

The Auditor-General
Audit Report No.55 2004–05
Performance Audit

Workforce Planning

Australian National Audit Office

© Commonwealth
of Australia 2005

ISSN 1036-7632

ISBN 0 642 80852 X

COPYRIGHT INFORMATION

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth available from the Department of Communications, Information Technology and the Arts.

Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration,
Attorney-General's Department,
Robert Garran Offices,
National Circuit
Canberra ACT 2600

<http://www.ag.gov.au/cca>



Canberra ACT
23 June 2005

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a cross agency performance audit of Australian Public Service Agencies in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Workforce Planning*.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee
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.

For further information contact:

The Publications Manager
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Telephone: (02) 6203 7505

Fax: (02) 6203 7519

Email: webmaster@anao.gov.au

ANAO audit reports and information about the ANAO are available at our internet address:

<http://www.anao.gov.au>

Audit Team

Kathryn Dahlenburg
Judy Pejovic
David Crossley

Contents

Abbreviations	7
Glossary	8
Summary and Recommendations	9
Summary	11
Background	11
Audit objective and methodology	12
Key audit findings	13
Overall audit conclusions	18
Recommendations	23
Agencies' Responses	23
Audit Findings and Conclusions	25
1. Introduction	27
Background	27
Audit objective	30
Audit criteria	31
Audit methodology	32
2. Status of Workforce Planning in the Australian Public Service	34
Progress in workforce planning	34
Improvement in capability	39
Challenges, impediments and success factors	40
Role of the APSC	43
Conclusion	44
3. Assessing Human Capital Requirements	45
Assessment of the demand for and supply of labour	47
Assessment of the external supply of labour	56
Integrating workforce planning	60
Conclusion	63
4. Assessing Workforce Characteristics and Competencies	65
Workforce characteristics	66
Workforce competencies	69
Conclusion	72
5. Implementation of Strategies	74
Workforce strategies informed by gap analysis?	76
Conclusion	80
6. Measurement of Progress	82
A measurement framework	82
Monitoring workforce planning efforts	85
Periodic reviews	89
Conclusion	89

Appendices..... 91

Appendix 1: Agencies’ responses 93

Appendix 2: What’s in a workforce plan? 102

Appendix 3: Background on selected agencies subject to audit field work 108

Appendix 4: Australian Public Service agencies surveyed 111

[Index 114](#)

[Series Titles 116](#)

[Better Practice Guides 120](#)

Abbreviations

ABS	Australian Bureau of Statistics
ADF	Australian Defence Forces
AGD	Attorney-General's Department
ANAO	Australian National Audit Office
APS	Australian Public Service
APSC	Australian Public Service Commission
CSS	Commonwealth Superannuation Scheme
Customs	Australian Customs
Defence	Department of Defence
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DFAT	Department of Foreign Affairs and Trade
DIMIA	Department of Immigration, Multicultural and Indigenous Affairs
FACS	Department of Family and Community Services
HR	human resources
IT	information technology
ITSA	Insolvency and Trustee Services Australia
MAC	Management Advisory Committee
OECD	Organisation for Economic Cooperation and Development
OH&S	occupational health and safety
SES	Senior Executive Service

Glossary

Competencies	<p>The ability of an individual to perform activities to a prescribed standard within an occupation. Attributes such as knowledge, skills and attitudes underlie competence. Some organisations prefer to use the term capability.</p> <p>A competency framework is a listing of the competencies desired in the workforce of an organisation. These may vary according to the classification level but will have common elements throughout the framework. They can be used to inform a range of people management interventions and strategies such as recruitment, training and performance measurement.</p>
Contingent staff	Non-APS staff engaged on non-consultancy contracts.
CSS 54/11 issue	That feature of the Commonwealth Superannuation Scheme (CSS) which enables some members to receive a better benefit by resigning before retirement (at age 54 years and 11 months) and deferring their entitlements than if they had remained in employment until age 55 or later.
Mission critical roles	Roles essential to the organisation fulfilling its objectives.
Organisational capability	The capacity of the organisation to achieve its objectives.
Succession planning	Steps taken by an agency to ensure leadership continuity and to build talent by implementing strategies to identify and develop high-potential staff. Succession planning demonstrates a commitment to the development of the existing workforce and to ensuring that staff have the skills, experience and knowledge to meet changing organisational capability requirements.
Workforce characteristics	The total sum of qualities an organisation is seeking in matching its workforce to its desired corporate objectives. It can include demographic information like staff numbers and profiles, work locations as well as personal qualities of employees such as skills, knowledge and attitude (often summarized as competencies).
Workforce planning	A continuous process of shaping the workforce to ensure it is capable of delivering organisational objectives now and in the future.

