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Innovative People Management and Systems in the Australian Public Sector

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Pat Barrett
Auditor-General for Australia
I. INTRODUCTION

An invitation to provide insights concerning innovative people management initially seemed to present a somewhat daunting task. Moreover, it still does. Nevertheless, a significant advantage of my position is that the Australian National Audit Office (ANAO) has the opportunity to review Commonwealth government organisations’ functions and activities covering a wide range of subjects, including people management. This makes it an especially interesting organisation in which to work.

The audits we conduct are increasingly about the performance of public sector organisations, focussing on better practice and adding value to public administration. Each year, we determine our audit program with the latter imperatives in mind. As an aid to that important task, we identify a number of important administrative themes, within which the program is categorised, as part of our audit strategy.

Currently, one of the four themes in performance auditing is governance issues, which include human resource or people management, as well as financial management, and performance management and measurement.

People management as a theme is highly appropriate at this time. The Australian Public Service has been undergoing a series of reforms over the past two decades. Much of that reform has centred on resource management, performance and results in terms of programs, outputs and/or outcomes. However, more recently, and quite appropriately, the focus has shifted to the management of our people.

In the past, performance audits have largely focused on individual agencies. In this respect, the ANAO has undertaken a number of single agency audits of various human resource management issues, most recently, workforce planning at the Department of Immigration and Multicultural and Indigenous Affairs. In recent years, however, the ANAO has increased the number of cross portfolio audits, that is, those involving more than one agency, where there are shared objectives, shared service delivery or, simply, common issues. Such audits can be a considerable learning experience for all concerned.

Recent cross portfolio audits of a particular aspect of people management include the management of learning and development in the Australian Public Service and managing absenteeism. The ANAO has also published a better practice guide on workforce planning, returning to work after an accident or long illness, and a guide, Building Capability: A Framework for Managing Learning and Development in the APS, which was developed jointly with the Australian Public Service Commission. In June this year, we tabled the second year’s report on a major benchmarking study of people management across thirteen public sector organisations.

Much of what I have to say today is derived from the above audit work, in particular covering:

• the need for innovative people and systems in the public sector;
• the means of acquiring, developing and supporting innovative people; and
• the identification of innovative people management systems which have resulted in organisational effectiveness.

I will discuss each area in turn, firstly by putting the topic of innovative people and systems in the context of the Australian Public Service (APS). That is, I will basically keep to the area with which I am familiar. However, I am aware that we share many common problems, perceptions and better practice across levels of government.

II. THE NEED FOR INNOVATIVE PEOPLE AND SYSTEMS: THE APS CONTEXT

We can create, and/or adapt to, a changing environment. Few can actually ignore it. There is some imperative to at least understand the changes that are occurring and, if so, contribute to them. We can be a beneficiary or a victim of change. We should at least attempt to have a choice.

In addition to technological advances that are considerably changing the way in which the public sector operates, an increasing amount of government business requires cooperation between portfolios and other jurisdictions, as well as partnerships with the private sector and/or community organisations. This is in a context where national, regional and international events often require immediate action, and long-term involvement, from Australian public sector agencies without compromising their ongoing day-to-day operations.

An example of cross portfolio cooperation is the public sector’s response to the Bali bombing, in which the Department of Foreign Affairs & Trade coordinated Australia’s various activities in Bali and the Department of Family & Community Services coordinated the domestic taskforce, comprising some ten public sector agencies and departments, to facilitate service delivery to those directly and indirectly affected.

A recent study of contemporary public administration identified the new and demanding skills required in the public sector as a result of these changes. The authors of the study noted that, in addition to tertiary qualifications, public administration will increasingly require skills in governance, networking and cooperative inquiry, that is, skills which are less likely to be acquired through tertiary studies. Advances in technology have meant that, while some new skills can be included in formal study frames, features of collaborative or ‘joined up’ government will require other competencies such as: the ability to manage change and the associated risk; a capacity for consultation, assessment and feedback to identify multi-discipline issues; management of knowledge developed in networks; and strong skills in the active side of communication, that is, building trust, developing support and establishing partnerships. Some refer to differences in ‘hard’ and ‘soft’ skills in these respects.

