracy of data

30. Agencies expressed a variety of views on the extent to which unscheduled absence was under-recorded at an operational level. It is likely that there is some under-recording, as one-quarter of APS responding agencies reported that they do not reconcile their leave records with their employees' attendance records. This audit has not attempted to estimate the scale of under-reporting. However, to the extent of any under-reporting, the overall unscheduled absence rates in the APS and the scope for improved service delivery and savings would be higher than indicated.

Disseminating information for absence management

31. There is obviously little benefit in organisations collecting absence-related information if it is not used as part of a process to continually improve the management of unscheduled absence. Only around one-third of responding agencies reported that they regularly distribute information for managing absence to their executive. Even fewer agencies distributed such information to line managers and supervisors, while only three per cent reported that they also distribute absence information to their staff. There is considerable scope for agencies to distribute information on absence levels more widely, so that managers and staff can take steps to address any emerging problems or assure themselves that absence is being managed effectively.

Incidence of sickness absence

32. Only half the APS agencies could provide the ANAO with data on the incidence of sickness absence per employee during 2001–02. In these agencies, around 20 per cent of employees had no days absent and 17 per cent had 10 days or more during the year. Various studies have found that a small percentage of employees commonly account for the bulk of sick leave taken. Where high absence levels are encountered, the job design of affected positions, or the relevant supervisor/co-worker relationships, should be considered for further investigation and review. It is only by collecting and analysing the relevant data that agencies know where to put their efforts to reduce unscheduled absence, where there is scope to do so.

Days of the week

33. In determining whether there are any patterns in the incidence of unscheduled absence in an agency, it is often useful to examine whether absences are more likely to occur on particular days of the week. On a five-day working week (which is typical for most APS agencies), it could be argued that every day has an equal chance of an incidence of unscheduled absence occurring. Most APS agencies reported to the ANAO that they had data on absence by days of the week. However, when a few large agencies were asked by the ANAO, they had difficulty in providing reliable data. This indicates that management reports of this nature are not regularly produced in those agencies.

34. Available data suggests that Mondays had the greatest risk of staff being absent during 2001–02 (see Chapter 5). This is consistent with other studies, which have also found that organisations requiring medical certificates for absences on Mondays experience significantly reduced sick leave usage and that, on average, absences commencing on Mondays had the longest duration.

35. Examination by agencies for other patterns that may exist could include seasonal differences, the frequency of unscheduled absences occurring on the days just prior to, or just after, public holidays, an employee's annual leave, or changes in a work roster. Public Service paydays, school holidays, and seasonal or other particularly busy times of the month or year may also correlate with higher than normal levels of unscheduled absence. For example, not surprisingly, the level of sick leave taken generally increases during winter months when inclement weather and colds or influenza are more common. Nevertheless, such information could be useful for dealing positively with the causes of absence, whether justified or not.

Employee age and gender

36. One APS agency found that employees aged 60 years and over and those aged under 25 years were the most likely to take sick leave, taking three times and double the levels respectively of the amount of sick leave taken by other age groups during 2001–02. It also found that female employees took 16 per cent more sick leave and 28 per cent more carer’s leave than male employees. Another study, covering public and private sector employees, found that females took about 25 per cent more sick leave than males.¹⁰

37. It is not easy to draw other than superficial conclusions from these statistics without additional data. However, they indicate differences in individual employees’ absence behaviour and the need to recognise these differences in order that suitable strategies can be developed to address any problems that may be experienced in an organisation with manifestly different and/or higher levels of absence.

Duration and reason for leave

38. The ANAO found that the HRISs in many agencies do not have the capacity to differentiate between a five-day absence and five one-day absences, making it difficult for managers to effectively monitor how often employees take sick leave. Many HRISs also have limited ability to record the reasons for leave, or this facility is not consistently used when it is available. This restricts the analysis of data that can be undertaken by agencies to identify common causes of sick leave, such as stress, influenza and muscular-skeletal injury.

Regional and other variations

39. Within an organisation, absence rates for a particular time frame can vary across locations. Variations in absence rates can also be expected where there are significant differences in the underlying nature of the work being performed. For example, absence rates for call centre or public contact staff often exceed the absence rates for scientists or policy development officers. Understanding the reasons for the variations in absence rates is a crucial first step in addressing any unsatisfactory absence levels. In addition to the capacity to record relevant data, agencies need to regularly analyse it and, as noted earlier, pass the results along to line managers so that they can take appropriate action when necessary.

¹⁰ Hallis. *op.cit.* pp. 45–46.

Effective intervention and action (Chapter 6)

40. Some APS agencies have rates of unscheduled absence that are of the same order as those in the private sector. In such cases, continuing to monitor absence rates at monthly or quarterly intervals is still worthwhile to analyse reasons and to make sure that there is no deterioration in the trend. On the other hand, if the agency, or any part of the agency, has an absence rate that is higher than existing or comparable benchmark levels, some positive action may then be necessary to achieve required business and service level outcomes. Nevertheless, the issue has to be addressed positively in a 'gain not blame' framework.

Guidelines, reporting and target setting

41. Establishing benchmarks and targets assists in focussing attention on current levels of absence and enables regular monitoring and feedback. Only one in every 13 agencies reported that they had established targets for the level of unscheduled absence in their agency. Only one in five agencies reported that they benchmarked their unscheduled absence.

42. One-third of agencies had not set trigger points for reviewing an employee's unscheduled absence. However, wide variations were noted in the specific triggers that were reported by agencies, indicating that some agencies may not be reviewing the absence behaviour of individual employees as promptly as good practice would suggest. Most agencies also did not conduct return to work interviews.

Intervention strategies

43. Absence is a complex issue with a variety of influencing factors. If an absence control strategy is to be effective, it should be culturally appropriate for the particular organisation in question. Improvement strategies can be a combination of initiatives that encourage improved attendance, including taking positive preventative action both in the workforce itself and in dealing with causes of absences, such as by use of influenza vaccinations. In addition, the organisation can encourage the prompt return to work of staff following sickness or injury, as well as having clear processes for handling excessive absence.

44. The strategies are often integrated with existing 'family-friendly' or 'work-life' programs within organisations, as it is accepted that many absence issues are non-workplace related. Ideally, such strategies should also be closely aligned with the return to work strategies under the agency's rehabilitation policy and procedures (see *Managing Return to Work in the Workplace: A Guide for Line Managers and Supervisors*).¹¹

¹¹ *Rehabilitation: Managing Return to Work in the Workplace: A Better Practice Guide for Senior Managers and Supervisors*. Jointly published by ANAO and Comcare Australia, June 2001.

45. An overall unscheduled absence level in an organisation that falls below the APS average may not mean that nothing needs to be done. For example, there may be pockets of high absence levels in some parts of the agency that are masked by particularly low levels of absence in other locations. Likewise, within certain locations, there may be some individuals incurring relatively high levels of unscheduled absence where lack of effective management action and/or attendance behaviour need to be addressed. Left unchecked, with an implication of no concern, an absence culture may soon develop and spread rapidly throughout the organisation.

Medical certificates

46. Requirements for medical certificates varied across APS agencies, with most stating that a certificate is required for absences that continue for three days or more. However, about one in every seven APS agencies had no specified period of absence for which a certificate is required. However, some of these agencies stated that supervisors have the discretion to request that a certificate be provided if considered warranted. Available data indicates that about 57 per cent of APS sickness absence is medically certified.

Initiatives

47. At an organisation-wide level, there are many options available to minimise the incidence of unscheduled absence. Only some 60 per cent of responding APS agencies reported that they had implemented one or more initiatives to reduce the level of sickness absence in their agency. Influenza injections, early intervention/rehabilitation programs, employee assistance programs, ergonomic assessments, healthy lifestyle seminars and stress management programs were the most commonly reported agency interventions. The average across the APS was 1.5 initiatives per agency, compared to 7.3 initiatives (work-life programs) in place to address unscheduled absence in United States (US) public and private sector organisations.¹²

48. While the quality of initiatives should always be balanced against quantity, the foregoing suggests that unscheduled absence could be reduced by greater use of appropriate interventions. Fewer than one in five APS agencies reported that they have undertaken any studies to identify the main factors that contribute to unscheduled absence in their agency. This implies that some agency initiatives may be poorly targeted. However, the audit did not assess the effectiveness of reported agency initiatives.

¹² CCH 2002 *Unscheduled Absence Survey*, p. 156.

49. Ad hoc initiatives in isolation are seldom sufficient, partly because they may be targeting the wrong cause. If an intervention is to be adopted, it needs to be not only well-targeted, but also integrated with other human resource management initiatives and an overall absence reduction strategy. Any interventions should also be monitored and evaluated.

50. With a few notable exceptions, APS agencies are facing a severe lack of appropriate data on the cost-effectiveness of the various intervention options available to them. Clearly, there is a need for more research and experimentation by agencies in absence minimisation techniques and greater sharing of information among agencies for better results. This suggests a possible role for the APSC, using its existing networks of human resource practitioners.

Training and support (Chapter 7)

51. As with every other element within an organisation, employees cannot be expected to perform a job competently that they have never been trained to do. However, two-thirds of responding APS agencies reported that they had not trained their staff in absence management. Only one in every five responding APS agencies reported that they provided training for their managers to identify potential absence problem situations and effectively manage absence levels. This suggests that there is scope for significant improvement in this area for those agencies where absence is a problem. Agencies with high absence levels need to consider the training needs of supervisors and managers as part of the agency's overall strategy to manage unscheduled absence. The costs and benefits of providing suitable training should also be assessed. The message from this audit is the need to have reliable related data for such an assessment. One irony of unscheduled absence is that the primary cause may be the attitudes of, and action, or lack of action, by the supervisor/manager.

Audit conclusions

52. The ANAO calculated the 2001–02 median and mean unscheduled absence rates in the APS at 8.9 and 11.9 days per employee respectively, with an estimated direct salary cost of \$295 million, or about three per cent of aggregate APS salaries and wages. In comparison, median private sector unscheduled absence rates for the same period were around 6.8 days. No ready comparison of costs is available. When the indirect costs of unscheduled absence are included, such as on-costs, staff replacement costs and disruption to government services, the total cost of unscheduled absence in the APS could be as high as \$885 million per annum.

53. The ANAO acknowledges that the APS is very diverse and that there are many factors influencing individual agencies' rates of unscheduled absence.

However, both the high levels of staff absence reported by many agencies compared to those in the private sector and the wide variation within the APS, suggest that, although there are some pockets with elements of better practice across the APS, unscheduled absence is not generally being managed well by many agencies. Active management with well-targeted initiatives and strategies can minimise absence levels. However, very few agencies are effectively managing absence in a strategic sense to improve their performance, both in achieving required results and as a model employer.

54. There is considerable scope for APS agencies to improve their performance and service delivery through an integrated, comprehensive and more pro-active approach to the systematic measurement and management of unscheduled absence and the adoption of appropriate better practices. Such an approach could include: greater management commitment and accountability; the introduction of specific absence management policies and strategies; improved data collection and reporting; and effective intervention and training, both at an overall organisation and individual level.

55. In addition, the ANAO estimated that potential direct cost savings in the order of \$114 million could be realised if lower performing agencies could reduce their unscheduled absence levels to those achieved by the top quartile of APS agencies. Even if these agencies only matched the absence levels of the median agency, estimated savings of \$79 million would be available. The bulk of these potential savings are concentrated in a relatively small number of large agencies.

56. The ANAO acknowledges that unscheduled absence is a complex issue, and that it will take some time and considerable effort, and perhaps investment, for particular large agencies to realise unscheduled absence rates approaching the desired rates being achieved by the top-performing group of APS agencies.

Agency responses

57. Responding agencies supported the findings and conclusions of the audit report. As well, a number of agencies advised that the issues and options raised in the report aimed at reducing unscheduled absence in the APS would be considered for implementation.

Australian Public Service Commission

58. The Commission advised that it notes the work already undertaken by the ANAO in identifying better practice approaches to absence management in the APS and proposes to use this work as a basis for developing guidelines. Timing for development of the new guidelines for agencies will be considered as part of the Commission's business planning process. As priorities for attention

in 2003–04 have already been identified, the issue of guidelines for dealing with unscheduled absences will be considered for inclusion in the 2004–05 business planning process. Consideration can subsequently be given to collecting service-wide data from time to time for State of the Service Reports.

Audit Findings and Conclusions

1. Introduction

This chapter provides background information about unscheduled absence. It also outlines the objective and methodology of the audit, including the ANAO absence management survey covering selected Australian Public Service agencies and Commonwealth Statutory Authorities.

Background

1.1 It is now widely accepted that the application of better practice attendance management techniques can assist both public and private sector organisations to improve service delivery and to gain real and lasting benefits in terms of economic savings and employee motivation.¹³ Australia is part of a world trend that has seen many organisations move away from having a raft of separate policies and procedures dealing with a range of factors that reduce an employee's attendance at work, such as motivation, sickness, accidents and family/community/life needs. Instead such organisations are recognising the inter-connectiveness of these issues and are actively managing and supporting attendance at work.

1.2 A number of studies of unscheduled absence show that:

- while sick leave in the Australian workforce is falling generally (see Figure 1.1), unscheduled absence by 'public sector' employees has increased from being 33 per cent higher than the private sector in 1995,¹⁴ to being 50 per cent higher in 2000.¹⁵ However, the trend in respect of APS employees is less clear, as the relevant surveys do not separate the results for the Commonwealth public sector from the states, territories and local government sectors; and
- 12.4 per cent of participants in a survey covering public and private sector employees admitted that none of the sick leave days they had taken during the previous year had been genuine, with 67 per cent of the respondents

¹³ Adapted from *Managing and Supporting Attendance at Work Policy Framework* New South Wales Premier's Department, January 2000, p. 1.

¹⁴ An Australian Bureau of Statistics (ABS) 1995 employment survey found that the sick leave rate was 12 per cent for all public sector employees (Commonwealth, state, territory and local governments) and nine per cent for private sector employees. Source: ABS Australian Social Trends 1996. The ABS sick leave rate is defined as the proportion of employees surveyed who had one or more absences from work of at least three hours in the two weeks prior to the survey, for which the stated reason was sick leave. This is not comparable to other published sick leave rates, which usually reflect the percentage of days absent over total working days in a period.

¹⁵ ABS, unpublished data from *Working Arrangements Survey*, November 2000. The sick leave rate was 9.5 per cent for public sector employees and 6.3 per cent for private sector employees.

preferring to take sick leave on a Monday and 25 per cent on a Friday, because this gave them an extended weekend.¹⁶

1.3 Such absences are costly. The direct remuneration cost of sick leave in 2000 in Australia was calculated at an average of \$1550 per employee.¹⁷ A more recent US survey found that the average per-employee cost of unscheduled absence in that country during 2002 was \$1360 (US\$789).¹⁸ However, in many workplaces the real cost of unscheduled absence does not only lie in the payment of sick leave entitlements but in the replacement of essential staff and the difficulties the actual absence causes through disruption to production/operation.¹⁹ According to US industry estimates, when these other factors are taken into account, the real costs associated with employee absence can be up to three times higher than the total direct costs to employers.²⁰

1.4 The indications are that the incidence of APS unscheduled absence, and particularly sickness absence, could be reduced by better management. The ANAO calculated that improvement by lower performing agencies could generate total direct savings ranging from \$79 million to \$114 million per annum (see para 2.19). In addition to direct salary costs for the absent employee, when overtime, relieving allowances, additional/replacement staff, delays in completion of tasks, staff time involved in managing sickness and improved service delivery are taken into account, the potential benefits from reduced absence levels are significant.

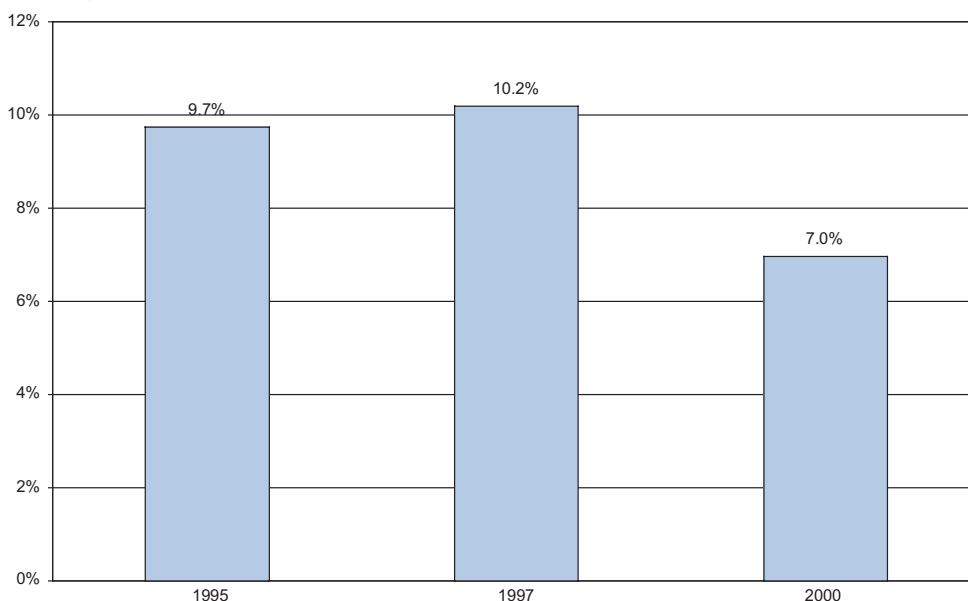
¹⁶ HRM Consulting. Cited in *Absence Management in the Land of the Long Weekend*, Safety At Work magazine, Issue 16, 2000. Morgan and Banks also quantified the impact of sick leave on the Australian Business Community at \$2.56 billion a year.