Summary and Recommendations

Summary

Background

1. Business confidence in Australia has been strong and corporate profits have been growing. The Reserve Bank of Australia noted that 'the Australian economy is now in the fourteenth year of an expansion which has made substantial inroads into the economy's surplus productive capacity. Over recent months, it has become increasingly clear that remaining spare capacity in the labour and goods markets is becoming rather limited'.¹
2. The Treasurer has indicated that 'the combination of solid output growth, moderate inflation and a 28-year low in unemployment provides a sound platform for further sustained improvement in Australia's economic wellbeing'.²
3. However, the government has highlighted some challenging population and labour force trends in the 2002–03 *Intergenerational Report*³ and in *Australia's Demographic Challenges*⁴ in 2004. For many entities, a key business risk, which could impact on economic growth, is skill shortages. Many industries are experiencing pressures from shortages in unskilled physical jobs, through to tradesmen, teachers, health care workers and specialist white-collar professionals.
4. In the Australian Public Service (APS) the report entitled *Organisational Renewal*⁵ produced by the Management Advisory Committee in 2003, and the Senate Finance and Public Administration References Committee report *Recruitment and Training in the Australian Public Service*⁶ in 2003, recommended

¹ Reserve Bank of Australia, Statement by the Governor, Mr Ian MacFarlane, *Monetary Policy* [Internet] Reserve Bank of Australia, Sydney, 2005, available from <[http://www.rba.gov.au/Media Releases/2005.html](http://www.rba.gov.au/Media_Releases/2005.html)> [accessed 7 April 2005].

² Australian Parliament 2004, *2005–06 Budget Paper No.1 Budget Strategy and Outlook 2005–06*, (circulated by The Honourable Peter Costello, MP, Treasurer of the Commonwealth of Australia), Canberra, p. 1–3.

³ Australian Parliament 2002, *2002–03 Budget Paper No.5 Intergenerational Report*, (circulated by The Honourable Peter Costello, MP, Treasurer of the Commonwealth of Australia), Canberra.

⁴ Social Policy Division, The Treasury 2004, *Australia's Demographic Challenges*, The Treasury, Canberra.

⁵ Management Advisory Committee 2003, *Organisational Renewal*, Australian Public Service Commission, Canberra.

⁶ Senate Finance and Public Administration References Committee 2003, *Recruitment and Training in the Australian Public Service*, SFPARC, Canberra.

that agencies undertake workforce planning. The Australian National Audit Office (ANAO) produced a better practice guide⁷ in 2001 to facilitate progress.

5. Within five years 23 per cent of the APS workforce is eligible to retire.⁸ However this does not represent the crest of the wave. The current cohorts of 40-44 years and 45-49 years each represent more than 16 per cent of the APS workforce and as they enter the greater than 50 years category over the next 10 years the proportion of the workforce eligible to retire within a five-year period is expected to swell. Already skill shortages exist in the areas of accountancy, and to a lesser extent, legal officers, economists, project managers and information technology professionals.

6. Workforce planning practices in the APS are influenced by the size of the agency, its complexity, and the context in which it is operating. The Department of Defence (Defence), for example, with large numbers of staff has the capacity and the need to apply a great deal more resources to workforce planning than do smaller agencies. However, all agencies rely on specialist skills in certain areas and organisational capability may be adversely impacted if appropriately skilled staff are not available.

Audit objective and methodology

7. The objective of the audit was to consider the status of workforce planning by APS agencies against the background of the ANAO's 2001 Better Practice Guide *Planning for the Workforce of the Future*, in light of the recommendations made in the MAC *Organisational Renewal* 2001 and the Senate Finance and Public Administration References Committee report *Recruitment and Training in the Australian Public Service* 2003. Workforce planning was defined as a continuous process of shaping the workforce to ensure it is capable of delivering organisational objectives now and in the future.