The recent Management Advisory Committee’s report, Organisational Renewal, which addresses the implications of an ageing workforce profile in the APS and the career patterns and intentions of new graduate entrants,
identified similar issues. The report noted that APS agencies are operating within an environment characterised by: devolved employment arrangements; contestability; increased demands for flexibility, responsiveness and performance improvement; and a greater emphasis on innovation and service delivery. You may be interested in a recent paper I prepared on some of these issues, particularly the latter.\(^5\)

The changing attitudes of today’s workforce to learning and development also requires an innovative response by agencies. The APS faces increased competition for new entrants and pressure on the retention of skilled employees. Young people, especially university graduates, are attracted by opportunities to expand their skill sets through formal and other training. Older workers appreciate ongoing training to keep their skills up to date.

What is the public sector doing to ensure that employees acquire, and continue to develop, the right skills and other personal capacities? The Public Sector Management (PSM) program, a university level graduate certificate program which focuses on public sector management training, was reviewed and redesigned last year to incorporate the latest public administration theory and practice. The PSM Program is a joint venture of all Australian Governments which ensures industry-controlled and public sector-focused management training that is relevant, responsive and practical. It is a tertiary education program at the Graduate Certificate level. One of the new units in the program addresses managing-out across the public sector and into the community, including managing relationships with communities, industry and other sectors.

How competent are APS managers to handle and manage themselves and employees in this changing environment? Well intentioned, experienced senior managers are aware of the impact of change on public administration and the changing, or additional, skills required to deliver programs and organisation outputs to the Government’s satisfaction. Nevertheless, ANAO studies have found that this awareness of change, and the consequences of not managing it, is still not well enough understood by sufficient numbers of managers at all levels across Commonwealth government organisations to be confident that effective action is being widely taken.

Gaps have been identified in some particular areas of people management, for example in identifying the capabilities of the workforce of the future, and recruiting (and developing) employees with the necessary personal skills to achieve the required results. In short, there is both a lack of strategic thinking and commitment to effectively fill those gaps. The ANAO’s Better Practice Guide on ‘Planning for the Workforce of the Future’\(^7\) endeavoured to assist in bridging some of those gaps, stressing that workforce planning is a continuous process; is an investment in the future; involves shared responsibilities by the agency head, line managers and human resource (HR) managers; and requires an integrated approach to all planning activities.\(^8\) Where the nature and requirements of positions are changing, on-the-job training, regarded by most as a major element of personnel development, is itself not as effective where management is not dealing effectively with such changes.
Recruiting employees with the ‘right’ skills to deliver the Government’s business, while ensuring that employees continue to develop and maintain the skills required for contemporary public administration, would markedly assist agencies to maintain, or improve, productivity levels. Inappropriate recruitment decisions, and/or poor management, which results in skilled employees moving elsewhere, are a cost to the public sector through lost productivity and unnecessary administrative costs.

The cost of recruitment has been estimated at one year’s salary for each employee (made up of both administrative costs and the lead time for a new or promoted person to become fully effective)\(^9\). Quantifying the impact of ‘good’ and ‘poor’ people management is something that the APS is still struggling with. It’s early days yet, but we are developing appropriate data to assist managers with their decision-making in these areas.

ANAO audits have also found that many public sector organisations do not manage employee turnover at the organisational level particularly well, which comes at a cost to the organisation and its results. While the cost of employee turnover varies between agencies, employee turnover and capability (or productivity) are critical factors to consider when planning, and taking strategic decisions, aimed at ensuring the efficient and effective use of resources in order to meet agency objectives, and provide value for money to the Government.