¹⁷ HRM Consulting Pty Ltd 2002 *Sick Leave—Attacking the Wrong Virus?*

¹⁸ *CCH 2002 Unscheduled Absence Survey*.

¹⁹ ACCI Best Practice Information Paper No.3 *Measures to Deal With Absenteeism in Federal Enterprise Agreements*, May 1997, p. 7.

²⁰ Cited in *An Industry Approach to Managing Absence Supports Greater Organisational Productivity*, Betsy Robinson, Employee Benefits Journal, June 2002, p. 7.

Figure 1.1**Changes in the rate of sick leave for the Australian workforce 1995–2000**

Source: ABS Australian Social Trends 1996 and the ANAO analysis of ABS tables published in *Working Arrangements Australia* November 2000.

Note: The ABS does not report the reasons for the changes in the rate of sick leave.

Key factors

1.5 Any examination into unscheduled absence needs to ascertain the underlying reasons for it. Research indicates that there is no one key factor that determines absence behaviour in organisations.²¹ Figure 1.2 summarises the major interacting factors associated with influencing employee absence and notes that attendance is determined through the interaction of both the employee's perceived ability to attend, and their attendance motivation. Both factors can be directly impacted by initiatives taken by an organisation or, unfortunately, by lack of any attention.

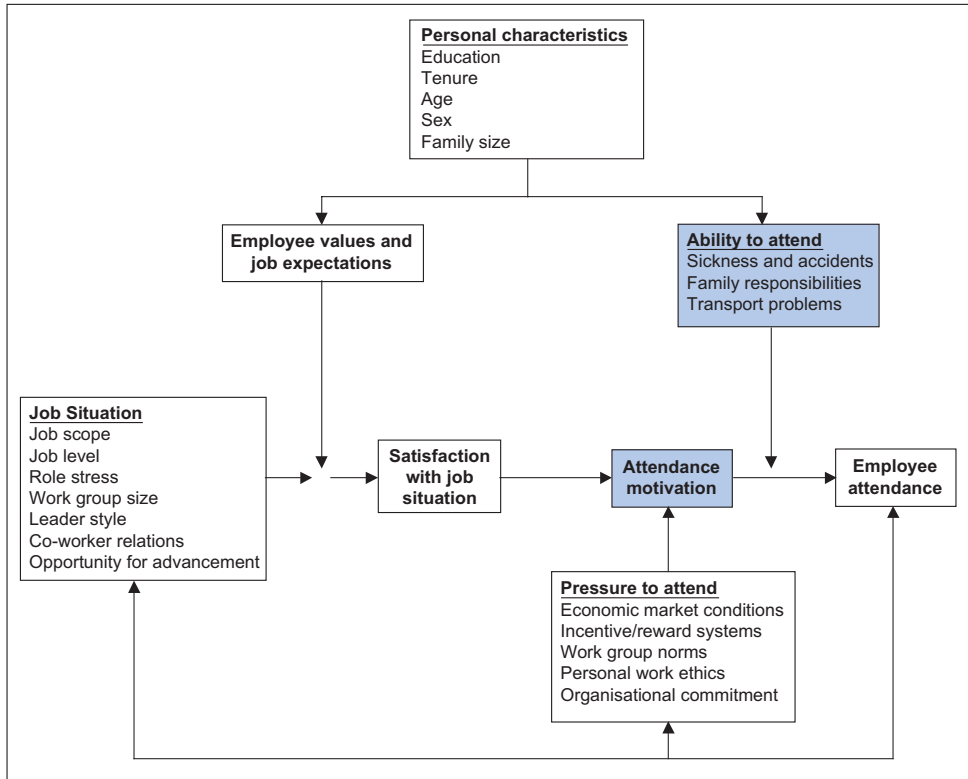
1.6 To some extent this is reinforced in a recent US survey, which found that personal illness accounted for only one-third of unscheduled absence, with the other reasons covering: family issues (24 per cent); personal needs (21 per cent); stress (12 per cent) and entitlement mentality (10 per cent).²² Pinpointing the underlying cause(s) is one of the keys to reducing unsatisfactory absence levels, whether relating primarily to the organisation and /or the individual concerned.

²¹ R. Steers and S. Rhodes, *Major Influences on Employee Attendance: A Process Model*, *Journal of Applied Psychology*, Vol. 63, No.4, 1978.

²² CCH, op cit.

Figure 1.2

Major influences on employee attendance



Source: Steers R. and Rhodes S. *Major Influences on Employee Attendance: A Process Model*, Journal of Applied Psychology, Vol. 63, No.4, 1978.

Previous audits

1.7 The management of public sector unscheduled absence has been extensively covered in a number of other reviews. Appendix 1 lists some of the Australian and international audits whose findings and identified better practices were drawn upon by the ANAO in planning and conducting this audit. The ANAO findings are generally consistent with the findings of these other reviews.

Audit objective

1.8 The objective of the audit was to assess the extent and cost of unscheduled absence in the APS; to examine whether unscheduled absence in the APS was being managed efficiently and effectively; and to identify opportunities for improvement.

1.9 In any organisation it is difficult to manage unscheduled absence levels without reliable data on how much absence there is, who takes it and why. The audit set out to:

- quantify and benchmark the level of APS unscheduled absence during 2001–02;
- ascertain the extent to which information is available to separate unscheduled leave into its components, such as sick leave (with and without certificate), workers compensation, carer’s leave and special leave;
- estimate the cost of APS unscheduled absence;
- ascertain whether agencies consider that they have the necessary policy and procedures plus information and systems available to adequately manage unscheduled absence;
- identify those factors that distinguish agencies operating at both the lower and higher ends of the unscheduled absence spectrum, where possible; and
- identify better practices, where appropriate.

Scope and methodology

1.10 Much of the information for the audit was gathered by way of a questionnaire sent in July 2002 to all APS agencies identified as employing more than 100 ongoing and non-ongoing staff. In order to provide some useful comparisons, eight large Statutory Authorities were also included in the data collection phase of the audit. The APS survey responses covered 74 departments and agencies,²³ representing about three-quarters of APS agencies and 99 per cent of total staff in the APS.²⁴

1.11 The methodology for the audit involved:

- reviewing relevant literature and work undertaken on this topic by academics, practitioners and other audit jurisdictions (both in Australia and overseas);
- obtaining benchmarks on unscheduled absence levels. This involved discussions with, and review of the reports produced by, a number of commercial providers of human resources benchmarking data in Australia;

²³ Due to organisational changes and other movements in staff numbers, a few responding agencies reported that they had less than 100 Full Time Equivalent (FTE) staff as at 30 June 2002.

²⁴ The ANAO survey covered 112 687 FTE staff. The APSC *State of the Service Report 2001–02* records that there were 123 494 ongoing and non-ongoing APS employees as at 30 June 2002. This includes part time employees. As at 30 June 2002, approximately 786 staff were employed by smaller APS agencies that were not included in the ANAO survey.

- discussions with a number of selected public and private sector organisations identified as being at the forefront of absence management; and
- limited fieldwork in six APS agencies, to gather additional information and confirm selected quantitative and qualitative responses to the questionnaire.²⁵

1.12 The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of \$150 000. Fieldwork was conducted from October 2002 to February 2003.

Report structure

1.13 The extent and cost of APS unscheduled absence are discussed in Chapter 2. A number of better practice principles for the management of unscheduled absence and the extent to which agencies reported that these have been implemented in the APS, are then discussed in the following chapters, namely:

- Chapter 3—Accountability and commitment;
- Chapter 4—Policy design and communication;
- Chapter 5—Management information;
- Chapter 6—Effective intervention and action; and
- Chapter 7—Training and support.

1.14 The relevant findings of the ANAO survey on absence management and related audit fieldwork are interspersed throughout the various chapters of the report.

²⁵ The six APS agencies were: Australian National Maritime Museum; Australian Taxation Office; Centrelink; Department of Communications, Information Technology and the Arts; Migration Review Tribunal and Refugee Review Tribunal. Fieldwork was also undertaken in one Statutory Authority—the Health Insurance Commission.

2. The Extent and Cost of Unscheduled Absence

This chapter sets out contextual information on the Australian Public Service and common leave entitlements. It also outlines some of the findings from the ANAO survey in relation to the level and cost of unscheduled absence in the APS and how these compare with the private sector in Australia.

Introduction

2.1 For many organisations, human resources can represent their largest single cost. In the APS, human resources and associated costs accounted for \$19.3 billion or about 38 per cent of total APS operating expenses during 2001–02.²⁶ Of this, about \$10.3 billion was spent on APS direct salaries and wages for around 123 500 staff.²⁷

2.2 APS agencies have finite resources and face increasing pressure to continually improve their performance and productivity. The level of unscheduled absence can have a significant impact on their overall performance and productivity. The effective and efficient management of both genuine and non-genuine absence can lead to improved outcomes in service delivery by the APS and the minimisation of costs to the taxpayer.

2.3 Research over a number of years has found that sickness absence, for example, is strongly influenced by such factors as employee morale,²⁸ job monotony, repetitive processes, the lack of individual control of work, and the inability, as perceived by employees, to utilise their skills fully. Reviewing the organisation of work in order to provide greater job satisfaction, for example, can help to reduce absence levels where this is identified as a significant contributory factor.

2.4 Most employees are likely to suffer genuine illness or injury from time to time or are likely to be absent from work for other essential reasons, such as to care for a sick family member or close relative. Almost all staff take some

²⁶ Based on Total Employee Expenses of \$19.287 billion and Total Costs of Goods and Services of \$50.8 billion in the General Government Sector. Total Employee Expenses for the whole of the Commonwealth (including non-APS entities) were \$29.943 billion. Source: Consolidated Financial Statements 2001–02, p. 60.

²⁷ Source: Salaries and Wages component of Total Employee Expenses for the General Government Sector, Consolidated Financial Statements 2001–02.

²⁸ For example, the *CCH 2002 Unscheduled Absence Survey* found that companies in the US that reported they had Fair or Poor morale had a 25 per cent higher absenteeism rate than those reporting Very Good or Good morale.

sick/carer's leave at some time during their working lives. Such unscheduled absences are conventionally classified into two categories:

- involuntary and unavoidable—caused by sickness or injury sufficiently severe to render the employee unfit for normal work duties; and
- voluntary and avoidable—when employees take time off work although they are not medically unfit for normal work duties.

2.5 Many studies of unscheduled absence have been undertaken in countries all over the world. Some of these have found that, for organisations with high absence levels, up to half of the unscheduled absences from the workplace may be avoidable.²⁹

2.6 It is important that staff take leave when they are genuinely sick or for vital family or other personal reasons. APS employees are provided with a range of paid leave entitlements to cover such circumstances, which in effect provide income protection insurance to public servants for illness, injury, or personal needs, the cost of which is met by the employer and ultimately, by the taxpayer. While the entitlements set out in the applicable APS awards and agreements vary, Figure 2.1 shows the basic entitlements typically available to APS employees.

2.7 Most public servants can claim at least 15 days paid sick leave plus three days paid carer's/other leave each year, accumulating any unused sick leave entitlements. This is in addition to any paid time off work available to staff under APS flextime or other similar arrangements.

2.8 In the APS, responsibility for identifying and addressing avoidable unscheduled absence ultimately rests with the Chief Executive of each agency as part of his or her duty to ensure that public funds are administered efficiently, effectively and ethically.

²⁹ Source: *Get Better Soon—The Management of Sickness Absence in the WA Public Sector*, Auditor-General Western Australia, Performance Examination, Report No.5, August 1997, pp. 1, 7.

Figure 2.1
Typical APS employee leave entitlements

| Leave type | Days |
|--|-------|
| Number of days in a year that an average employee is available to work | 261 |
| Less | |
| Public Holidays | 11 |
| Sub-Total | 250 |
| Less | |
| Recreation leave | 20 |
| Extended (long service) leave | 6.5 |
| Family/community service/compassionate leave | 3 |
| Sick leave | 15 |
| Number of days in a year that on average an employee can actually be at work if basic leave entitlements are fully taken each year | 215.5 |

Source: ANAO, based on data from selected agencies.

Note: This is not a comprehensive list of leave benefits available to APS employees. For example, it does not include maternity/paternity leave, study leave, jury leave and leave without pay.

2.9 Australian and overseas research, particularly in the US and the United Kingdom (UK), has found that organisations with lower sick leave entitlements have lower absence rates than those with higher entitlements.³⁰ One conclusion often drawn is that, for some individuals, sick leave expands to fill the entitlement available, suggesting that not all sick leave taken is genuine.³¹ However, there is no conclusive evidence to support such a conclusion.

2.10 Family/carer's leave and other flexible leave arrangements have been introduced by many public and private sector organisations, as part of the entity's people management strategies aimed at facilitating work-life balance, diversity objectives, and attracting and retaining skilled staff. In pursuing the achievement of organisational objectives during negotiation of their enterprise bargaining agreements, a number of entities have traded off part of the potential pay increases against the provision of more flexible and generous staff leave entitlements. The personal leave arrangements were also part of the negotiating strategy adopted by many APS agencies to achieve savings through more efficient administration. However, this audit has not sought to quantify those savings.

³⁰ *Hallis. op.cit, p. 4. HIC Absenteeism Review Joint Working Party Report, HIC/CPSU Joint Working Party on Absenteeism, June 2000, p. 47.*

³¹ More than 40 per cent of respondents in the Hallis 2002 survey admitted to using up to half of their sick leave entitlements for purposes other than illness. This implies that current levels of sick leave are becoming increasingly unrelated to illness and simply represent a pool of accessible leave for other purposes. Strategies aimed at reducing absenteeism will need to deal with an entrenched employee culture of accessing sick leave for purposes other than illness. *op cit, pp. 4–5.*

The extent of APS unscheduled absence

2.11 In August 1998, the NSW Audit Office reported that, in Australia, only South Australia, Western Australia and Queensland maintain or monitor centrally their respective public sector wide information on absence levels.³² Since that time the Australian Capital Territory has also commenced such monitoring. The absence of accessible APS-wide data would make it difficult for the APSC and the Government to make informed judgements on the effectiveness of sickness absence policy and procedures in seeking continuous improvement in public administration. Similarly, Parliament is not being informed about a significant administrative cost in the APS that also impacts on the delivery of government services. The absence of comprehensive and readily comparable historical data on APS unscheduled absence levels has also restricted the ANAO's ability to analyse and comment on any emerging trends.

2.12 As APS-wide information on unscheduled absence levels is not maintained or monitored centrally, the ANAO surveyed selected APS agencies to gather information about the unscheduled absence rates³³ during 2001–02. Based on the information provided, the rates for individual agencies varied widely, from 2.9 days per FTE employee to 15.7 days, with an overall APS mean of 11.9 days and a median of 8.9 days. Just under 80 per cent of individual agencies had a rate of unscheduled absence that fell below the APS-wide mean, indicating that the larger agencies generally tended to have higher levels of unscheduled absence. In aggregate, about 1.36 million days of unscheduled absence were taken during 2001–02 across the APS. Sick leave was the major component of unscheduled absence, with a median of 7.0 days per FTE employee or about 73 per cent of total unscheduled absence, compensation leave was 0.6 days. Various other types of leave made up the remainder of 1.3 days (see Figure 2.2 and Figure 2.3). Appendix 2 shows the results for individual responding agencies. Care should be taken in interpreting Appendix 2 due to differences in agencies' size, workforce profile, operations and demographics.

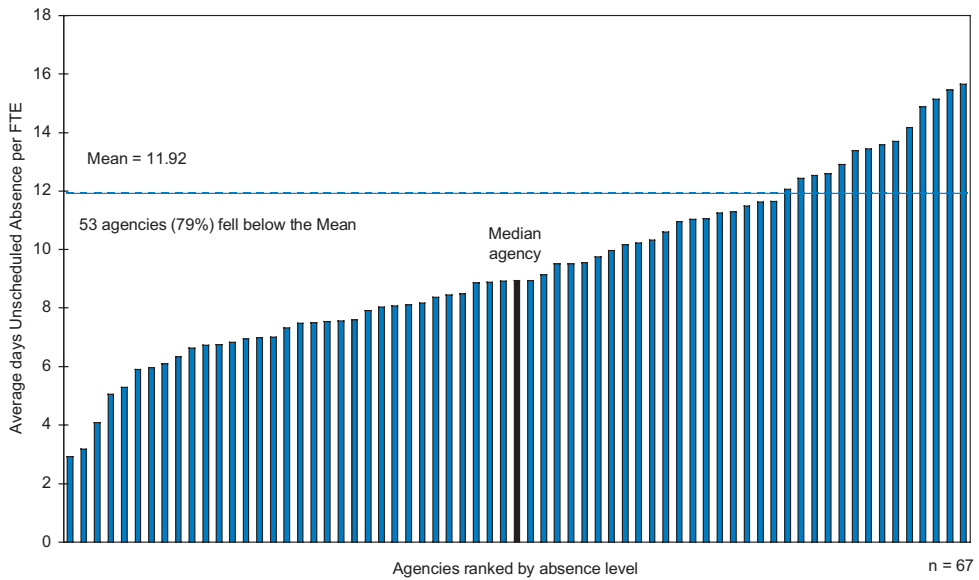
³² The Audit Office of New South Wales, Performance Audit Report, *Management of Sickness Absence NSW Public Sector*, August 1998, p. 7.