8. To conduct the audit the ANAO surveyed 86 APS agencies⁹ and selected 10 for further examination. Nine agencies (from a range of sizes covering small, medium and large) were selected for review on the basis that they had a workforce planning process in existence, the process exhibited elements of better practice, and the agency was anticipating an increase in demand for the services of the agency and/or labour. These agencies were

⁷ Australian National Audit Office 2001, *Better Practice Guide For Managers—Planning for the Workforce of the Future*, ANAO, Canberra.

⁸ Australian Public Service Commission 2004, *State of the Service Report 2003–04*, APS Commission, Canberra, p.173.

⁹ APS agencies as at 30 June 2004: See Appendix 4.

selected with a view to identifying better practices across the service. One agency was reviewed as a follow-up to a previously conducted audit.

9. This audit developed only four criteria for assessing workforce planning practices and has set out to outline, by way of example, a simplified framework of how agencies might proceed with their workforce planning efforts. The examples provided aim to demonstrate how an agency might undertake a certain activity: agencies can then transfer the idea to their own context. The ANAO considers that all agencies, regardless of size, should give consideration to their future workforce needs as a matter of prudent management practice, whether or not they are anticipating shortages. The level of resources applied should be appropriate to each agency's identified needs but the key elements contained in the criteria require consideration by senior managers.

10. The ANAO set a reasonably high standard in assessing the workforce planning practices of APS agencies. The ANAO feels this is appropriate in the context of the changing demographics of the Australian population and the need for agencies to meet any challenges this poses for their workforces. The priority given to these challenges is particularly important in light of our observation that the timeframes for development of effective practices are long and the results sometimes uncertain.

11. Most importantly, the theme of organisational capability is embedded within the criteria with a view to ensuring that agencies that address them would be well placed to effectively administer government programs and achieve the Government's desired outcomes. Agencies should, however, consider the examples noted in this report and adapt them where relevant to their own circumstances.

Key audit findings

Status of Workforce Planning in the Australian Public Service (Chapter 2)

12. The Australian Public Service Commission's (APSC) *State of the Service Report* reports that 41 per cent of agencies had policies, strategies or frameworks in place to ensure they have the skills and capabilities needed for the next 1–5 years.¹⁰

13. The ANAO survey indicates that 24 agencies (28 per cent of 86 surveyed) report having an established workforce planning process in place. Of those that do not have an established process, 30 agencies are formulating a workforce plan or strategies at this time, while 27 intend to

¹⁰ Australian Public Service Commission, op. cit., p.200.

undertake workforce planning but are yet to begin. As noted in paragraph 2.3, five agencies currently have no plans to undertake workforce planning.

14. The smaller percentage indicated by the ANAO survey is a result of a more specific question relating to workforce planning processes and is considered to be reasonably consistent with the APSC results given the different questions asked. However, the ANAO concluded that the survey results, obtained by both the ANAO and APSC, are likely to overstate the extent of workforce planning in the APS. The ANAO acknowledges that agencies have been diligent in seeking to provide a realistic assessment of their activities. However, the audit fieldwork undertaken suggests that the results reported in the survey tended to be more positive than the actual evidence suggested. A possible explanation is that those who are informed and have the necessary skills rate themselves lower, as they are aware of the complexities involved. Higher ratings can, however, be the result of a lack of knowledge in this area.

15. Agencies reported various challenges and impediments to progressing their workforce planning, citing a lack of understanding of what workforce planning means in practice, the difficulty in raising awareness and gaining acceptance from line managers, a lack of resources, the inability to collect relevant data, a lack of experience in forecasting, and the challenge of integrating workforce planning into the business planning framework.

16. The ANAO also considered agencies' progress in workforce planning in relation to their age profile, anticipated demand for services and hence labour, and current skill shortages. The survey results indicated no relationship between these risk factors and the general level of progress in workforce planning. However, the ANAO did note that workforce planning was given greater consideration by those agencies that perceived the consequences of a shortage of staff to be greater.

17. Embedding an effective workforce planning process into an organisation is a time-consuming process. Based on discussions with agencies, the ANAO estimates that two to five years, to establish an effective process, is not uncommon. A number of iterations have generally been required to improve the processes. The ANAO results also indicate that agencies with a greater level of experience over a longer period of time were more likely to report associated positive impacts on organisational capability. It is therefore important for the APS as a whole, that agencies can draw on the knowledge of those who have made progress in implementing effective systems. For this reason this report has focused on the better practice features displayed in workforce planning systems.