Based on the rate of turnover of ongoing staff across the public sector\(^10\), and the salary at the median for the ANAO study group\(^11\), a reduction in turnover of ongoing employees from 7.7 per cent to 6.7 per cent would equate to savings (and a subsequent productivity increase) of approximately $60 million per annum\(^12\). These figures do not include the 3 per cent of employees who move between Commonwealth agencies each year. It is not turnover itself which is the issue. Rather, it is the extent to which turnover is not effectively managed at an organisational level and/or by individual managers that is the main problem.

Unscheduled absence rates vary significantly across the APS but, on average, tend to be above those of the private sector. 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. In comparison, median private sector unscheduled absence rates for the same period were around 6.8 days\(^13\). There are many reasons for unscheduled absence but job design, employee/supervisor relationships, and family responsibilities can all play a part. One of the keys to success in reducing absenteeism is to identify the drivers of high absence rates and to put in place appropriate policies and strategies to address these causes.

The nature and pace of change, and the demonstrated need for new and demanding skills in a more contestable environment, clearly demonstrate why we now have a priority need for innovative people management and related systems in the public sector. ANAO studies indicate that the extent to which people management is actively addressed across the APS, within an
organisation and by individual managers, requires greater attention and commitment for real improvement. The Organisation Renewal project, referred to earlier, and ANAO audits, help demonstrate why people management is important at each of these various levels of responsibility as part of an integrated strategy to improve the quality, loyalty, commitment, contribution and satisfaction of our staff.

The next section is a discussion of what the Commonwealth public sector is doing to acquire, develop and support innovative people.

III. ACQUIRING, DEVELOPING AND SUPPORTING INNOVATIVE PEOPLE: FINDINGS FROM ANAO AUDITS AND OTHER STUDIES

As I mentioned in my introduction, the ANAO has a history of conducting performance audits of people management, as an important element in achieving required results. People are our most significant asset in both a strategic and operational sense. Unfortunately, in the past and even to an extent at present, there are indications that organisations are not sufficiently active in people management. Perhaps worse still, the rhetoric often does not match the reality. Not surprisingly, this can generate a loss of confidence and commitment which is evident in many agency staff surveys.

In 2001, we embarked on a rather ambitious study, which aimed to review all people management practices across fourteen selected agencies, by analysing the way in which managers lead and manage people to achieve their business outcomes. The study also aimed to examine the extent to which the Human Resource (HR) function supports people management practices to achieve agency outcomes. The first report to the Parliament was tabled in June last year,\textsuperscript{14} with the second year’s study being tabled just over a month ago, as I indicated earlier.

While the ANAO’s published annual work program classified this project as a benchmarking study, it was more rigorous than benchmarking studies previously undertaken by the ANAO. It not only used benchmarking data, from within the study group and a wider all-industry comparator\textsuperscript{15}, but also other data including: structured interviews and focus groups; qualitative survey instruments; relative agency study performance ratings; and desktop reviews of agency business and people related strategies and other related information.

The report of the second year included a longitudinal perspective which provided particular insights, enabling a better understanding of people management in the sector, including the impact of change. The benefit from this approach to the thirteen agencies covered was that, rather than just analysing an agency at a point in time, we returned in the second year to measure change and probe more deeply into causal factors. Because of the rigour of the study, we could, with some confidence, analyse the impact of external factors such as changes in an agency’s functions, as a result of the government decisions, and also the impact of changes in agency heads (Chief Executive Officers - CEOs).
The findings from the recent audit, as well as those from last year’s audit report and the recently issued joint ANAO and APS Commission guide, *Building Capability: A Framework for Managing Learning and Development in the APS*, are reasonably consistent. The findings are also consistent with those in the Management Advisory Committee’s report, *Organisational Renewal*, referred to earlier.