³³ Unscheduled absence per employee is a measure that indicates the amount of lost time an organisation is incurring due to employee absences on sick leave, workers compensation, industrial disputes and miscellaneous reasons, such as carer's, family, personal, bereavement and other special leave.

The formula used is:
$$\frac{\text{Unscheduled Days Absent}}{\text{Number of Employees}}$$

Figure 2.2

APS individual agencies average days unscheduled absence per Full Time Equivalent employee 2001–02



Source: ANAO 2002 Absence Management Survey.

Note: One responding agency did not have relevant data available.

Figure 2.3

APS responding agencies major components of unscheduled absence 2001–02 (days per Full Time Equivalent employee)

| | Sick Leave | Compensation Leave | Other Leave | Total |
|--------------------|------------|--------------------|-------------|-------|
| Minimum | 2.60 | 0 | 0 | 2.92 |
| Median | 7.04 | 0.56 | 1.31 | 8.94 |
| Mean | 8.73 | 0.83 | 2.43 | 11.92 |
| Maximum | 14.64 | 2.15 | 5.16 | 15.66 |
| Number of Agencies | 66 | 63 | 61 | 67 |

Source: ANAO 2002 Absence Management Survey.

Note: An aggregate of the components does not equal the total shown, due to rounding and incomplete data.

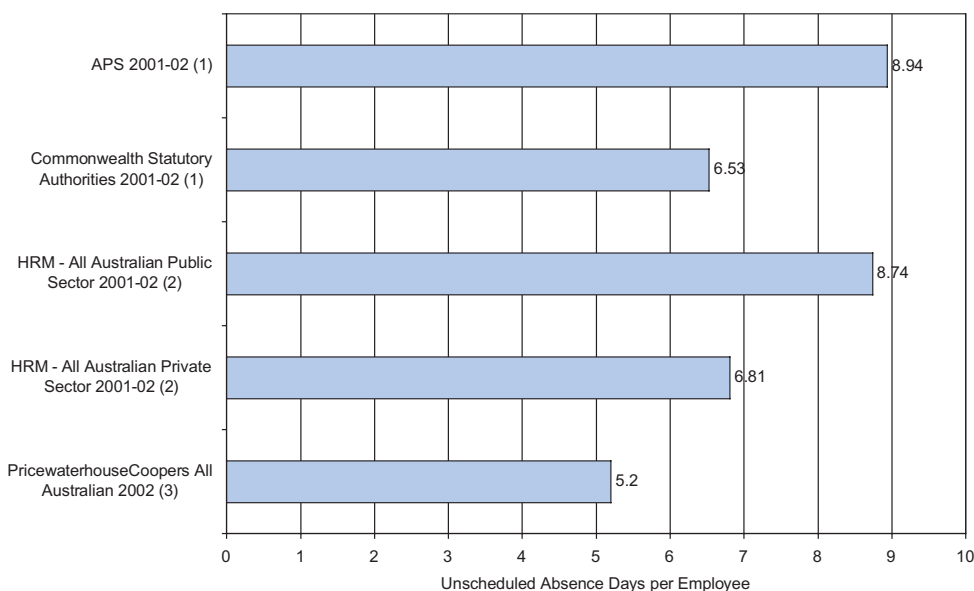
2.13 The ANAO survey indicates that, on any given working day, an average of 5.2 per cent of the APS workforce (or one in every twenty employees) will be absent on unscheduled leave.

Comparison with other sectors

2.14 Comparison with other sectors can provide a useful benchmark for APS agencies. Figure 2.4 shows the APS and Commonwealth Statutory Authorities unscheduled absence levels from the ANAO survey, compared to the results from other surveys for the All Australian public sector, All Australian private sector and All Australia. At 8.9 days per FTE employee, the APS median unscheduled absence rate during 2001–02 was considerably higher than the 6.8 days reported by the private sector. Directly comparable data covering the same period for each State and Territory public service was not readily available. However, even after allowing for variations in definitions and reporting periods, the available public and private sector data, including by industry sector,³⁴ indicate that APS unscheduled absence rates exceed those reported for the public sector as a whole and the private sector in Australia.³⁵

Figure 2.4

Comparison of median unscheduled absence days per employee—APS agencies with others



Source:

1. ANAO Absence Management Survey 2002.
2. HRM Consulting Limited, *The Australian Human Resources Benchmarking Survey*, Unpublished data, 2002.
3. PricewaterhouseCoopers *Global Human Capital Survey 2002*.

³⁴ Industry sectors commonly reported upon in commercial surveys include: manufacturing; finance/insurance; pharmaceutical; service/other; public sector; and GBE/energy.

³⁵ The ANAO survey APS average of 11.92 days per FTE employee during 2001–02 is 33 per cent higher than the APS median. The Commonwealth Statutory Authorities average of 8.64 days per FTE employee is 32 per cent higher than the Statutory Authorities median. Comparable average absence rates were not available for other surveys.

2.15 The ANAO notes that international and Australian research also identifies that unscheduled absence rates in the public sector are commonly higher than in the private sector.³⁶

APS trends over time

2.16 As noted in Chapter 1, ABS surveys reveal that, while sick leave in the private sector is falling in Australia, it appears to be rising in the 'public sector'. On the other hand, in 2000, the then Public Service and Merit Protection Commission (PSMPC), now APSC, reported that the median rate of APS unscheduled absence per FTE employee in 1998 was 9.84 days.³⁷ The ANAO survey median agency result of 8.94 days per FTE employee in 2001–02 represents a decrease of nine per cent over five years. However, in the absence of centralised regular and consistent APS-wide data collection and reporting, the overall trends are unclear. In order to ensure comparable results, ANAO adopted the same methodology and definitions used in the PSMPC survey, although the ANAO survey covered more than twice as many APS agencies. Participation in the PSMPC survey was voluntary. There have also been changes in Administrative Arrangements that have altered the composition of the APS since 1998 but these would not be expected to change the overall picture.

Estimated cost of unscheduled absence

2.17 Information about the extent and cost of unscheduled absence in an agency can assist managers in determining whether any remedial action is required. Given the lack of any centralised information and based on the information provided by responding APS agencies, the ANAO estimated that unscheduled absence direct salary costs for the APS totalled about \$295 million or \$2600 per FTE employee in 2001–02.³⁸ The ANAO found that a relatively small

³⁶ HRM Consulting, Mercer Cullen Egan Dell, Australian Chamber of Commerce & Industry, Best Practice Information Paper No.3 April 1997—*Measures to Deal with Absenteeism in Federal Enterprise Agreements*. Statistics Canada—*Perspectives on Labour and Income, Fact-sheet on work absences, 2000*. UK Chartered Institute Of Personnel Development—*Employee Absence: a survey of management policy and practice*. Public Money & Management Oct-Dec 2001, *Absence Management in the Public Sector: An Integrative model?* P Dibben, P James & I Cunningham. UK Cabinet Office June 1998, *Working Well Together—Managing Attendance in the Public Sector*.

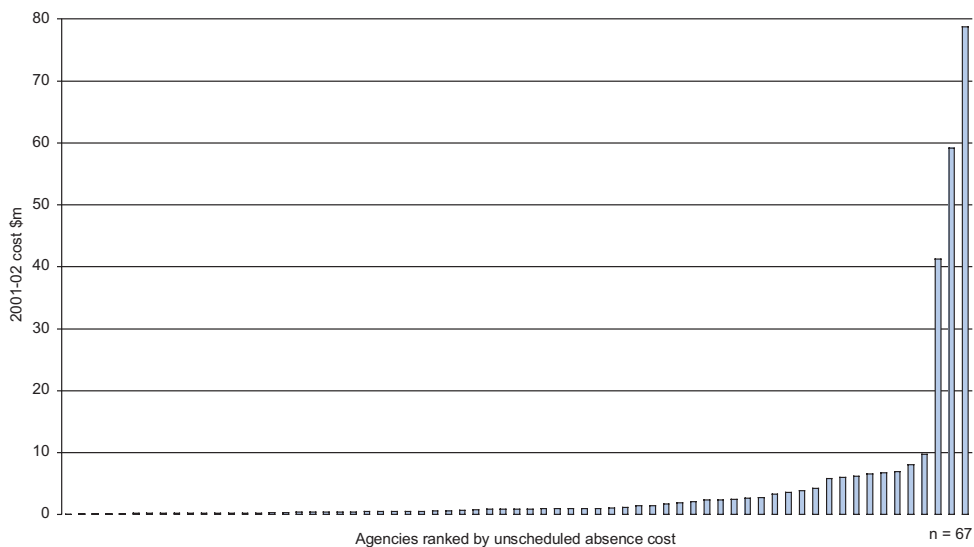
³⁷ Data from a study by HRM Consulting Hay Group indicates that, in 1998, unscheduled absence per employee was 41 per cent lower in the private sector (5.76 days) than in the Australian Public Service (9.84 days).

³⁸ Calculated on the basis of the average number of days unscheduled absence per FTE, times the number of FTE employees in the agency, times the average daily salary per FTE reported by responding APS agencies (assumes employees were paid for 250 days in 2001–02). It should be noted that this methodology provides an approximate cost. Cost estimates prepared by individual agencies may differ where another methodology is adopted. For example, a more accurate cost estimate can be derived if a weighted average salary level is used, or if data is available about each individual employee's number of days of unscheduled absence and their actual salary level.

number of large agencies accounted for the majority of the total cost of reported APS unscheduled absence in 2001–02 (see Figure 2.5). The top three agencies accounted for some \$179 million or 61 per cent, while the top 10 agencies accounted for about \$229 million or 79 per cent of the total. As further discussed below, this indicates that a concentrated effort to reduce absence levels in a relatively small number of selected agencies may provide not inconsiderable cost savings to the wider-APS and indirectly, to taxpayers. Moreover, it could also add considerably to the overall well-being, including job satisfaction, of many public servants.

Figure 2.5

APS agencies direct cost of unscheduled absence 2001–02



Source: ANAO 2002 Absence Management Survey.

Note: One responding agency did not have relevant data available.

2.18 In addition, as noted earlier, the total costs of unscheduled absence can be up to three times agency direct costs as a result of on-costs, the substantial indirect costs associated with covering the essential duties of absent staff and any consequential costs associated with potentially reduced services to the public.

Potential savings

2.19 APS agencies in the top quartile, that is, those with the lowest unscheduled absence rates, reported unscheduled absence rates of 2.9 to 7.3 days per FTE employee. Based on the data provided by agencies, the ANAO calculated that potential direct cost savings in the order of \$114 million per annum are available if the remaining 50 responding agencies were able to reduce their unscheduled absence to 7.3 days per FTE employee. Even if the 34 agencies in the third and

fourth quartiles could improve their results to match those of the median agency, that is, 8.9 days per FTE employee, this would result in estimated savings of some \$79 million per annum. Of this amount, just two large agencies would account for about \$56 million. The ANAO acknowledges, however, that unscheduled absence is a complex issue and that it will take some time and considerable effort, and perhaps investment, for these large agencies to realise unscheduled absence rates approaching the rates being achieved by the top-performing group of agencies.

Agency cost estimates

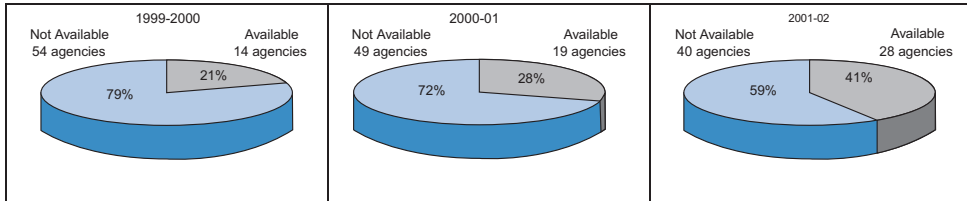
2.20 As noted earlier, information about the extent and cost of unscheduled absence in an agency can assist managers in determining whether any remedial action is required. When asked, however, only 28 APS agencies or 41 per cent were able to provide the ANAO with their estimate of the costs incurred in 2001–02. Methods used by these agencies to estimate the cost of unscheduled absence varied widely. The ANAO considers that the promulgation of a standard methodology, with uniform definitions, would encourage agencies to prepare reliable cost estimates. Adoption of a common approach would also allow APS-wide comparisons of the cost of unscheduled absences on an agency-by-agency basis and particularly over time as appropriate action is taken to test its cost-effectiveness. This could encourage more effort to establish reliable information on causes of absences and assist in remedial action, as necessary.

Trend data

2.21 Knowing whether the cost of unscheduled absence in an organisation is rising, falling, remaining constant, or exhibiting a seasonal pattern over time, can assist managers in determining whether some intervention (including positive initiatives) is required and can also assist in evaluating the success of previous initiatives. Although 28 agencies, or 41 per cent of the total respondents, provided the ANAO with cost estimates for 2001–02, only 19 responding agencies, or 28 per cent, provided estimates for 2000–01, falling to 14 agencies, or 21 per cent, for 1999–2000. This indicates that only around one in every five agencies has trend data available on the costs of unscheduled absence covering a period of at least three years (see Figure 2.6).

Figure 2.6

APS responding agencies with unscheduled absence costing data available 1999–2000 to 2001–02



Source: ANAO 2002 Absence Management Survey.

Size of agency

2.22 Research indicates that there is often a relationship between the size of an agency and its unscheduled absence rate. The ANAO found that, in general, larger APS agencies had a higher rate of unscheduled absence than smaller APS agencies. APS agencies with up to 500 FTE staff had an overall average of 9.1 days per FTE, compared with 12.2 days per FTE for APS agencies with more than 500 staff (see Figure 2.7). This correlation between size of agency and absence levels is generally consistent with the findings of other Australian and international absence studies.³⁹

2.23 However, the audit did not set out to conduct an in-depth exploration of the causal factors for the marked difference in absence rates (33 per cent) between large and small APS agencies, although one possible connection is that there is generally a greater proportion of staff at lower classification levels in the larger agencies, where there are higher absences for many reasons.⁴⁰ Nevertheless, this illustrates the importance of comparing like with like when making comparisons between agencies. Larger agencies should be aware that they are more likely to face the risk of higher absence rates than do smaller agencies.

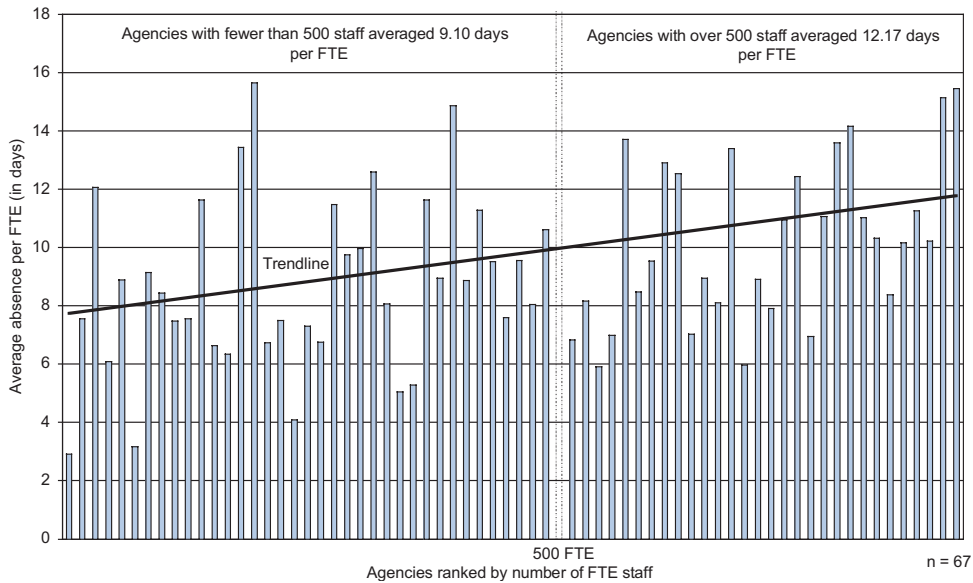
2.24 Analysis of the characteristics of the top performing group of agencies (the 25 per cent of APS agencies with the lowest reported absence rates) did not reveal any substantial differences to those of the remaining APS agencies, other than that the better performing agencies generally had fewer employees⁴¹ and were twice as likely to require medical certificates to support absences taken.

³⁹ HIC *Absenteeism Review Joint Working Party Report*, June 2000, p. 16.

⁴⁰ Analysis of the proportion of total agency staff in the APS 1–6 classification levels in each agency revealed that the group of agencies with 70–96 per cent of their staff in these classification levels averaged 12.6 days per FTE employee, while the group of agencies with 40–67 per cent of their staff in these classification levels averaged 9.3 days per FTE employee.

⁴¹ The average number of staff per agency increased progressively for each quartile, as follows:

| | Average FTE staff No. | Lowest FTE staff No. | Highest FTE staff No. |
|------------|-----------------------|----------------------|-----------------------|
| Quartile 1 | 461 | 67 | 1877 |
| Quartile 2 | 737 | 80 | 3751 |
| Quartile 3 | 2295 | 116 | 16811 |
| Quartile 4 | 3331 | 81 | 23111 |

Figure 2.7**APS agencies average days unscheduled absence ranked by number of Full Time Equivalent employees 2001–02**

Source: ANAO 2002 Absence Management Survey.

Note: One responding agency did not have relevant data available.