Not surprisingly, when it comes to acquiring, developing and supporting innovative people, some Commonwealth public sector organisations are more successful than others. Some managers in organisations do not fully understand the potential impact of change nor know how to plan for, and manage, such change. This is due, in part, to each organisation’s business case being somewhat different. There is no template that suits all agencies. Managing change efficiently and effectively, requires managers to have a good understanding of their current workforce and their capabilities, as well as an appreciation of future needs, in terms of the business and employee capabilities. These skills and knowledge are not readily acquired, nor capable of simply being transferred.

In discussing innovative people management practices, it is instructive to review some of the issues facing line managers, as identified in Year Two of the ANAO’s Managing People study. There were six key findings, as follows:

1. Between Years One and Two, the majority of participating agencies improved their people management systems and outcomes. But their focus tended to be on improving the design of people management policies rather than ensuring that people management contributed to the agency’s business outcomes.

2. As a result, the integration of Business and People Planning activities remains a priority improvement area for agencies.

3. Specifically, line managers are experiencing problems in recruiting the required workforce capability.

4. Line managers are experiencing challenges in developing the required workforce capability.

5. Agencies are not yet fully effectively managing performance and using performance related information.

6. Finally, but not least, there are opportunities for the HR Function to improve its level of support to line managers in strategic and operational decision-making.

Discussing the problems facing those organisations that still have some way to go before they achieve efficient and effective people management practices, can help us understand why innovative people management is no easy task. I will briefly outline what the ANAO regards as some of the more critical people management practices for the APS, as a whole, arising out of the audits of selected agencies.

Just reiterating, the priority for those organisations covered in the Managing People study is the successful integration of business and people planning
activities. In the important area of workforce planning, agencies have been establishing the necessary foundation by designing suitable frameworks for further developments. However, the challenge for most now is to maintain the commitment but, more generally, to ensure the frameworks work in practice. Some practical steps to assist in achieving this outcome include:

- HR areas working with senior and line managers so that all stakeholders are aware of the benefits of a systematic and integrated approach to workforce planning;
- identifying short and longer term people-related implications of business planning, including short term replacement planning and longer term succession management components, as well as using alternative scenarios in workforce demand forecasting;
- relying on the expert judgment of relevant line managers to help undertake demand forecasts;
- determining capability frameworks which support the agency’s current and future skills needs;
- developing the systems and capability to extract, analyse and report on key people and business related indicators, and to use that information to inform decision-making;
- establishing shared accountability for workforce planning among the executive group, line managers and HR professionals, and ensuring that these accountabilities are understood and reinforced;
- HR areas working with line managers to coach, train, support, motivate and generally be a high quality proactive resource for line managers to use in undertaking their people management responsibilities and accountabilities; and
- ensuring workforce planning strategies are consistent with other people management strategies, in particular, recruitment and selection and learning and development.

In relation to recruitment, line managers need to better understand the level and volume of recruitment that they are required to manage. In addition, they also need to understand the importance of knowing and clearly articulating the required skills within their particular workplace. In short, no one else will.

In their focus group discussions for the study, line managers indicated that, while the refinements and additional flexibilities go some way to assisting them meet their needs (such as the flexibilities arising from the Public Service Act 1999) their confidence in deploying the tools and techniques, and the corresponding quality of overall decision-making, may not be consistent. This feedback suggests the need for HR areas to be more pro-active in coaching and advising line managers in relation to recruitment and selection practices, tools and techniques. Where appropriate, expert external assistance, which some agencies, such as the ANAO, use in their approaches to recruitment and selection, should be engaged.
The quality and consistency of employee selection decision-making was an issue in most agencies covered in the ANAO study. Again, despite the availability of greater flexibility, and more sophisticated selection tools and techniques, line managers described selection outcomes as ‘patchy’ and ‘still turning up a few surprise packages’. They articulated concerns about their capacity to take well-informed decisions because many make selections reasonably infrequently. They openly acknowledged that managers who make these assessments and decisions regularly were more likely, due to increased experience, to ‘get it right’.