Absence by employee classification level

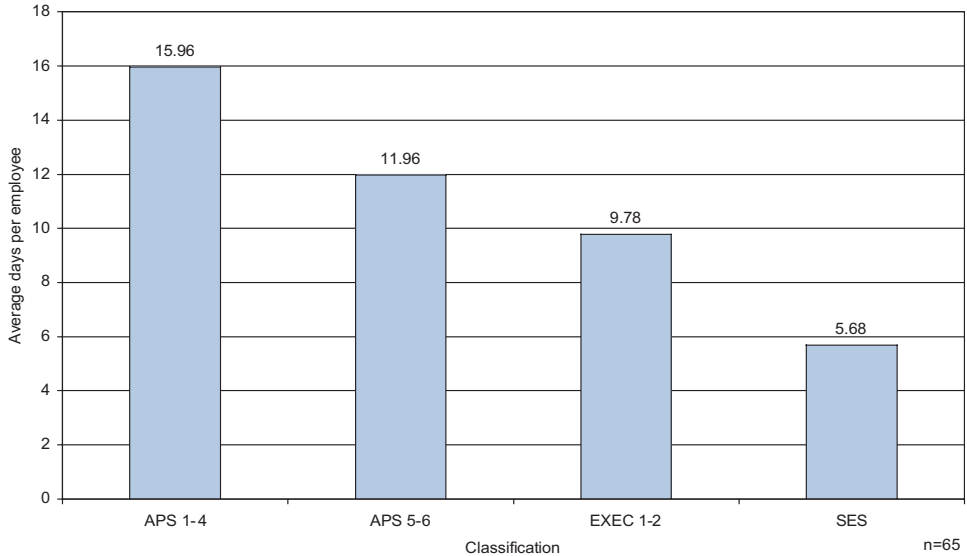
2.25 The ANAO was interested to see if absence rates decreased with increases in classification levels, consistent with other studies in the public sector. Based on the information provided by responding agencies, the ANAO found that the average number of days of unscheduled absence that an APS employee takes does tend to decrease as classification level (salary and job responsibility) increases (see Figure 2.8). This trend is consistent with the ANAO survey results for Statutory Authorities and other Australian and international studies of absence levels and provides a useful indicator as to where APS agencies may best focus their absence reduction strategies.

2.26 Some caution is required in interpreting these figures as, for example, one study in another jurisdiction found that the requirement to submit a leave application may be less strictly enforced at higher classification levels.⁴² However, the ANAO considers that agencies should have sound practices in place to monitor periods of unscheduled absence that exceed a predetermined threshold (such as one half day).

⁴² *Effective Sick Leave Management—Public Service Act Staff Census 30 June 1993*, Public Service Commission Western Australia, November 1993, p. 2.

Figure 2.8

Average unscheduled absence by APS classification level 2001–02



| | APS 1–4 days | APS 5–6 days | EXEC 1–2 days | SES days |
|---------|---------------------|---------------------|----------------------|-----------------|
| Minimum | 2.02 | 2.90 | 2.46 | 0.50 |
| Median | 10.67 | 8.89 | 7.70 | 3.33 |
| Mean | 15.96 | 11.96 | 9.78 | 5.68 |
| Maximum | 25.83 | 22.53 | 17.91 | 17.36 |

Source: ANAO 2002 Absence Management Survey.

Note: Three responding agencies did not have relevant data available.

3. Accountability and Commitment

This chapter outlines the better practice principles associated with accountability and senior management commitment for absence management and provides relevant case studies and the related results of the ANAO survey and fieldwork.

Introduction

3.1 The remaining chapters of this report focus on the better practices that have been identified in the literature or adopted by organisations to improve absence management in the workplace. This is based on an acceptance of the premise that employees take, and need to take, leave for legitimate reasons such as sickness, caring for others and other personal reasons during employment. The term absence has been used to denote primarily periods of unscheduled absence from the workplace. The following chapters also include the relevant findings from the ANAO 2002 Absence Management Survey and fieldwork that relate to the better practice principles discussed.

3.2 To effectively maintain attendance at optimal levels in the wider public and employee interest, visible and clear accountability and commitment is required from APS managers and executives.

3.3 Chief Executives carry ultimate accountability and responsibility for this important employment issue from an employee welfare perspective and in terms of cost minimisation. Acceptance of collective and individual responsibility for absence management should be clearly observable throughout the agency and should be reinforced through all available organisational communication and management channels. A supportive culture, based on pro-active preventative organisational initiatives and greater awareness of factors impacting on absence, is a necessary condition of making real progress in minimising unscheduled absence.

3.4 Observable commitment and support from the executive management of the agency should be reflected at other organisational levels and will make the organisation's attempts to improve absence management more effective.⁴³ A report by the UK National Audit Office also states that 'A number of organisations ... claim noticeable reductions in sickness absence where senior managers have been made directly accountable for it.'⁴⁴

⁴³ Premier's Department New South Wales—*Managing and Supporting Attendance at Work Policy Framework*. New South Wales Department of Industrial Relations web-site, <My Workplace/Employment Practices/Minimising Absenteeism>.

⁴⁴ *The Management of Sickness Absence in Her Majesty's Land Registry*, Report by the Comptroller and Auditor-General, January 1996, p. 3.

3.5 Commitment and accountability should be encouraged, and where appropriate, clearly allocated to non-executive managerial levels. Branch and section heads/ team leaders should understand that their accountability for, and commitment to, improved absence management is crucial. Section level or first line management is where the greatest impact on improved attendance or absence management can be made.⁴⁵ When an employee is absent from the workplace, it should be amongst the manager's or supervisor's responsibilities to know why, and how, to help, where this is required.

3.6 Employees and their representative organisations also have a role in committing to improved attendance and absence management, particularly from the point of view of improved employee welfare.

3.7 An example of agency senior management commitment to reducing unscheduled absence levels is provided in the following case study.

Case study No.1

Australian Customs Service

In 1998, the Chief Executive Officer (CEO) of the Australian Customs Service (Customs) and a group of senior executives participated in the development of an integrated human resource policy and standards framework to facilitate getting the right people in the right place at the right time. Customs senior management subsequently identified absenteeism as a significant workforce availability issue.

In 2002, one of the Deputy CEOs negotiated the inclusion of a commitment to develop and implement strategies to address absenteeism in the Customs certified agreement. The Deputy CEO is now chairing a steering committee overseeing the absenteeism project in Customs. The project aims to achieve a noticeable reduction in the average days absenteeism per employee, as measured at the organisation level. A target has been set for an annual average of ten days per employee by the end of 2003. This is a reduction of just over one day from 11.4 days per employee for 2001–02. The three-year target for the end of 2005 of eight days per employee will be reviewed based on the performance at the end of 2003. Customs managers have desktop access to absence information on their work area and are responsible for examining and understanding their work area's absenteeism information and addressing any areas of concern.

A number of strategies are being progressed, such as the development of a Customs Positive Attendance Policy, updated procedures to support the application of the policy, education and support (particularly for managers), the continuation and marketing of health and well-being programs and improvement in the administration of leave arrangements.

⁴⁵ D.A Harrison & J Martocchio, *Time for Absenteeism: a 20 year review of origins, offshoots and outcomes*, US Journal of Management, January 1998. Many organisations also recognise that the behaviour of supervisors and managers is highly influential on attendance levels, including Australia Post. See *National Strategy for Attendance Improvement*, Australia Post, May 1997.

Survey and fieldwork results

3.8 APS agencies are not required to include in their Annual Reports details of the number or percentage of working days lost each year to sickness or other types of unscheduled absence⁴⁶ or to disclose the costs of unscheduled absence in their annual financial statements. In contrast, some relatively less material or lower cost aspects are currently included in the financial statements, such as separation and redundancy expenses or other employee expenses. The costs of unscheduled absence are 'hidden' simply because many agencies do not separately record them in their accounting systems.

3.9 Under current purchaser-provider arrangements, part of the costs of unscheduled absence for APS service delivery agencies can be passed on to their client departments. Improving the transparency of the rates and costs of unscheduled absence throughout the APS would assist in promoting greater awareness and accountability for this important aspect of APS human resource management.

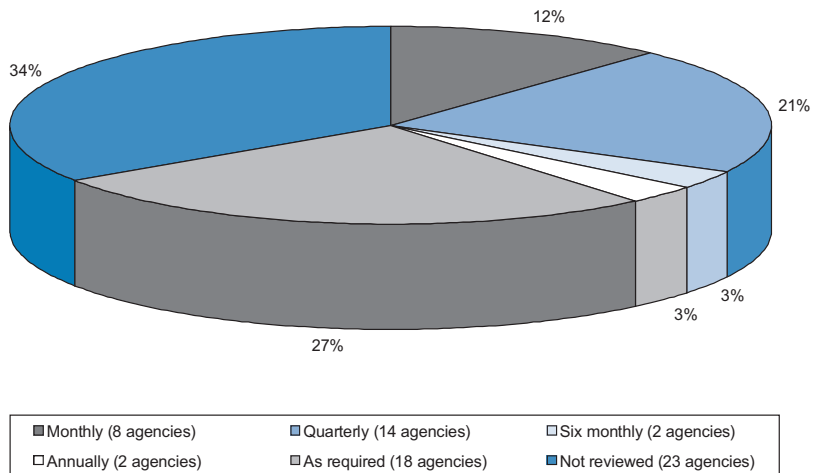
3.10 Staff in those agencies where absence levels are never reviewed, or are only infrequently reviewed, may perceive that there is a lack of management commitment to, and accountability for, reducing an apparently high rate of unscheduled absence in their agency. Only one-third of APS responding agencies reported to the ANAO that they review the level of unscheduled absence in their agency on a monthly or quarterly basis. Another one-third conducted six-monthly, annual or 'as required' reviews. However, the remaining one-third of agencies reported that they did not conduct any reviews (see Figure 3.1). The ANAO found that 38 per cent of responding APS agencies which reported that they do not review their absence levels, also reported rates that were above the 2001–02 APS-wide median of 8.9 days per FTE employee.

3.11 On the other hand, over the last few years, a number of APS agencies have reflected their commitment to reducing unscheduled absence by incorporating specific provisions in their Certified Agreements. Some agencies also reflect such provisions in individual employees' performance agreements. However, without regular monitoring and reporting, it is difficult to ascertain how any reductions can be demonstrated and a credible assessment made of the impacts on the business of the organisation.

⁴⁶ Although there is no formal requirement, four APS agencies (five per cent of all survey respondents) advised ANAO that some commentary and/or statistics on unscheduled absence levels was included in their Annual Reports. The agencies were: Australian National Maritime Museum; Centrelink; Department of Finance and Administration; and Department of Veterans Affairs.

Figure 3.1

Reported frequency with which APS agencies review unscheduled absence



Source: ANAO 2002 Absence Management Survey.

Note: One agency did not provide a response to this question.

4. Policy Design and Communication

This chapter outlines the better practice principles associated with designing and communicating policy for absence management. It also provides relevant case studies and the related results of the ANAO survey and fieldwork.

Introduction

4.1 Absence management is only one element of an organisation's wider people management strategy or workforce plan. To achieve concepts such as 'preferred employer' or 'employer of choice', absence management policy should be part of an integrated approach to the management of an agency's staff. Integration of absence management into a wider strategy or plan would also assist employees to better understand its context and rationale. It would also help to reinforce that policies on absence management are not just about cost minimisation. A good absence management policy should integrate well with other related initiatives within the agency, such as family-friendly and occupational health and safety practices. It is also important that the absence policy be applied uniformly to staff at all levels of the organisation.

4.2 A better-practice example of this type of integration is included in the case study on the City of Melbourne Council (see case study No.2).

4.3 A clear policy statement on absence management is the first step in improving the management of absence. Such policies could draw on the following principles:⁴⁷

- a demonstrated management commitment to employee health, safety and welfare and cost control through improved absence management;
- whole-of-agency ownership through consultation and employee involvement, including in setting absence targets;
- all employees at all levels in an agency are treated equitably;
- mutual responsibilities of individual employees and supervisors for attendance or absence management that are clearly articulated and based on fairness, transparency and good communication;
- flexibility for both management and employees through appropriate job design and work organisation;

⁴⁷ Adapted from *Managing and Supporting Attendance at Work Policy Framework* New South Wales Premier's Department, January 2000, p. 2.

- a workplace culture that encourages realistic productivity, performance management outcomes and cost containment measures;
- effective communication strategies that reinforce the other strategies adopted to improve attendance or absence management;
- adoption of a risk-management approach to developing strategies for absence management and cost control; and
- effective recording, measuring and monitoring of employee attendance.

Case study No.2

City of Melbourne Council

The City of Melbourne Council (CMC) has an integrated approach to the health and well-being of its staff that has resulted in below-average figures for unscheduled absence when compared against relevant benchmark partners. The Chief Executive Officer strongly supports the health and well-being philosophy by championing and supporting the various elements the CMC has instigated in its work-life balance or work flexibility approaches.

Better-practice elements of CMC's health and well-being policy include:

- work flexibility program, enabling staff to change their working arrangements subject to work area requirements (e.g. working from home, purchasing annual leave, compressing working week);
- free medical consultations for all staff at a local medical clinic (bulk billed by the surgery with CMC paying some of the difference between the doctor's fees and the bulk bill rate through an annual retainer);
- employee assistance program (CMC pays for the first four counselling sessions) for work and non-work related matters (available to permanent staff);
- rostered days off for most staff, available as either one day a fortnight or one day a month;
- carers leave;
- cumulative sick leave;
- commuter club (CMC pays for an annual public transport ticket that employees who take up the offer repay on a fortnightly basis);
- non-work related (such as sport injuries) rehabilitation support;
- 'Keep in touch' program to maintain contact with people away from work on extended leave or due to illness/injury;
- a number of child care places reserved in two local centres for CMC staff;
- an on-site baby care room;

- study assistance (financial support and time off for approved programs);
- an Employee Recreation Association offering discounts on leisure and sporting events, funded by membership fees subsidised by a CMC grant;
- an executive health program;
- corporate gym memberships; and
- 'Leap into Life' program — a general CMC personal health promotion program.

In addition to improving attendance levels, this combination of programs has contributed to the maintenance of generally high levels of CMC staff retention.

4.4 The support of all staff in implementing an absence management policy is critical for success. Importantly, to engender organisation-wide support it should be clear to staff why an absence management policy is necessary. It is also essential that there are no direct or indirect incentives for staff not to attend, or to encourage colleagues not to attend work. For example, care should be taken to quickly address workplace disputes and confrontations, particularly with supervisors. As well, the policy should strive to achieve the right balance, so that, for example, staff who are genuinely ill do not feel compelled to come to work until they are well again. Similarly, all staff should be made aware of the risks posed to their colleagues if a staff member attends work during the infectious stages of an illness. The policy should have in-built flexibility to provide for situations where special arrangements may need to be made, such as where an employee has not yet accumulated, or has completely exhausted, their paid leave entitlements. For example, allowing the employee to work from home for a set period or to anticipate their future paid leave entitlements.

4.5 In addition to minimising incentives to be absent, the policy should aim to ease the transition back to work for those off sick. It is important during the course of absence to encourage early and regular communication with the workplace. This could include phone calls, progress meetings at the workplace, home visits by line managers, occupational health appointments at the workplace or the transitional use of light duties and part-time working arrangements to encourage a gradual return to work. The ANAO Better Practice Guide on Return to Work⁴⁸ outlines a series of better practice principles and steps to assist in helping people return to work after an accident or injury.

4.6 Getting the policy right is an important step, but if it is to be uniformly implemented across the organisation, it needs to be effectively communicated to, and fully understood, by all staff. Ready access to the policy documentation

⁴⁸ *Rehabilitation: Managing Return to Work in the Workplace: A Better Practice Guide for Senior Managers and Supervisors*. Jointly published by ANAO and Comcare Australia, June 2001.

should be provided, for example, by distributing hardcopies and placing it on the agency's intranet site. In addition, consideration should be given to how the organisation will promote and continually maintain a high level of awareness of its policy and practices for the management of unscheduled absence. Some common methods include:

- inviting all staff to a seminar or function to formally launch the policy;
- inclusion of regular promotional articles in the staff news bulletin;
- induction training for new starters, followed by periodic, ongoing refresher training;
- including unscheduled absence as a regular topic in branch/section meetings; and
- celebrating achievements, such as meeting pre-set absence targets at the individual work unit/location or agency-wide level.

4.7 The following case studies provide better practice examples covering the design and communication of absence management policies.

Case study No.3

Australia Post

Australia Post has been monitoring its levels of absence for several years now and taking action to progressively improve its performance. Although anecdotally aware that there were pockets of high absence levels, the development of sophisticated technology to measure and record levels of absence down to work centre levels, in turn, prompted Australia Post to develop a National Strategy for Attendance Improvement.⁴⁹

Key features of the Strategy directed to improving performance at the State/Division and work centre level include:

- accountability for attendance improvement is placed with line managers by setting improvement targets to be achieved by the various business units and an overall corporate target;
- support is provided for line managers in meeting targets/accountabilities, including through development of a resources kit for supervisors and managers containing material to help them manage attendance performance of their employees;
- training is provided for supervisors and managers in the attendance management program;
- reports on absence levels at individual employee and work centre level are made available for supervisors;

⁴⁹ Australia Post—*National Strategy for Attendance Improvement*, May 1997.

- a standard process is in place for identifying individual employees with a poor attendance record, which sets out actions to be taken to promote improved attendance of employees under review (this process is currently being reviewed as part of the new attendance improvement project discussed below);
- monitoring of absence performance takes place regularly and at various levels in the Australia Post organisational structure, facilitated by a standardised monthly reporting process up to Managing Director level; and
- communicating the cost of unscheduled absence and the need for improved attendance performance to all stakeholders in Australia Post.

As a result of the work on attendance, the overall average rates for unscheduled absence have improved over time. Notwithstanding this result, as part of its continuous improvement approach, Australia Post has also recently revisited its Strategy and further increased the level of effort to improve attendance. A new attendance improvement project has been commissioned, which has short, medium and longer-term actions prescribed. Oversight of the project has been assigned to a high-level management steering committee, supported by a working party drawn from all major parts of the organisation.

Case study No.4

NSW Police

The Sick Leave Policy of NSW Police reflects a number of better practice elements, by requiring the:

- employee to maintain personal health and to promptly inform his or her supervisor if unable to report for duty;
- manager to contact and offer support to personnel who are sick or injured;
- manager to monitor attendance; and
- manager to intervene and counsel staff who are absent on more than four occasions, whether medically certified or not, during any 12 month period.⁵⁰

Survey and fieldwork results

4.8 Clearly, there are many factors that influence the level of absence in an organisation. Most modern organisations recognise the benefits of articulating their key policies and procedures and providing clear guidance to their managers and employees on the organisation's position on important matters. A recent study found that there is a strong link between having a well-documented HR

⁵⁰ NSW Auditor-General's Report Performance Audit *Managing Sick Leave NSW Police and Department of Corrective Services*, July 2002, p. 11.

strategy for the organisation and reduced absenteeism.⁵¹ However, little more than one-half of responding APS agencies reported that policies and procedures for absence management had been issued by their agency. Fifteen agencies (almost half the agencies without an absence policy) had reported absence levels that exceeded the APS-wide 2001–02 median of 8.9 days per FTE employee.⁵²

4.9 For those APS agencies that reported having policies and procedures for absence management, the ANAO survey did not seek to establish how long these had been in place. The audit also did not assess whether such policies and procedures were comprehensive; appropriate; effectively communicated; and uniformly applied within agencies. However, agencies with long-standing absence management policies may wish to consider whether there would be benefits in reviewing and re-launching their policy in view of their experiences.

4.10 To assist those agencies that do not have an absence management policy, and to promote a consistent approach across the APS, the ANAO suggested that the APSC could consider compiling and issuing APS-wide guidelines for agencies on absence management, and/or use its existing networks to promulgate better practices. The APSC agreed that there would be benefit in developing such guidelines for managers and considers that they could be based on the better practices identified by the ANAO in this audit. The APSC subsequently advised that, as priorities for attention in 2002–03 have already been identified, the timing for development of the new guidelines for agencies will be considered as part of the Commission’s 2004–05 business planning process.

⁵¹ PricewaterhouseCoopers identified a positive relationship between a documented HR strategy and improved revenue per employee—35 per cent higher than organisations where no such strategy exists. It also found that a documented strategy is associated with more effective reward systems, better performance management systems and reduced absenteeism.

⁵² In addition, one agency that did not have an absence policy also did not have data available to determine its absence rate.

5. Management Information

This chapter outlines the better practice principles associated with information for absence management. It also provides relevant case studies and the related results of the ANAO survey and fieldwork.

Introduction

5.1 Before any useful action can be taken by agency executives to launch a program to improve the management of attendance or absence, they should be in possession of the facts on absence levels and the reasons that unscheduled absence occurs in their particular agency.

5.2 Most modern Human Resource Information Systems (HRISs) provide the facility to record absence and the reasons for absence. Such systems can consequently provide useful management reports, which can inform executives and their committees on the extent, nature and overall cost to the agency of absence. To be effective, this information should be collected consistently and recorded on an agency-wide basis, so that a complete national picture can be formed.

5.3 Management committees should regularly review absence data and treat absence as another important running-cost of the agency that requires effective management. In addition, it should be more than just an employment factor to consider periodically during negotiations of a new certified agreement and then left to individual managers and supervisors to manage. If possible, this absence information should be shared regularly with lower level managers and supervisors so that they, in turn, can focus on the extent, nature and cost implications for their individual organisational unit (see Department of Employment and Workplace Relations case study No.5).

5.4 To better understand the absence position in their organisation, agencies would benefit from collecting and disseminating absence data under the following headings as a minimum:

- absence—dates, days of the week, reasons, number and duration;
- employee—classification level, gender, age and length of service;
- location—region, State, division, branch or section;
- employment status—ongoing/non-ongoing, full or part time;
- leave type—sick, carer's, personal, bereavement, etc; and
- cost—agency total and average cost per employee.

Data on whether sickness absence is medically certified can also be useful.

5.5 Agencies should also have a clear understanding of what represents a reasonable level of absence for an organisation such as theirs. This will require some research as there is considerable data available. As well, care is required to ensure that a relevant partner is selected by the agency to compare or benchmark against.

Benchmarking

5.6 As noted earlier, there is no APS-wide data regularly available on absences. The APSC 1998 People Management Benchmarking Study included the last available figure for unscheduled absence in the APS.⁵³ The lack of regularly available APS-wide data also means it is not possible for the Government to understand trends in absence management and whether whole-of-government action is required. Similarly, Parliament is not being informed about a significant administrative cost in the APS that can also considerably impact on the delivery of government services. One way of redressing this lack of data is for the APSC to consider the regular collection and dissemination of APS-wide statistics on unscheduled absence.

5.7 In responding to this suggestion, the Commission advised that reporting of high-level information around Service-wide absenteeism, based on information provided by agencies, would be feasible through the annual *State of the Service Report*. It added that relevant data items for departmental and agency collection could be identified during development of the Service-wide guidelines (see para 4.10). However, the Commission considers that the Australian Public Service Employee Database (APSED) would not be able to draw on agency absenteeism data until it was compiled consistently with the better practice guidelines. In addition, it considers that to extend the coverage of APSED to include extra data items, agencies would need to commit resources to enhance current data collection and reporting arrangements. However, given the potentially significant costs of not managing absence effectively, the ANAO considers that the APSC could assist agencies in examining the cost-effectiveness of the data collection involved.

5.8 On the other hand, several private sector companies, such as HRM Consulting,⁵⁴ Mercers,⁵⁵ PricewaterhouseCoopers⁵⁶ and Hallis⁵⁷ currently collect

⁵³ The Commission surveyed 31 APS agencies and reported an APS median rate of 9.84 days per employee. Public Service and Merit Protection Commission—*Building Corporate Capability The APS in Transition*, 2000, p. 37.

⁵⁴ HRM Consulting Pty Ltd—*The Australian Human Resource Benchmarking Report 2002*.

⁵⁵ Mercer Human Resource Consulting—*Corporate Benchmark Monitor Benchmarking in Practice, August 2002*.

⁵⁶ PricewaterhouseCoopers—*Global Human Capital Survey 2002*.

⁵⁷ Hallis, *op.cit.*

and sell information and data on a range of human resource factors, including absence levels, often by organisational size, region and industry grouping. A small number of APS agencies currently participate in the benchmarking activities coordinated by these firms, but this is by no means widespread.

5.9 An example of the results that can flow from participating in agency benchmarking and more actively managing unscheduled absence is provided in the following case study.

Case study No.5

Department of Employment and Workplace Relations

Early in 2002, the Department of Employment and Workplace Relations (DEWR)'s People and Leadership Committee focussed on the trends of unscheduled absence in order to more effectively monitor and manage the underlying issues contributing to absence in the Department. The directions of this focus included:

- the physical well-being of staff through work health programs;
- information and guidelines on accessing leave entitlements and flexible working arrangements; and
- identifying any underlying issues affecting employees' motivation to come to work.

DEWR has incorporated a specific Key Performance Indicator (KPI) for unscheduled absence in its suite of indicators, which assist in monitoring departmental performance. This KPI is reported upon quarterly to the executive with supporting analysis of any trends or changes in the benchmark position. DEWR has found that management focus on absence management has already resulted in a reduction of three days in the overall rate of absence in the agency (from 11.06 days for the year ended 30 June 2002, to 8.0 days for the year ended 31 December 2002). Unscheduled absence will continue to be monitored through DEWR's workforce planning process, which is currently in the pilot stage.

5.10 It is also important to consider internal benchmarking within an agency. Various units in an agency can be compared with other parts of the agency, for instance, State against State or Region against Region. This process will reveal if any differences exist as a result of local approaches and practices that have implications for the agency as a whole. Also, comparisons between internal units in an agency and similar units in external organisations (such as client call centres) can reveal useful information for management on absence trends and levels (see ANZ case study). Such information can then be used to identify current or emerging problems and help to develop necessary strategies to address such problems.

Case study No.6

ANZ Bank

The majority of the ANZ Bank's workforce of 19 000 staff compare well with benchmark levels of absence in the finance industry. However, the Bank's call centre staff exhibit much higher levels of absence than the rest of the Bank's workforce. To address this, the Bank has instigated a cultural change project to reduce the levels of absence in its call centres. A variety of interventions are being considered, including:

- incentives for improved attendance levels;
- workshops for staff and managers on absence management;
- strategies to help managers deal with individual cases of poor attendance;
- enhanced disciplinary policies and processes that support improved attendance; and
- benchmarking the call centre with other organisations' call centres.

Survey and fieldwork results

Level of information on unscheduled absence

5.11 As noted above, research shows that a range of factors commonly affect absence in an organisation. Accordingly, agencies need to consider collecting information about the factors relevant to their organisation in order to manage unscheduled absence. Many agencies have a computerised unscheduled absence information system to provide for the effective management of absence. Depending on the size of the agency, computerised absence data may not be the most cost-effective solution. However, all agencies should record their absence data, analyse it, and report the results to someone, or some group, in a position to do something about any problems being experienced.

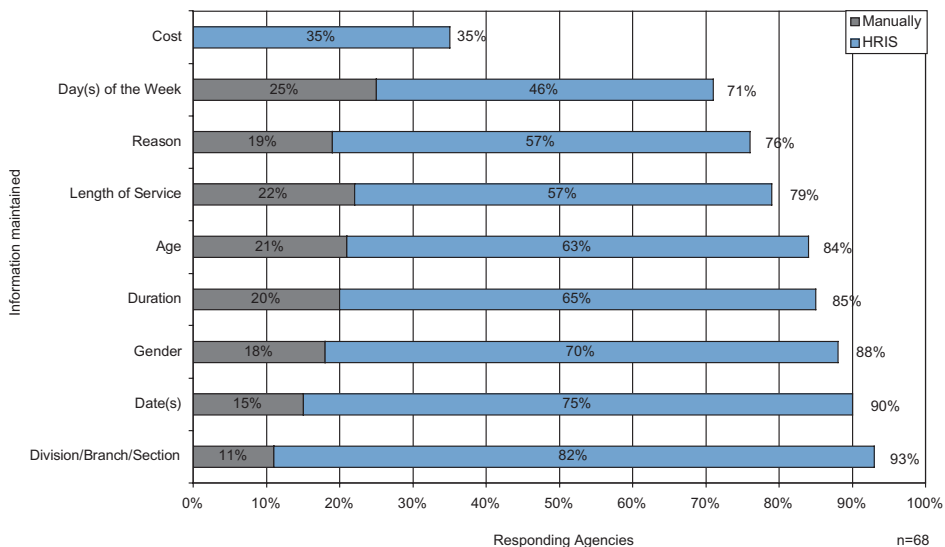
5.12 Figure 5.1 shows the overall frequency with which responding APS agencies maintained absence information (manual and computerised), which includes days of the week, reason, dates of absence and cost, for comparison against such factors as employee age and gender, length of service and work unit or location. More agencies had information on the work location of people who take leave than on any other factor, including the duration of absence.

5.13 While most organisations had some information available, for some of these factors, (other than cost), up to one-quarter of responding APS agencies reported that they did not have relevant information available. Nearly two-thirds of agencies did not have data on the costs of unscheduled absence. Agency responses indicate that, in those cases where relevant data is collected, most of the key data, apart from cost, is captured by the agencies' HRIS. However, in up

to one-quarter of the responding agencies, such information is only available through manual extraction of the relevant records. This suggests that high costs are entailed, and/or that such exercises are only infrequently undertaken. The ANAO therefore suggests that agencies consider the costs and benefits of automating such data collection.

5.14 It should also be noted that, although many APS agencies reported that such information is available, the audit did not seek to verify whether the relevant data is regularly collated, analysed, reported and used to manage absence in the agencies covered. As indicated in Figure 3.1, only around one-third of agencies reported that they frequently review unscheduled absence.

Figure 5.1
Percentage of responding APS agencies that have relevant information available in absence records 2001–02



Source: ANAO 2002 Absence Management Survey

Note: The ANAO survey did not seek to ascertain the source of agencies' costing data.

Accuracy of data

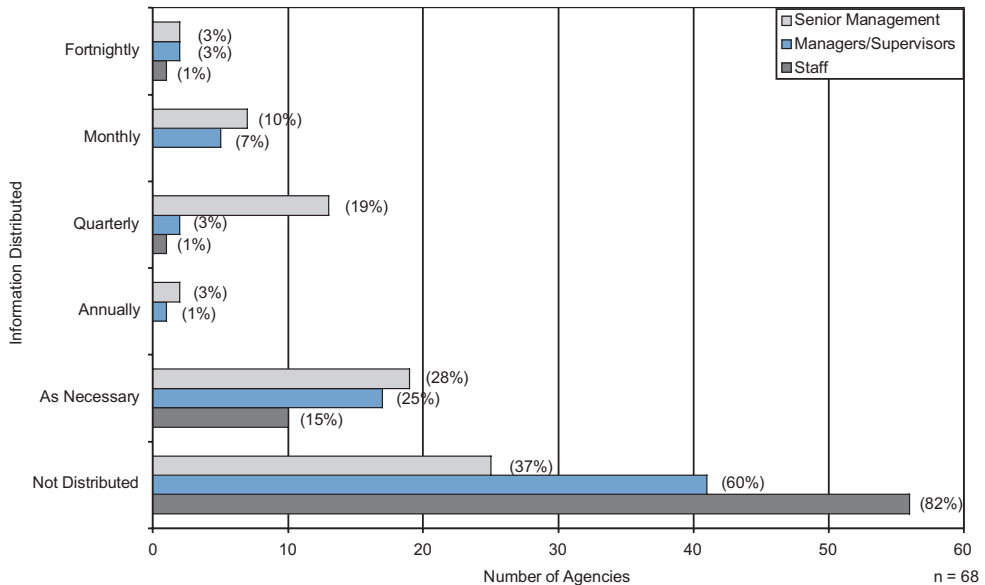
5.15 Agencies expressed a variety of views on the extent to which unscheduled absence was under-recorded at an operational level. In particular, some agencies with higher than average levels of reported unscheduled absence considered that this reflected that there was comparatively more accurate and comprehensive recording of the actual leave taken in their organisations than occurs in those organisations reporting low levels of absence per employee. It is likely that there is some under-recording, as one-quarter of APS responding agencies reported that they do not reconcile their leave records with their employees' attendance

records. This audit has not attempted to estimate the scale of under-reporting. However, to the extent of any under-reporting, the overall unscheduled absence rates in the APS and the scope for improved service delivery and savings would be higher than indicated.⁵⁸

Disseminating information for absence management

5.16 There is obviously little benefit in organisations collecting absence-related information if it is not used as part of a process to continually improve the management of unscheduled absence. Only around one-third of responding agencies reported that they regularly distribute information for managing absence to their executive. Even fewer agencies (14 per cent) distributed such information to line managers and supervisors, while only three per cent reported that they also distribute absence information to their staff (see Figure 5.2). The ANAO considers that there is considerable scope for agencies to distribute information on absence levels more widely, so that managers and staff can take steps to address any emerging problems or assure themselves that absence is being managed effectively.

⁵⁸ Two agencies advised ANAO that internal audits had found that a number of absences recorded on employees' attendance records were not captured in the relevant leave records. ANAO Assurance and Control Assessment Audits have also identified breakdowns in controls over submission and processing of leave records—see Audit Report No.22 1997–98, *Audits of the Financial Statements of Commonwealth Entities for 1996–97*, p. 17 and Audit Report No.20 1998–99, *Audits of the Financial Statements of Commonwealth Entities for the Period Ended 30 June 1998*, p. 31. In 2003, two agencies provided the ANAO with revised unscheduled absence data for 2001–02 which included leave taken during the year for which applications had not been received and/or processed until after the original data was provided to the ANAO in August 2002. It is possible that the reported results for other agencies may be understated if any leave applications were processed after the date that data was provided to the ANAO.

Figure 5.2**Number of responding APS agencies that distribute information for absence management**

Source: ANAO 2002 Absence Management Survey

Incidence of sickness absence

5.17 Although 85 per cent of responding APS agencies reported that they have the capacity to analyse the number and duration of absences, only around one-half the responding APS agencies were able to provide the ANAO with data on the incidence of sickness absence in their agency during 2001–02. The median rates reported were:

- 21 per cent of employees had no days sickness absence (34 responding agencies);
- 45 per cent of employees had from one day to five days sickness absence (32 responding agencies); and
- 17 per cent of employees had 10 or more days sickness absence (33 responding agencies).

5.18 Other studies have found that a small percentage of employees account for the bulk of sick leave taken.⁵⁹ Where high absence levels are encountered, the job design of affected positions, or the relevant supervisor/co-worker relationships, should be considered for further investigation and review. It is only by collecting and analysing the relevant data that agencies know where to put their efforts to reduce unscheduled absence, where there is scope to do so.