The news was certainly not all bad. One agency in the study has a sizeable graduate recruitment program and is reinvigorating its networks with universities to influence the content of course material to ensure that sufficient numbers of graduates have the right base grade professional training. Another agency, which delivers some programs through private sector partnerships, has developed links with the private sector to source scarce technical skills. Managers in that agency tended to think laterally. For example, in recruiting a qualified accountant to a remote locality in Australia, rather than try to relocate city-based accountants, which they knew from past experience was unlikely to be successful, they looked to the non-government community and engaged a qualified person who had worked overseas in a developing country. These approaches are examples of good integration between learning and development and recruitment and selection strategies.

The previous Public Service Act tended to focus on processes and compliance, whereas the new Act (1999) is principles-based and allows for far greater discretion by CEOs. For most agencies covered, there is no need to further refine recruitment and selection processes. Rather, managers should be more actively coached and supported by HR professionals (in-house or external) to identify their staffing needs and use appropriate attraction and assessment methods. That is, the real need is to improve the quality of decision-making.

The ANAO study also identified that managers frequently reacted to resource shortages with simply a short-term response. This occurred largely at the lower level job classifications, at what we term APS3 and APS4 level employees. Sometimes people would be brought in on short-term contracts. This had implications for the individual agency in the context of building capability for the future. In some instances, these short-term employees then applied for permanent positions. However, because they were regarded as already employed by the agency, they sometimes missed out on important induction training and other personal development opportunities. In other cases, the short-term replacement strategy increased administrative costs, for example, because of re-recruiting actions, and diverted managers’ attention and energies from other work.

The ANAO’s Managing People report for Year Two recommends that an agency’s focus on recruitment and selection should include:

- identifying the type of people the agency needs, in both the short and longer term. Agency capability frameworks and succession management
systems should form the core of this approach, as should clear links between workforce planning and recruitment/selection; and

- designing/using attraction and assessment methods that source and select the best available people.

In Year Two of the study, line managers suggested that, as well as experiencing some quality issues with recruitment activity, agencies had not been developing their required workforce capabilities effectively. This may stem from a lack of clarity about the required capabilities in individual agencies, and possible ad hoc approaches to on-the-job and off-the-job development opportunities.

With a few exceptions, most agencies in the study indicated they were experiencing a gap in key skills, or at particular staffing levels, in their agency. Examples included:

- inability to locate sufficient numbers of skilled people for a particular business unit, for example, where the Minister had directed that the level and scope of the output be increased;
- insufficient numbers of skilled technical analysts due to reductions in the graduate program 3 to 4 years previously (which occurred as a short-term response to budget shortfalls rather than as a decision about identified skills requirements); and/or
- lack of core skills and capability at particular classification levels, for example at middle manager levels, which sometimes resulted in employees being promoted prematurely, with consequent additional risks for them as well as for the organisation.

To assist agencies in overcoming these problems the joint ANAO/APS Commission better practice guide on managing learning and development, referred to earlier, developed a set of seven principles that are important in building the required capability. In addition to the need for the alignment and integration of learning and development with agency business directions and processes, the better practice guide also stressed the importance of developing a culture of learning within the organisation and of supporting the application of newly acquired skills in the workplace.

As I mentioned previously, many agencies are working to design and implement a workforce planning framework. It is imperative that the framework incorporates clear and meaningful links to learning and development strategies and other people management practice areas. Agencies require a workforce planning strategy that will identify their current and future skills requirements and develop staff accordingly. The most recent ANAO report recommended that agencies focus on a workforce capability that includes:

- a framework that supports recruitment and selection, so that staff are appointed in accordance with this strategy and the skills development needs of new recruits are clearly identified;
• learning and development activities that include a range of on-the-job and off-the-job approaches to learning (e.g. mentoring, internal and external secondments, job rotations, higher duties appointments, and special project work);

• learning and development activities that provide a demonstrable balance between technical development and more general development, dealing with roles, attitudes and behaviours in improving performance;

• support to managers from the HR function. Approaches might include: appointment of HR account managers, formal courses which train and develop managers in how to develop their staff, written guidelines and mentoring; and

• holding managers accountable for the development and succession management of their staff.17

As noted, learning and development is obviously an important element of workplace capability. In an earlier audit report,18 we suggested that the now Australian Public Service Commission take a more catalytic role in this area, particularly with the collection and analysis of APS-wide data on learning and development. The audit report included a section on better practice principles in each of the four chapters of the report. The following figure illustrates some suggested performance indicators that support those principles.
Two of the organisations included in Year Two of the study had key capability/competency frameworks that are linked to their learning and development frameworks/strategies and performance management. Typically, the learning and development frameworks identified the organisation’s business; how it was to be delivered; the skills required; and how those skills would be maintained into the future to meet expected demands. Feedback from managers in those organisations indicated that issues in relation to capability gaps were either non-existent or limited. Those two organisations consistently scored above the median for the study group in relation to their performance on learning and development and performance management.

Although somewhat dated now in the changing APS environment, the ANAO made an assessment of Centrelink’s learning plans for all its customer service officers (CSOs) in its audit report No. 9 of 16 August 2001.20 Table 1 of that report21 assessed those plans against a range of criteria, such as strategy, priorities, resources, timeframes, performance information and monitoring. Even with its comprehensive overall national learning framework, Centrelink was not able to meet all the criteria. The ANAO concluded that, overall, Centrelink had plans and structures in place that closely identified the links between its business directions and the skills required by its CSOs to improve customer service; allocated responsibility for identifying learning needs; and recognised the need to develop and use Team and Individual Learning Plans.

In relation to performance management, a number of agencies had introduced new performance management systems in Year One. While it was not possible at that stage to closely evaluate the effectiveness and contribution to business outcomes of the newer schemes, we were able to do so in Year Two. The study identified that, while the majority of agencies use performance management systems, the real challenges posed are how agencies are using the information that results. The ANAO found little evidence that performance management systems are being evaluated in the context of improvements to overall organisation performance. This is a lost opportunity.

For most agencies in the study, performance management tended to focus on the system and associated processes, such as the complexity and length of the performance agreement document, or whether to have a 3, 4 or 5-point rating scale. Few agencies in the study demonstrated approaches to performance management that contributed to building a performance culture in the agency. That is, few agencies genuinely used performance management systems to give real feedback on an employee’s performance or genuinely identify how an employee could further develop his or her skills to deliver effectively the agency’s future business. The findings were similar to those reported in the Management Advisory Committee’s report, Performance Management in the Australian Public Service, A Strategic Framework.22

The Year Two report of the ANAO study recommended that agencies should consider taking a medium-term approach to achieving a performance culture through: consistent and measured implementation; review and refinements of performance management systems; and approaches to ensure that, in the longer term, demonstrable and measurable improvements to business
objectives are obtained. Simply having a system will not provide this level of required contribution to the organisation’s business.

The report also recommended that agencies review their approaches to performance management to ensure that they are aligned with business outcomes; are identifying levels of performance; and are making measurable contributions to organisational performance. This is more than just ensuring that documentation is consistent with other plans.

The ANAO noted that, in reviewing their approaches to performance management, agencies should:

- consider improvements to systems that will capture and report on performance related information; and
- analyse this information and use it for business and people management related decision-making.

This latter point, analysing information for strategic decision-making, rather than simply providing senior management with a list of charts or numbers, is where the more innovative agencies stand out with their performance.