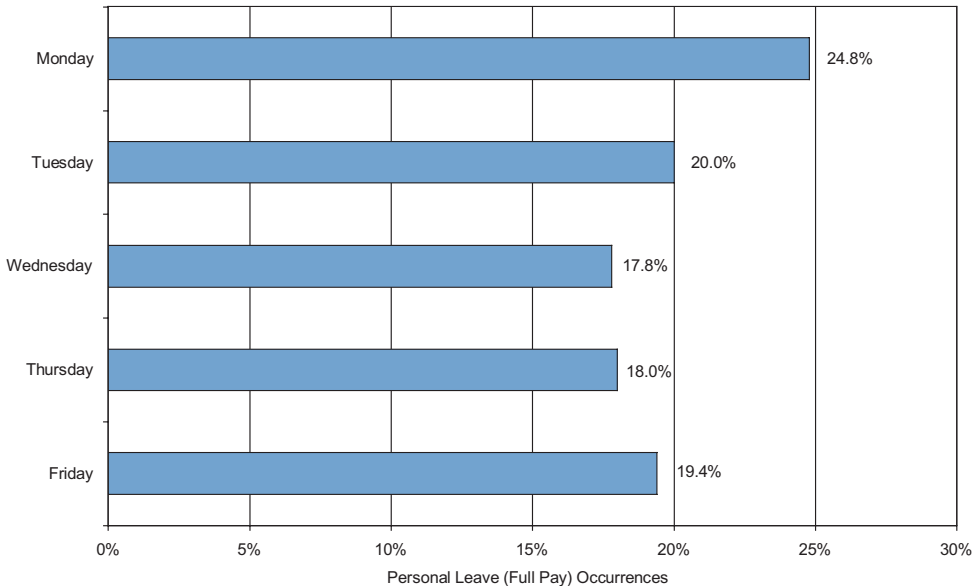
Day(s) of the week

5.19 In determining whether there are any patterns in the incidence of unscheduled absence in an agency, it is often useful to examine whether absences are more likely to occur on particular days of the week. On a five-day working week (which is typical for most APS agencies), it could be argued that every day has a 20 per cent chance of an incidence of unscheduled absence occurring. Forty-eight APS agencies (about 70 per cent) reported to the ANAO that they had data on absence by days of the week. However, when a few large agencies were asked by the ANAO, they had difficulty in providing reliable data. This indicates that management reports of this nature are not regularly produced in those agencies.

5.20 Available data suggests that Mondays had the greatest risk of staff being absent during 2001–02 (see Figure 5.3). This is consistent with other studies. For example, the Hallis 2002 survey found that sick leave usage in call centres was much more likely to occur on a Monday and that, on average, absences commencing on Mondays had the longest duration. It also found that those organisations requiring medical certificates for absences on Mondays experience significantly reduced sick leave usage. It reported that some 20 per cent of participant organisations deal with a pattern of ‘long weekends’ by making it compulsory for employees to present a medical certificate for sick leave taken on any Monday or Friday.⁶⁰

⁵⁹ For example, the CCH 2001 Unscheduled Absence Survey found that only 16 per cent of employees took nine days or more per annum. Some 4.2 per cent of police officers took over 43 per cent of all sick leave by NSW police officers during 2000-01. Source: NSW Auditor-General's Report Performance Audit *Managing Sick Leave NSW Police and Department of Corrective Services*, July 2002, p. 21. An earlier report by the Auditor-General for Western Australia found that 15 per cent of all sick leave was taken by only one per cent of the State government workforce. Source: *Get Better Soon—The Management of Sickness Absence in the WA Public Sector*, Performance Examination, Report No.5, August 1997.

⁶⁰ Hallis. op cit, pp. 65, 70–71.

Figure 5.3**Centrelink days of week that absence occurred 2001–02 (paid personal leave only)**

Source: Centrelink.

Note: These Centrelink paid personal leave figures may exclude some paid bereavement leave.

5.21 Examination by agencies for other patterns that may exist could include seasonal differences, the frequency of unscheduled absences occurring on the days just prior to, or just after, public holidays,⁶¹ an employee's annual leave, or changes in a work roster. Public Service paydays, school holidays, and seasonal or other particularly busy times of the month or year may also correlate with higher than normal levels of unscheduled absence. For example, not surprisingly, the level of sick leave taken generally increases during winter months when inclement weather and colds or influenza are more common⁶² (see example of seasonal variations at Figure 5.4). Nevertheless, such information could be useful for dealing positively with the causes of absence, whether justified or not.

5.22 Better practice agencies recognise that patterns of absence may mask serious health, interpersonal or workplace issues. Supervisors should be alert to emerging patterns of absence and be prepared to investigate the cause and

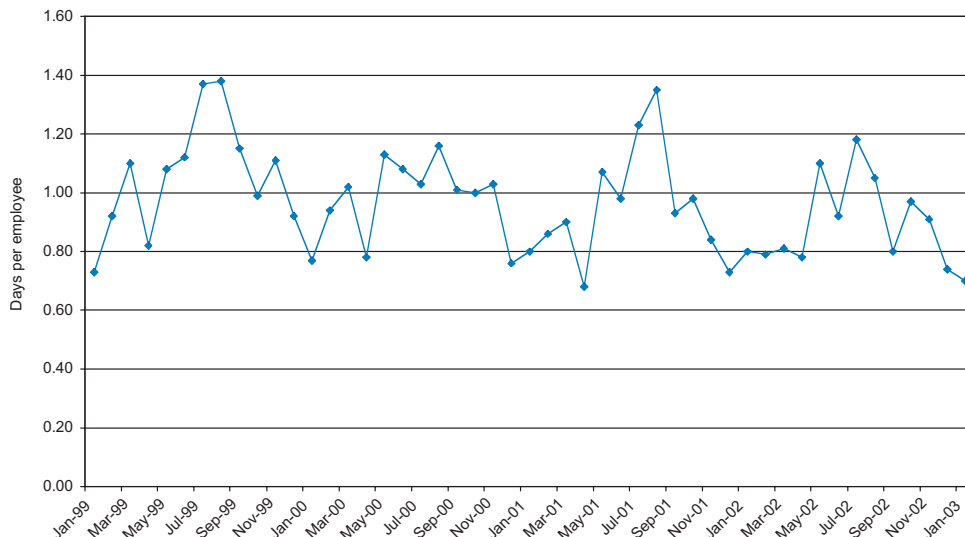
⁶¹ The Hallis survey found that more than half the participating organisations required a medical certificate for sick leave taken immediately prior to a public holiday or immediately after a public holiday. In these organisations, there were significant reductions in the number of days sick leave used by employees. *op cit*, pp. 70–71.

⁶² It has been estimated that there were 45 million occurrences of the common cold and associated symptoms in Australia during 2001–02, resulting in 1.5 million workdays lost. Source: National Prescribing Service, *Common Colds Need Common Sense*, June 2002.

take appropriate action, if necessary, whether on an organisational and/or individual basis.

Figure 5.4

HIC 2001–02 unscheduled absence per month



Source: Health Insurance Commission.

Employee age and gender

5.23 One APS agency found that, during 2001–02, employees aged 60 years and over and those aged under 25 years were the most likely to take sick leave, taking three times and double the levels respectively of the amount of sick leave taken by other age groups (see Figure 5.5). Employees aged 30–44 and those aged 60 years and over, took the highest amounts of carer’s leave, which is in keeping with the fact that these groups are likely to have family and caring responsibilities. This agency also found that during, 2001–02, female employees took 16 per cent more sick leave and 28 per cent more carer’s leave than male employees.⁶³ However, for employees aged 60 years and over, females took 18 per cent more sick leave than males, whereas males in this group took more than twice as much carer’s leave than females. Another study, covering public and private sector employees, found that females took about 25 per cent more sick leave than males.⁶⁴

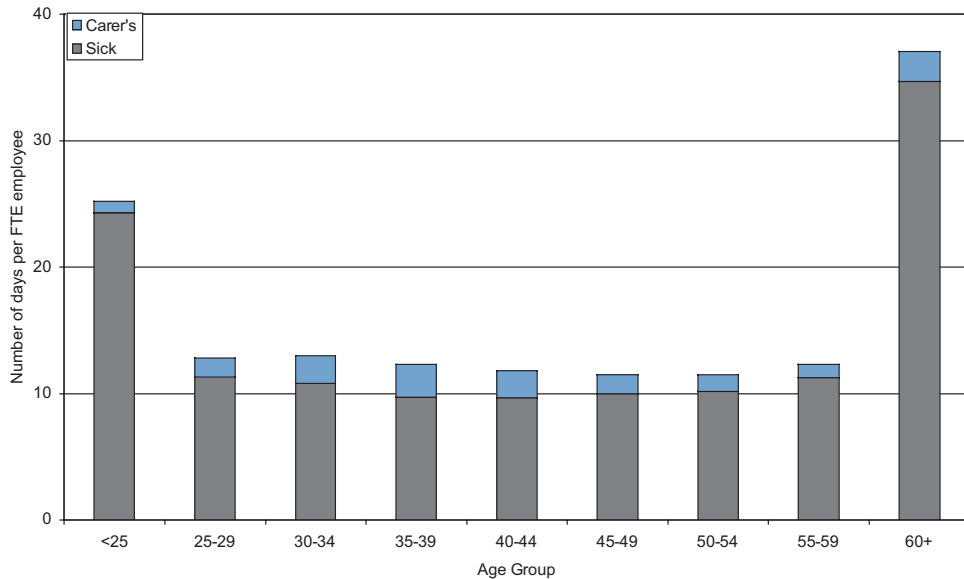
⁶³ Females took an average of 10.97 days sick leave and 1.94 days carer’s leave compared to 9.48 days sick leave and 1.51 days carer’s leave taken by males.

⁶⁴ Hallis, op cit, pp. 45–46.

5.24 It is not easy to draw other than superficial conclusions from these statistics without additional data. However, they indicate differences in individual employees' absence behaviour and the need to recognise these differences in order that suitable strategies can be developed to address any problems that may be experienced in an organisation with manifestly different and/or higher levels of absence.

Figure 5.5

Centrelink days sick and carer's leave by age group 2001–02



Source: Centrelink.

Duration and reason for leave

5.25 The ANAO found that the HRISs in many agencies do not have the capacity to differentiate between a five-day absence and five one-day absences, making it difficult for managers to effectively monitor how often employees take sick leave. Many HRISs also have limited ability to record the reasons for leave, or this facility is not consistently used when it is available.⁶⁵ This restricts the analysis of data that can be undertaken by agencies to identify common causes of sick leave such as stress, influenza and muscular-skeletal injury.

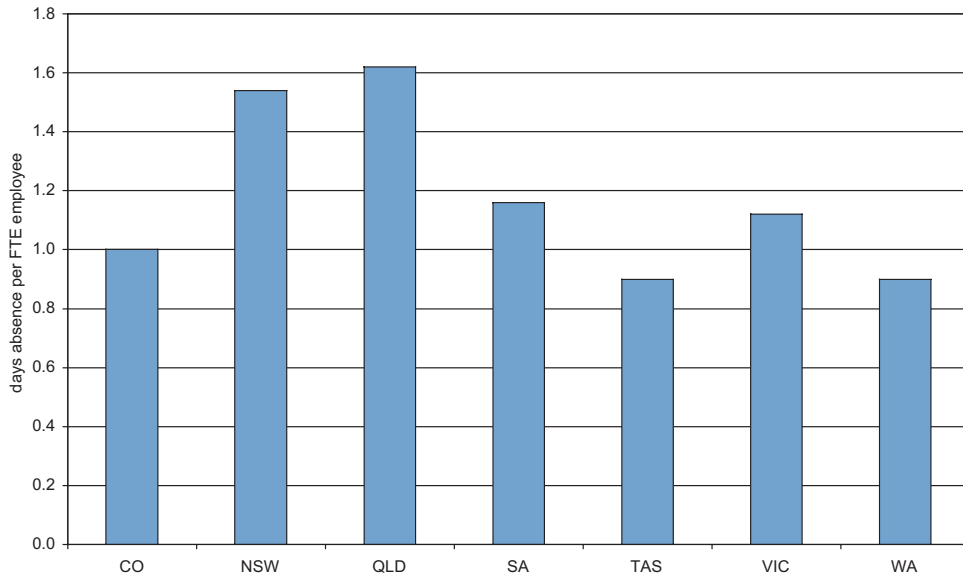
⁶⁵ For example, where it is not compulsory to enter data in this field for the agency's HRIS.

Regional and other variations

5.26 Within an organisation, absence rates for a particular time frame can vary across locations, as shown in Figure 5.6. Variations in absence rates can also be expected where there are significant differences in the underlying nature of the work being performed. For example, absence rates for call centre or public contact staff often exceed the absence rates for scientists or policy development officers. Understanding the reasons for the variations in absence rates is a crucial first step in addressing any unsatisfactory absence levels. In addition to the capacity to record relevant data, agencies need to regularly analyse it and pass the results along to line managers so that they can take appropriate action when necessary.

Figure 5.6

HIC States and National Office days absence per FTE employee during June 2002



Source: HIC.

6. Effective Intervention and Action

This chapter outlines the better practice principles associated with effective interventions for absence management. It also provides relevant case studies and the related results of the ANAO survey and fieldwork.

Introduction

6.1 Appropriate and timely management intervention can lead to improved attendance levels. Any intended action on improving absence management in an agency will, of course, need to take into account the desired or prevailing culture in the agency, as well as the business needs of the organisation. Ideally, the overall people management strategy or workforce plan will indicate the desired culture and value-set of an agency. For instance, an agency may be seeking to improve employee flexibility and well-being and through this, improved productivity. As a consequence, it may be pursuing a flexible approach to working from home.

6.2 In this context, an overly detailed approach to the management of short periods of absence (regardless of reason) may appear counter-productive. Agencies should determine what action or intervention is justified within their culture, based upon their own assessment of what level of absence exists and how it compares to other benchmarks. If the agency compares well to external benchmarks, it may not wish to disturb current cultural norms by instigating a more detailed approach to absence management. However, continuing to monitor absence rates at monthly or quarterly intervals is still worthwhile to analyse reasons and to make sure there is no deterioration in the trend. On the other hand, if the agency, or any part of the agency, has an absence rate that is higher than existing or comparable benchmark levels, some action may then be necessary regardless of existing cultural norms, to achieve required business and service level outcomes. Nevertheless, the issue has to be addressed positively in a 'gain not blame' framework.

6.3 Australian and international research material provides a host of data and ideas on how to improve attendance or absence management through incentives, intervention and better managerial focus.⁶⁶ Some of these are outlined below.

⁶⁶ Australian Chamber of Commerce & Industry, Best Practice Information Paper No.3, April 1997—*Measures to Deal with Absenteeism in Federal Enterprise Agreements* UK Chartered Institute Of Personnel Development—*Employee Absence: a survey of management policy and practice*. Public Money & Management Oct-Dec 2001, *Absence Management in the Public Sector: An Integrative model?* P Dibben, P James & I Cunningham. UK Cabinet Office June 1998, *Working Well Together—Managing Attendance in the Public Sector and Putting Best Practice to Work*.

Guidelines, reporting and target setting

6.4 As noted earlier, better practice organisations establish clear guidelines and policies for absence management, ensure that effective reporting, recording and monitoring of absence occurs and set agency-wide and local, annual improvement targets for reductions in absence or improvements in attendance, with clear managerial accountability.⁶⁷ Within the context of their specific culture, agencies should consider whether the overall framework has adequate controls, incentives and deterrents in place to help minimise unscheduled absence. An example of such an approach is outlined in the following case study.

Case study No.7

Health Insurance Commission

As an outcome of the 1999–2000 Health Insurance Commission (HIC) Certified Agreement, a joint HIC/Union working party on absenteeism was established. Absence rates during 1999 in the HIC were judged to be high when compared to a group of relevant public sector organisations.

Following the study, the HIC instigated agency-wide performance management processes for all staff. This initiative, known as the Performance Support Program, includes a goal requiring employees to contribute to a positive attendance culture.

Most importantly, the *HIC (Business Improvement) Certified Agreement 2001–2003* contains specific clauses to encourage improved absence statistics. A salary increase was made conditional on all parties to the agreement committing to support the attendance strategy and an Achievement Bonus was available contingent upon reductions in the overall rate of unscheduled absence.

The HIC is also developing sophisticated reporting tools to enable executives and managers to easily monitor team absences and to conduct internal comparisons across teams and States. Specific activity to address local levels of unscheduled absence deemed to be too high is also occurring at State level. Examples of strategies in place to help reduce the levels of absence include:

- improved access for team leaders to up-to-date data on absence in their team, enabling them to monitor their workplace effectively;
- setting realistic and achievable benchmarks or reduction targets for different work areas acknowledging the differing roles performed;

⁶⁷ 'The industry average, however, should not be used as a target. An average is clearly not the ideal level—agencies should strive for the best possible rate.' *Effective Sick Leave Management—Public Service Act Staff Census 30 June 1993*, Public Service Commission Western Australia, November 1993, p. 5. The HRM Benchmarking Report 2002 states that the desired range for the unscheduled absence rate is the 25th percentile or less. That is, organisations should aim for a top quartile result. op cit, p. 258.

- information sessions for managers and supervisors to help develop strategies to improve attendance;
- specific, direct assistance to managers and supervisors in managing any long-term or complex cases of absence;
- an awareness campaign for all staff addressing the costs and implications of poor attendance patterns;
- the introduction of influenza vaccinations;
- referee reports provide comments in relation to an employee's attendance; and
- the introduction of a number of family-friendly policies, such as Carer Assistance, Vacation Childcare Subsidy and Healthy Lifestyle Subsidy.

Future HIC strategies, which involve a focus on motivational factors and relationships within teams, as well as a specific well-being strategy, may include a stop smoking campaign and introduction of yoga classes. An *Absenteeism Support Network* is also to be established to provide assistance and feedback sessions to line managers.

HIC advised that its activity on absence management has resulted in measurable reductions in the levels of absence across the agency. In NSW, absence has reduced by three days per FTE employee since 1999.

Intervention strategies

6.5 As noted in Figure 1.2, absence is a complex issue with a variety of influencing factors. If an absence control strategy is to be effective, it should be culturally appropriate for the particular organisation in question. Intervention strategies should be developed that seek to actively improve attendance or absence management in the agency. These improvement strategies can be a combination of initiatives that encourage improved attendance, including taking positive preventative action both in the workforce itself and in dealing with causes of absences, such as by use of influenza vaccinations. In addition, the organisation can encourage the prompt return to work of staff following sickness or injury, as well as having clear processes for handling poor attendance or excessive absence. The strategies are often integrated with existing 'family-friendly' or 'work-life' programs within organisations, as it is accepted that many absence issues are non-workplace related. Ideally, such strategies should also be closely aligned with the return to work strategies under the agency's rehabilitation policy and procedures (see *Managing Return to Work in the Workplace: A Guide for Line Managers and Supervisors*).⁶⁸

⁶⁸ op cit.

Examples of intervention strategies used in organisations

- Sick leave or paid leave banks which provide employees with a bank of hours to be used for various purposes instead of traditional separate accounts for sick, recreational and personal time. Several employees within a team can contribute to these banks, placing an informal pressure on employees to limit their use of the bank.
- No-fault systems provide a relatively generous level of sick leave but strictly limit the number of absences allowed, regardless of circumstances, and take specific disciplinary action (such as workplace counselling) if that number is exceeded.
- Buy-back or bonus systems compensate or reward employees for the allotted time for sickness absence that they did not use in a specified period (see Toyota case study below).
- Personal recognition schemes where employees or teams who have low levels of absence are recognised within the organisation.
- Including absence targets in annual/biannual staff performance reviews.
- Access to employee health professionals, such as occupational health, employee assistance programs, psychologists and rehabilitation.
- Health promotion activities, such as healthy-life skills, influenza injections, and health assessments.
- Provision of on-site or subsidised childcare facilities.
- Arranging independent medical examinations in cases of extended or repetitive absence.

6.6 Not all these options will be applicable to an APS environment. However, some APS agencies have implemented successful financial reward strategies to encourage improved attendance where it is perceived that a higher than desired level of absence exists in the agency (see HIC case study above). A recent study found that, although only about ten per cent of employees received an incentive to minimise sick leave, these employees do, on average, tend to use less sick leave.⁶⁹ Agencies should also develop clear and unequivocal sanctions that can be used if a persistent case of excessive absence needs to be addressed. For example, counselling, medical certification of all unscheduled absences, docking pay, demotion, and even termination, need to be considered. It is vitally important, however, that any incentives or intervention strategies adopted are both closely monitored and periodically evaluated.

⁶⁹ Hallis, *op cit*, p. 55. Incentives were defined as the employee receiving any type of individual or team-based payment, reward or other inducement for not taking sick leave.

Case study No.8

Toyota Australia

The issue of the levels of absenteeism is very topical in Toyota Australia and it currently constitutes a Global Human Resources project for the company. Also, Toyota Australia's workplace agreement contains a Teamwork Charter, which has a specific reference to absenteeism. Toyota has in the past instigated a *Reward and Recognition Scheme* that provided a financial bonus for improvements in attendance levels but found the scheme not to be cost-effective and it has now been discontinued.

Although Toyota's levels of absence compare well with other Australian companies, the levels are higher than those found in other Toyota plants overseas. The Global Human Resource project aims to analyse the reasons for these differences and develop strategies to improve attendance levels further.

6.7 More specific better practice intervention techniques that can also be applied at the section level include:

- establishing early contact with the absent employee and setting a specific time when the employee should make contact with the workplace or supervisor;
- maintaining frequent contact with the absent employee and agreeing on a future date for the next contact;
- conducting a return-to-work interview with the employee;⁷⁰
- recording the time lost and the reason for the absence in the appropriate medium; and
- gaining an understanding of when review action is required, that is, when the absence pattern becomes excessive and what action to take at that point.

6.8 As noted earlier, requiring medical certificates for sickness absences can be an important tool used by agencies to minimise absence levels. However, although they have a role in managing absence, a primary reliance upon doctors to validate sick leave is not an effective way to regulate short-term sick leave.⁷¹ Research from the UK indicates this is because employer or supervisor over-reliance upon medical certificates tends to discourage dialogue with doctors

⁷⁰ One of the best ways to manage sick leave is for the manager (with appropriate skills) to talk to the employee about the absence when he or she returns to work. Such prompt intervention can be effective in:

- demonstrating concern for people;
- alerting supervisors to issues that affect attendance. Work-related issues may be tackled proactively by the manager, while staff with personal problems can be offered referral to other support services; and
- providing a level of scrutiny that discourages employees from taking unnecessary absences.

Source: *Managing Sick Leave*, op. cit. p. 52.

⁷¹ *ibid.*

to resolve employee problems and preclude effective management of factors that are contributing to absenteeism.⁷² Without being unnecessarily intrusive, judgment should be exercised regarding those situations where some contact and/or clarification with the certifying doctor is warranted, in the interests of both the employee and the employer. In a recent study of Call Centre staff, most respondents agreed to the proposition that: 'people use sick leave for other purposes because they can get away with it.' About half the respondents also agreed to the proposition that: 'it is easy to obtain a medical certificate when you are not sick.'⁷³

6.9 An overall unscheduled absence level in an organisation that falls below the APS average may not mean that nothing needs to be done.⁷⁴ For example, there may be pockets of high absence levels in some parts of the agency that are masked by particularly low levels of absence in other divisions, work units or locations. Likewise, within a work unit or location, there may be some individuals incurring relatively high levels of unscheduled absence where lack of effective management action and/or attendance behaviour need to be addressed. Left unchecked, with an implication of no concern, an absence culture may soon develop and spread rapidly throughout the organisation. Advice on managing sick leave provided to Western Australian agencies by that State's Public Sector Management Office opens with the warning that: 'Absenteeism is like a fungus. It thrives in dark corners. The more you leave it the more it spreads.'⁷⁵

6.10 When it comes to combating unscheduled absence, recent US research indicates that the two work-life programs rated as most effective were those providing alternative work arrangements (flextime or making up for time absent from the workplace by working extra hours on another occasion—which is long-established in most APS agencies) and compressed work week (for example, compressing a 36 hour five-day working week into four days at nine hours per day). Other programs receiving high ratings included: Leave for School Functions; On-Site Child Care; Employee Assistance Plans and Telecommuting.⁷⁶ Another study found that there were lower rates of leave usage where work/life balance programs exist.⁷⁷

⁷² Department of Health (UK) 2001. *Managing sickness absence—A comprehensive guide*.

⁷³ Hallis. op cit, p. 60.

⁷⁴ 'An apparent satisfactory overall absence situation may disguise an underlying problem at the divisional ... or unit level.' Fitzpatrick, Michael and Huczynski, Andrzej. 1990. *Applying the Benchmark Approach to Absence Control*, Leadership and Organizational Development Journal, Vol 11, No. 5, pp 22–26.

⁷⁵ WA Public Sector Management Office, *Effective Sick Leave Management*. Public Service Act Staff Census 30 June 1993, Public Service Commission Western Australia, November 1993, p. 1.

⁷⁶ CCH 2002, op cit, p. 156.

⁷⁷ Hallis. op cit, p. 72.

6.11 Audits in other jurisdictions have found that some staff have been confirmed in their positions despite high levels of unscheduled absence during their probationary period. In addition, studies have found that sickness absence patterns established during early years of employment have tended to continue in subsequent years.⁷⁸ Better practice organisations include attendance history as one of the factors considered during the recruitment, permanent appointment, transfer and/or promotion of staff.

Survey and fieldwork results

6.12 Establishing benchmarks and targets assists in focussing attention on current levels of absence and enables regular monitoring and feedback. Only five of the 68 responding APS agencies (seven per cent) reported that they had set any targets for the level of unscheduled absence or sickness absence in their agency and only 13 agencies (19 per cent) reported that they had benchmarked their unscheduled absence.

6.13 Most responding APS agencies reported that they had trigger points in place for reviewing an individual employee's sickness absence. However, 25 agencies (37 per cent) did not. The audit did not set out to verify whether the specified action was taken when the set trigger point was reached. Wide variations were also noted in the actual trigger points that were reported by agencies, such as the duration or frequency of absences before an independent medical examination is required to be arranged.⁷⁹ This indicates that some agencies may not be reviewing the absence behaviour of individual employees as promptly as good practice would suggest.

6.14 Three-quarters of responding APS agencies reported that employees were required to notify their managers or supervisors by a specified time on the first day of any unscheduled absence (usually 10.00am). Around one-half of responding agencies (54 per cent) reported that they also require employees to advise of their likely return-to-work date and the reason for their absence when first notifying of an absence. The majority of responding APS agencies do not conduct return to work interviews. Anecdotal evidence suggests that this practice is more widely used in the private sector than the public sector to manage unscheduled absence.

⁷⁸ For example, see *The Management of Sickness Absence in Her Majesty's Land Registry*, op cit, pp. 21–22.

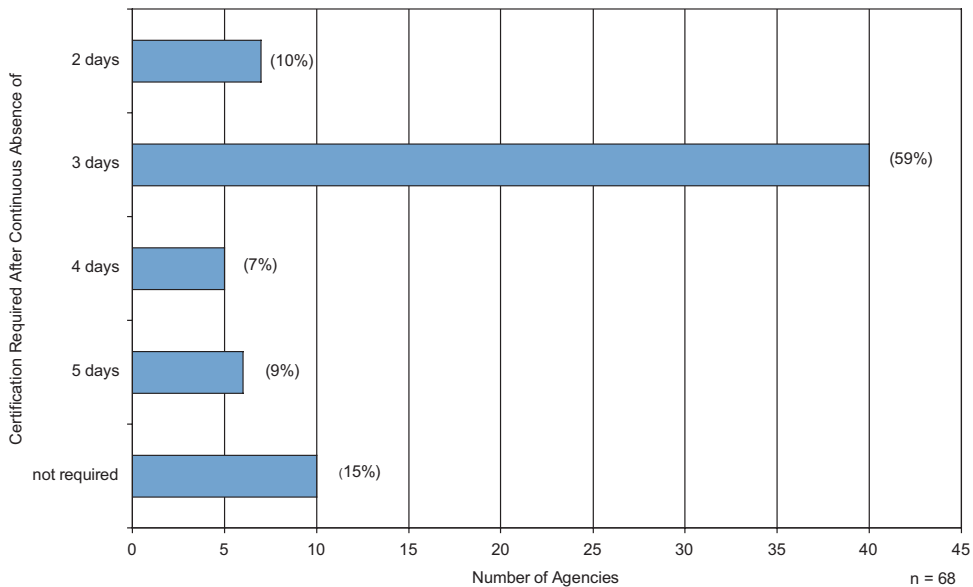
⁷⁹ Absence durations reported as triggering such action ranged from two weeks to 13 weeks, with four weeks the most commonly cited period.

Medical certificates

6.15 The ANAO found that the extent of self-certification of absence by APS employees varied. Most responding APS agencies reported that a medical certificate was required for absences that continued for three days or more. However, in some agencies, this was set at either four or five days. In addition, around 15 per cent of responding APS agencies reported that there was no set period of absence requiring a certificate to be provided (see Figure 6.1). Some agencies advised, however, that their managers or supervisors have the discretion to request that a certificate be provided by the employee in those instances where certification by a medical practitioner is considered to be warranted.

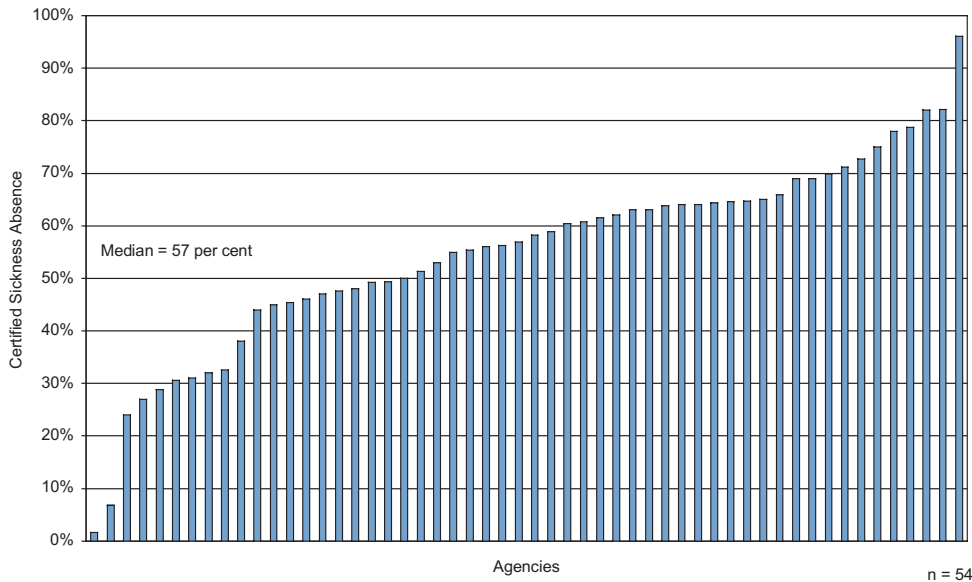
Figure 6.1

Responding APS agencies that require sickness absence certification



Source: ANAO 2002 Absence Management Survey.

6.16 The 54 responding APS agencies (79 per cent) that were able to provide data to the ANAO on the proportion of their total days sickness absence during 2001–02 that was covered by medical certificates, showed widely varying figures. The median agency reported that 57 per cent of its sick leave was certified (see Figure 6.2). The reasons that some agencies had very high rates of uncertified absence were not explored during the audit, but may warrant further investigation by the agencies concerned. The audit also did not set out to verify compliance with the various agency-specific requirements for medical certificates specified in certified agreements or agency policies.

Figure 6.2**Percentage of responding APS agencies' sickness absence that is medically certified**

Source: ANAO 2002 Absence Management Survey.

Implementation of absence management initiatives

6.17 At an organisation-wide level, there are many options available to minimise the incidence of unscheduled absence. Surprisingly, the ANAO found that only 60 per cent of responding APS agencies reported that they had implemented one or more initiatives (such as incentives and/or deterrents) to reduce the level of sickness absence in their agency.⁸⁰ The average across the APS was 1.5 initiatives per agency. In comparison, a recent commercial survey indicates that US public and private sector organisations had an average of 7.3 initiatives (work-life programs) in place during 2002 to address unscheduled absence.⁸¹

6.18 While the quality of initiatives should always be balanced against quantity, the foregoing suggests that unscheduled absence could be reduced in APS agencies by greater use of appropriate interventions. Only 12 responding APS agencies (18 per cent) reported that any studies had been undertaken in recent years to identify the main factors that contribute to unscheduled absence in

⁸⁰ This may overstate the APS position somewhat, as ANAO found that although some agencies stated they had implemented initiatives to reduce sick leave levels, the descriptions indicated there was only an intention to implement initiatives in the future and/or the stated initiative would be unlikely to result in any actual reduction in sick leave levels.

⁸¹ CCH, op.cit, p. 156.

their agency. This implies that some agency initiatives may be poorly targeted.⁸² Figure 6.3 indicates the most frequently reported initiatives by APS agencies to reduce their sickness absence levels.⁸³ The audit did not assess the effectiveness of reported agency initiatives.

Figure 6.3

APS agencies' reported initiatives to reduce sickness absence levels

| Initiative | APS agencies | Per cent of respondents |
|---|--------------|-------------------------|
| Influenza vaccinations | 17 | 25 |
| Early intervention/rehabilitation program | 11 | 16 |
| Employee assistance program | 10 | 15 |
| Workplace/ergonomic assessments | 10 | 15 |
| Healthy lifestyle seminars and/or subsidy | 9 | 13 |
| Stress management courses | 5 | 7 |

Source: ANAO 2002 Absence Management Survey.

6.19 Three agencies reported they had introduced carers' rooms and two agencies reported that an on-site gym was available for use by employees. Quit smoking programs, yoga classes, fatigue management for drivers, therapeutic massages, revision of shift allowances, graduated return to work programs and the partial payout of unused sick leave entitlements were among the other initiatives reported by some APS agencies. In addition to its other initiatives, one agency also reported that it actively encouraged staff to take annual leave and discouraged working excessively long hours. Although not specifically mentioned in the survey responses, some agencies also provide and/or sponsor school holiday programs for their employees' children.

6.20 Ad hoc initiatives in isolation are seldom sufficient, partly because they may be targeting the wrong cause. If an intervention or initiative is to be adopted, it needs to be not only well-targeted, but also integrated with other human resource management initiatives and an overall absence reduction strategy. As noted above, any interventions and initiatives should also be monitored and evaluated.