**IV. INNOVATIVE PEOPLE MANAGEMENT SYSTEMS WHICH HAVE RESULTED IN GREATER ORGANISATIONAL EFFECTIVENESS**

This brings me to innovative people management systems which have resulted in organisational effectiveness. In analysing people management in the Managing People study, the ANAO categorised people management into nine practice areas to enable comparisons between the participating agencies. Those practice areas are:

- Organisation Development;
- Workforce Planning;
- Recruitment and Selection;
- Performance Management;
- Learning and Development;
- Reward and Recognition;
- Workplace Diversity;
- Employee Relations; and
- Occupational Health and Safety.

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

- **Quality**: the extent to which HR systems/practices are well-designed and professionally competent;
- **HR Integration**: the extent to which the practices integrate with other people management practices and align with the agency's corporate business strategies;

- **Effectiveness & Efficiency**: the extent to which they work well in practice; and

- **Business Contribution**: the impact of the practice on the agency's business outcomes.

The ANAO found that, in both years of the study, agencies generally performed most strongly under the quality criterion. As in Year One, agencies were best at 'designing' people management approaches, and continued to improve in this respect in Year Two. While improvements were consistently seen across the majority of practice areas in Year Two of the study, further improvement is required in all people management practices, if they are to make the required positive contribution to agency outputs and outcomes.

The ANAO found that, overall, all people management practice areas require a continued and sharpened focus in the areas of business outcomes but, in particular, in those practices areas rated as most critical to an agency's business success. As an aside, I should note that each organisation will have its own people management strategy and, as a result, each agency will have its own priority for people management practices. For example, recruitment and selection and learning and development may be critical to one agency, whereas in another, the focus may be workforce planning, supported by performance management, learning and development, and recruitment and selection.

Most participating agencies had well-designed people management policies and approaches. While improvements between Years One and Two of the study should be seen in a positive light, no agency in the study group had all their critical people management practice areas in the target zone. Nor was performance across all four of the assessment criteria at a consistently high standard. Before we commenced this study, we had anecdotal information that some of the organisations in our study were regarded by their peers as better practice, which the ANAO would generally agree with. However, based on the study’s finding that no agency in the study group had all their critical people management practice areas in the target zone, it can reasonably be assumed that, generally, Commonwealth organisations still have some way to go in these respects.

The ANAO recommended that, to move forward, agencies should direct maximum effort to implementing and embedding people management approaches and systems throughout their organisations. That is, focusing on their efficiency and effectiveness in line areas and in making a difference to the agency's business outcomes. Some practical steps for HR areas in this include:
• developing useful implementation tools (guidelines, training courses and workshops) and proactively supporting line managers in their use;
• developing and enhancing effective working relationships with line managers;
• HR ‘walking the talk’, acting as a coach to assist line managers to deal with their specific people management issues, for example, helping a line manager to prepare for a ‘poor performance’ feedback exchange; facilitating a business unit roundtable to identify skill requirements; providing line managers with leading edge applied research on strategies to encourage innovation and/or high performance; and
• seeking and responding to feedback about the operational impact of people management systems and approaches.

Agencies, and here I am focusing on senior management, not just HR practitioners, should also be aware of the need to evaluate the impact of their people management strategies from the outset, to determine what effect the strategies are having on business outcomes. This includes:

• establishing sound evaluation criteria when designing each people management initiative;
• collecting valid and reliable evaluation data (both quantitative and qualitative), on a cost-effective basis;
• objective analysis of evaluation outcomes;
• involvement of relevant stakeholders; and
• reporting and promoting findings.

In the context of people management information systems, that is, human resource management information systems (HRMIS), the ANAO noted, through its work on the Managing People study, that most agencies in the study do not make efficient and effective use of their systems. The ANAO is currently in the final stages of a separate audit of agencies’ HRMIS. What the ANAO has noted to date is that most agencies use their HRMIS basically as a payroll and employee record facility.