⁸² The CCH survey also found that the most common work-life programs were not always rated as the most effective. op cit.

⁸³ It is likely that Employee Assistance Programs are more widespread throughout the APS than indicated in the agency responses.

6.21 The ANAO found that, with a few notable exceptions, APS agencies are facing a severe lack of appropriate data on the cost-effectiveness of the various intervention options available to them. Clearly, there is a need for more research and experimentation by agencies in absence minimisation techniques and greater sharing of information among agencies for better results. This suggests a possible role for the APSC, using its existing networks of human resource practitioners.

6.22 The following case study provides examples of the successful intervention by two agencies to reduce their unscheduled absence levels through the introduction of influenza vaccination programs.

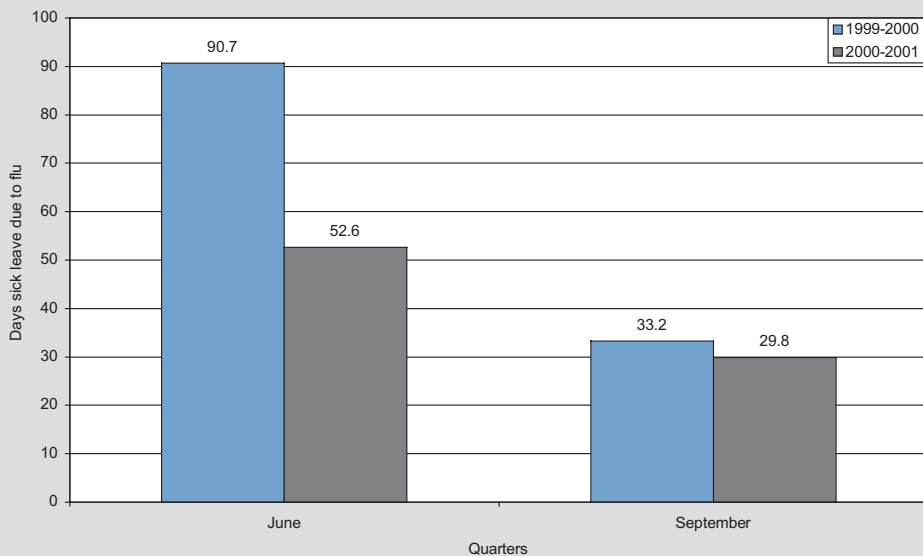
Case study No.9

Successful interventions

The Victoria State office of the Department of Employment and Workplace Relations ran an influenza vaccination program for 2001. Its analysis of the sick leave taken by the Department's employees in Victoria due to flu (or similar reasons such as head colds or viruses) during the June and September quarters in 2000 and 2001 identified a decrease in absence for this reason following introduction of flu vaccinations (see Figure 6.4).

Figure 6.4

DEWR reduction in sick leave following the introduction of an influenza vaccination program



Source: DEWR People and Leadership Committee, March 2002.

This case study shows that collecting and analysing data on the reasons for absence is essential for formulating cost-effective and targeted intervention strategies. Such data is also essential for evaluating and demonstrating the success of the chosen intervention.

DEWR advised that since these results were compiled, greater emphasis has been placed on reducing unscheduled absence across the Department. As a result, the average number of days of unscheduled absence per employee has reduced from 11.0 days in 2001–02 to 8.0 days for the 2002 calendar year. The Department envisages that with closer management attention in the coming year, the average number of days will reduce further.

The Department of Prime Minister and Cabinet (PM&C) also offered its staff a free influenza vaccination service, in May 2001, which was taken up by about one in every three employees. Comparison of the personal leave taken for the six months immediately following the vaccinations, to the same period in the previous year, indicated that there was an overall reduction in personal leave averaging around one day per employee. Although the reduction cannot be directly attributed to the influenza vaccination program, PM&C calculated that savings in the vicinity of \$70 000 were achieved for an outlay of about \$2500.

7. Training and Support

This chapter outlines the better practice principles associated with training and support for absence management. It also provides relevant case studies and the related results of the ANAO survey and fieldwork.

Introduction

7.1 A critical part of the success of any strategy for improving attendance or absence management includes providing effective initial training and ongoing support for managers, supervisors and staff. This may also need to extend to guidance and advice to executive committees on how to interpret and monitor absence statistics and benchmarking data.

7.2 Training is essential to assist managers in the consistent implementation of the organisation's absence policy. Workshops can prove effective in explaining the policy and discussing issues around it with staff, including stress; and health and safety in the workplace. Training and communication should not be confined to the introduction of a policy. Refreshing managers' and staff commitment to the policy and any absence level targets on a regular basis continues the momentum and shows evidence of sustained management commitment.

7.3 Training should encourage staff and managers to consider the overall effect of absence on the whole organisation. It should also illustrate how, in working as part of a team, the absence of one member puts additional pressure on the others. It should allow staff and managers to discuss the implementation of the policy and consider how its application best fits the working environment of the agency and individual work units. In the private sector, some policies allow flexibility for work unit specific measures (for example, bonuses for good attendance) at the suggestion of staff themselves. Nevertheless, there also has to be a realisation and understanding that staff who are unwell or have other problems, particularly related to family issues, can have a debilitating effect on a team or group by their presence at work.

7.4 Effective training of staff and supervisors about the agency's absence policy will:

- clearly explain the allocation of responsibility between management, supervisors and staff as absence becomes more serious;
- highlight the importance of the absence statistics gathered by the agency for the agency as a whole and for each work area;
- ensure that each officer is aware of their assigned responsibility for action at all stages;

- show how application of the policy begins on day one of the absence and covers every day of the absence;
- reinforce that the aim, throughout the process, is to encourage and ease the return to work;
- promote consistency across the organisation in triggering the next relevant step of the process;
- demonstrate, through practical examples and case studies, how the policy and procedures provide the flexibility, at each stage, to take action appropriate to the circumstance of each case;
- identify that there is a designated end-point after which specific sanctions or disciplinary action commence; and
- provide details of designated contact officers with relevant expertise that staff and supervisors can turn to for assistance, where required.

7.5 It is also important to provide the appropriate tools and other support to assist managers and supervisors to effectively manage absence. The following case study provides a practical example.

Case study No.10

ATO

To equip its staff with the necessary skills, the ATO provides them with training in absence management. *Managing Attendance and Working Patterns* training is mandatory for all managers and team leaders throughout the agency and there are prescribed sanctions for those officers who do not undertake the training within a specified period. The training material uses case studies drawn from real cases but presented in a manner that ensures privacy and confidentiality is maintained. Key messages in the training include:

- the responsibility of team leaders as decision makers who approve the various attendance arrangements available to staff; and
- the significant implications to the organisation (monetary/productivity) and its ability to conduct business effectively if staff attendance is not managed appropriately.

One of the basic principles reinforced in the training is that all staff are expected to attend work, unless there is a legitimate reason preventing them from doing so and other arrangements are not feasible. Training also covers how to access and use the managers' reports available from the HRIS and where to obtain further assistance in managing attendance issues.

Survey and fieldwork results

7.6 As with every other element within an organisation, employees cannot be expected to perform a job competently that they have never been trained to do. The ANAO sought details from agencies about relevant staff training provided to help manage absence.

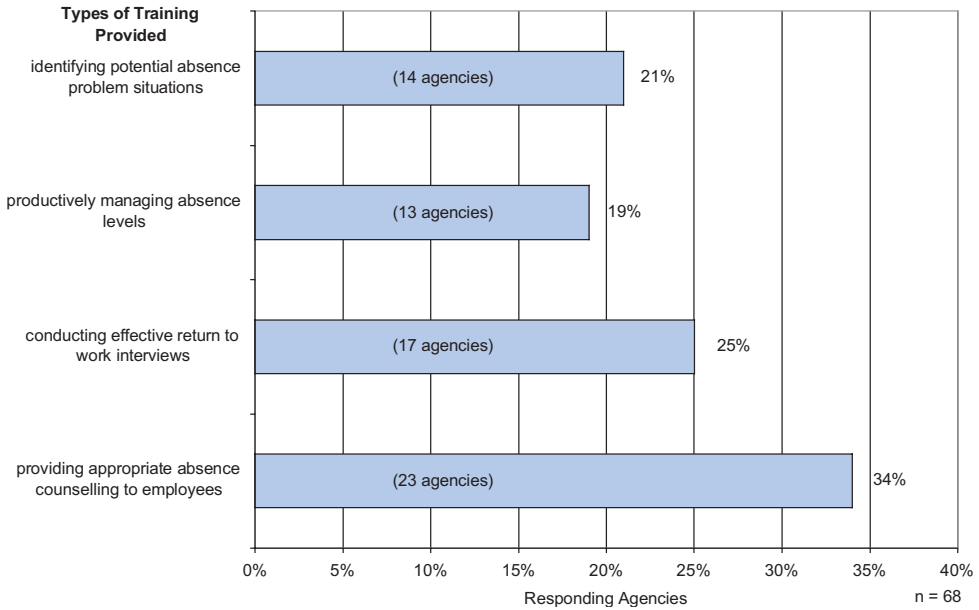
7.7 Around two-thirds of responding APS agencies reported that they did not provide any specific training to their managers and supervisors to equip them with the necessary skills to effectively manage unscheduled absence. Only one in every five responding APS agencies reported that they provided training for their managers and supervisors to identify potential absence problem situations and effectively manage absence levels (see Figure 7.1). This suggests that there is scope for significant improvement in this area for those agencies where absence is a problem. Agencies with high absence levels need to consider the training needs of supervisors and managers as part of the agency's overall strategy to manage unscheduled absence. The costs and benefits of providing suitable training should be assessed. The message from this audit is the need to have reliable related data for such an assessment.

7.8 One irony of unscheduled absence is that the primary cause may be the attitudes of, and action, or lack of action, by the supervisor/manager. This presents agency management with something of a dilemma if the person responsible for managing absence is actually causing it. Strategies to specifically address such situations, including appropriate training, should be developed in agencies where this issue arises.

7.9 It is important to ensure that, as far as possible, unscheduled absences are dealt with in a positive manner. The preferred outcome in most cases is a productive, sustainable return to work for the individual/s concerned. Where managers are not prepared and trained to manage unscheduled absence and its implications in the workplace, the risk is that absence situations will not be well managed. This could generate unnecessary disputes, additional costs and reduced productivity.

Figure 7.1

Percentage of responding APS agencies that provide specific training in absence management to managers and supervisors



Canberra ACT
20 June 2003

P. J. Barrett
Auditor-General

Appendices

Appendix 1

List of unscheduled absence audits in other jurisdictions

The Management of Sickness Absence in Her Majesty's Land Registry, Report by the (UK) Comptroller and Auditor-General, January 1996.

Get Better Soon—The Management of Sickness Absence in the WA Public Sector Auditor General Western Australia, Performance Examination, Report No.5, August 1997.

The Management of Sickness Absence in the Metropolitan Police Service, Report by the (UK) Comptroller and Auditor-General, December 1997.

Management of Sickness Absence NSW Public Sector, The Audit Office of New South Wales, Performance Audit Report, August 1998.

Managing Sickness Absence in the Prison Service, Report by the (UK) Comptroller and Auditor-General, April 1999.

Get Better Soon—The Management of Sickness Absence in the WA Public Sector Auditor General Western Australia, Follow-up Review, Public Sector Performance Report, Report No.1, April 2000.

Managing Sick Leave NSW Police and Department of Corrective Services, NSW Auditor-General's Report, Performance Audit, July 2002.

The Management of Substitution Cover for Teachers, Report by the Comptroller and Auditor General for Northern Ireland, Northern Ireland Audit Office, December 2002.

Appendix 2

Responding agencies' 2001–02 rates of unscheduled absence

Care should be taken in interpreting the absence figures below, due to differences in agencies' size, workforce profile, operations and demographics.

| Agency | Days per FTE | Rank | FTE staff |
|--|--------------|------|-----------|
| APS departments and agencies | | | |
| Federal Magistrates Service | 2.92 | 1 | 67 |
| Australian National Maritime Museum | 3.17 | 2 | 100 |
| Great Barrier Reef Marine Park Authority | 4.08 | 3 | 164 |
| Australian War Memorial | 5.06 | 4 | 281 |
| Australian National Audit Office | 5.29 | 5 | 282 |
| Department of Communications Information Technology and the Arts | 5.90 | 6 | 561 |
| Bureau of Meteorology | 5.96 | 7 | 1422 |
| Human Rights and Equal Opportunity Commission | 6.10 | 8 | 95 |
| Australian Public Service Commission | 6.35 | 9 | 151 |
| ARPANSA | 6.63 | 10 | 135 |
| National Office for the Information Economy | 6.73 | 11 | 156 |
| Australian Greenhouse Office | 6.75 | 12 | 189 |
| Geoscience Australia | 6.83 | 13 | 546 |
| Department of Foreign Affairs and Trade | 6.95 | 14 | 1877 |
| Treasury | 6.98 | 15 | 606 |
| Department of Transport and Regional Services | 7.01 | 16 | 1033 |
| National Museum of Australia (Top quartile agency) | 7.31 | 17 | 179 |
| National Science and Technology Centre (Questacon) | 7.48 | 18 | 123 |
| Australian Institute of Health and Welfare | 7.50 | 19 | 159 |
| Administrative Appeals Tribunal | 7.54 | 20 | 123 |
| Australian Heritage Commission | 7.56 | 21 | 80 |
| Aboriginal Hostels Ltd | 7.60 | 22 | 446 |
| Department of Education, Science and Training | 7.92 | 23 | 1485 |
| Australian Competition and Consumer Commission | 8.04 | 24 | 471 |
| National Crime Authority | 8.08 | 25 | 258 |
| Department of Environment and Heritage | 8.11 | 26 | 1236 |
| AusAID | 8.16 | 27 | 555 |
| Agriculture Fisheries and Forestry—Australia | 8.38 | 28 | 3751 |
| Foodstandards Australia | 8.45 | 29 | 118 |
| Department of Finance and Administration | 8.48 | 30 | 641 |
| Prime Minister and Cabinet | 8.86 | 31 | 368 |
| Royal Australian Mint | 8.89 | 32 | 99 |
| CRS Australia | 8.92 | 33 | 1442 |
| Australian Securities and Investments Commission(Median agency) | 8.94 | 34 | 1166 |
| Federal Court of Australia | 8.95 | 35 | 342 |

| Agency | Days Rank per FTE | FTE staff | |
|--|----------------------|--------------|-------|
| National OHS Commission | 9.14 | 36 | 116 |
| Australian Communications Authority | 9.52 | 37 | 399 |
| Attorney-General's Department | 9.52 | 38 | 643 |
| Commonwealth Director of Public Prosecutions | 9.55 | 39 | 454 |
| Productivity Commission | 9.75 | 40 | 201 |
| National Screen and Sound Archive (ScreenSound Australia) | 9.97 | 41 | 219 |
| Department of Immigration and Multicultural and Indigenous Affairs | 10.16 | 42 | 3755 |
| Department of Defence | 10.22 | 43 | 16811 |
| Australian Bureau of Statistics | 10.31 | 44 | 3632 |
| National Library of Australia | 10.61 | 45 | 481 |
| Department of Industry Tourism and Resources | 10.95 | 46 | 1508 |
| Department of Health and Ageing | 11.03 | 47 | 3267 |
| Department of Employment and Workplace Relations | 11.06 | 48 | 1950 |
| Australian Customs Service | 11.26 | 49 | 4669 |
| National Archives of Australia | 11.28 | 50 | 378 |
| Australian Industrial Registry | 11.48 | 51 | 198 |
| Comcare | 11.63 | 52 | 299 |
| Australian Broadcasting Authority | 11.64 | 53 | 130 |
| Comcar (Mean agency) | 12.06 | 54 | 81 |
| Department of Family and Community Services | 12.44 | 55 | 1680 |
| Australian Electoral Commission | 12.54 | 56 | 808 |
| National Native Title Tribunal | 12.59 | 57 | 242 |
| IP Australia | 12.90 | 58 | 789 |
| Aboriginal and Torres Strait Islander Commission | 13.39 | 59 | 1272 |
| Migration Review Tribunal | 13.44 | 60 | 152 |
| Department of Veterans Affairs | 13.59 | 61 | 2442 |
| Family Court of Australia | 13.70 | 62 | 614 |
| Child Support Agency | 14.16 | 63 | 2529 |
| Comsuper | 14.87 | 64 | 356 |
| Australian Taxation Office | 15.15 | 65 | 18639 |
| Centrelink | 15.47 | 66 | 23111 |
| Refugee Review Tribunal | 15.66 | 67 | 155 |
| Australian Protective Service (Data not available) | na | na | na |
| Statutory Authorities | | | |
| Australian Maritime Safety Authority | 5.22 | 1 | 237 |
| CSIRO | 5.38 | 2 | 5850 |
| Special Broadcasting Service Corporation | 6.02 | 3 | 771 |
| Civil Aviation Safety Authority | 6.52 | 4 | 686 |
| Australian Broadcasting Corporation | 6.55 | 5 | 4259 |
| Australian Federal Police | 8.46 | 6 | 2989 |
| Airservices Australia | 11.18 | 7 | 2870 |
| Health Insurance Commission | 15.03 | 8 | 3996 |

Source: ANAO 2002 Absence Management Survey

Note: ABARE, AQIS and BRS are included under AFFA.

TGA is included under the Department of Health and Ageing.

AGAL is included under the Department of Industry, Tourism and Resources.

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