Even though most agencies have implemented costly systems that have the potential to deliver quite complex information, few agencies seem to have recognised the potential of the HRMIS for other business purposes. For example, the latter can be used as a source of information to management for strategic decision-making, such as analysing employee tenure for learning and development strategies; identifying absenteeism “hot spots”; or for analysing retention rates to evaluate the success or otherwise, of recruitment and selection strategies (and managers’ capacities to manage and retain employees).

Again, most agencies do not seem to be able to link their HRMIS with their financial management information systems, that is, integrate the people systems with financial systems, to make more effective as well as efficient use
of information for decision-making about their business. This has even proved difficult where the two systems have come from the same provider.

V. CONCLUDING REMARKS

The Australian Public Service needs innovative people and systems because of the increasing complexity of its operating environment and the demands being made in a modern governance environment which is increasingly involving the private sector. This situation is unlikely to change in the foreseeable future. Commonwealth organisations have the capacity to acquire, develop and support innovative people. ANAO studies have identified a number of agencies which are leading the way in this respect. But most organisations need to do more if they are to succeed.

Innovative people management systems which result in organisational effectiveness can be the reality. There are Commonwealth organisations which are currently leading the way in this respect. However, it is clear from ANAO studies, that success does not simply come from agencies thoughtlessly copying another agency’s successful systems or policies and approaches. What is required, and essential, is senior management’s understanding of their own agency’s business context and the preparation of a proper business case for appropriate action. Off-the-shelf solutions may be a cost effective option but they have their limitations. In some situations, they might provide an adequate interim solution. But they are no substitute for making the investment in a proper business case in the overall governance framework.

All ANAO reports that I have referred to today are available from the ANAO Publications Manager and on the ANAO website for downloading. I wish you well at this, the 13th infoHRM Conference.
NOTES AND REFERENCES


5 Management Advisory Committee 2003. Organisational Renewal. Commonwealth of Australia, Canberra. The Management Advisory Committee (MAC) is a forum of Secretaries and Agency Heads established under Section 64 of the Public Service Act 1999 to advise Government on matters relating to the management of the Australian Public Service (APS). The Committee is chaired by the Secretary of the Department of the Prime Minister and Cabinet, with the Public Service Commissioner as executive officer. While it has no statutory powers or executive functions, it provides a forum for Secretaries and heads of major agencies to discuss significant issues of topical and long-term interest to the APS.


8 Ibid., pp.8-10

9 Costing turnover at 100 per cent of annual salary is considered conservative. See, for example, Abbott, De Cieri & Iverson (1998) Costing Turnover: Implications of Work/Family Conflict at Management Level in Asia Pacific Journal of Human Resources, 36(1), pp. 25-43.

10 In 2001-02, 8,593 employees (7.7 per cent of ongoing employees) exited the APS. Australian Public Service Statistical Bulletin 2001-02, APSC, November 2002.


12 A conservative estimate of the cost of recruitment is one year’s salary for the vacancy (made up of both administrative costs and the lead time for a new or promoted employee to become fully effective). See, for example, Abbott, De Cieri & Iverson (1998) Costing Turnover: Implications of Work/Family Conflict at Management Level in the Asia Pacific Journal of Human Resources, 36(1), pp. 25-43. In 2001-02, 8,593 employees (7.7 per cent of ongoing employees) left the APS (Australian Public Service Statistical Bulletin 2001-02, APSC, November 2002). The median salary for employees in the ANAO ‘Managing People’ study was $54,500. If the percentage exiting the service declined to 6.7 per cent, this would result in savings of just under $60 million (1,081 employees x $54,500). These calculations do not include transfers and promotions between public sector agencies, which also incur administrative and foregone productivity costs.


15 The study used a number of benchmarks from the infoHRM Program, a comprehensive HR benchmarking and reporting program, conducted by HRM Consulting.


17 See also, for example, ANAO 2002 Report No 56 2001-2002 Workforce Planning in the Department of Immigration and Multicultural and Indigenous Affairs. Op.cit. (Appendix 1)

19 Ibid. p.23


21 Ibid. p.37