Assessing Human Capital Requirements (Chapter 3)

18. A key element in workforce planning is considering the implications for the workforce of the strategic direction of the agency. It is therefore essential for an agency to first clearly articulate its strategic direction and identify the organisational capabilities needed to deliver on commitments into the future, before workforce planning can be undertaken.

19. In making an assessment of agencies' practices the ANAO was looking for an assessment of the demand (workforce needed) and supply (current workforce) dimensions of the workforce to support the achievement of the organisation's desired capability. The ANAO concluded, based on examinations of practices within selected agencies, that an assessment of the demand for, and supply of, labour was rare.

20. In order to provide guidance for agencies in this area the audit has outlined examples of better practices identified for all agencies to consider. A noteworthy example was obtained from the workforce planning for Australian Defence Force personnel. A part of the methodology considers the demand/supply shortfall in each occupational group and senior staff relate this to the impact on organisational capability. For this purpose four levels of risk and risk acceptance are used that indicate the priority that should be accorded to correcting the underlying problem as well as guiding the level of reporting. The ANAO considers that relating the shortfalls to the impact on organisational capability is an essential element of workforce planning that should be adopted, in principle, by all APS agencies.

21. It should be noted that the application of this concept could be much broader than shortfalls in occupational groups. Defence also applies it in its workforce considerations of major capability investments. At the present time, an additional application by APS agencies could be to apply it in a consideration of the impact on organisational capability of the loss in competencies and corporate knowledge of retiring staff.

22. Consideration of external labour market information was, in most of the reviewed agencies, sporadic and ad hoc. It is essential that agencies keep abreast of the context in which they are operating and developments in areas of skill shortages. Further, while it was generally considered appropriate to include the contingent workforce¹¹ in planning processes, the extent of their inclusion was limited in almost all agencies. Only one example of the consideration of wider workforce dependencies was noted, such as the workforces of other entities on which agencies rely.

¹¹ Contingent staff are non-APS staff engaged on non-consultancy contracts.

23. While many agencies have made efforts to integrate workforce and business planning, the ANAO considers agencies could do more by linking the workforce planning to organisational capability as previously discussed. The ANAO also observed that annual budget constraints, and the relatively short-term focus of operational planning, is perceived to hinder efforts to plan for the longer-term.

Assessing Workforce Characteristics and Competencies (Chapter 4)

24. Agencies need to know their workforce, both in the context of workforce characteristics and workforce competencies, in order to identify workforce-planning issues. Based on the survey results and audit examinations the ANAO concluded that agencies have a reasonable grasp of many of their workforce characteristics, but less so in relation to competencies. While agencies are able to produce many outputs in relation to the demographic profiles and other workforce characteristics, there are limited examples of turning data analysis into strategic information. Agencies need to become more sophisticated in combining sources of information to produce quality information to aid decision-making.

25. A number of agencies have competency frameworks in place that are being linked to performance and learning management systems. In the context of workforce planning such systems can facilitate the identification of occupational groups or competencies required by the organisation. However, agencies do need to consider how this information can be used in conjunction with their demand and supply forecasting efforts that are often produced by classification level.

26. A useful contribution these systems can make to workforce planning within agencies is the identification of mission-critical occupations. Only isolated examples of this were noted. Regardless of the lack of identification of these occupations many agencies did, at least, report some form of succession planning under development. This is largely a result of the focus placed on this area in the *MAC Organisational Renewal* report.

Implementation of Strategies (Chapter 5)

27. Many of the strategies adopted by agencies reflect the priorities of the *MAC Organisational Renewal* report including flexible employment, monitoring profiles, retention of mature age workers, surveys to inform attraction and retention strategies, employer of choice strategies, and occupational health and safety. All the strategies noted above are useful, and agency efforts in this area are to be commended.

28. Based on audit examinations the ANAO concluded that the link between analysis and strategy is not yet well developed. While the ageing demographic is the most common and widely publicised issue there are existing workforce issues to be addressed in the short term. Generic strategies will not necessarily address particular risks to the agency. That is, a clear link between workforce risk analysis and strategies to address those risks was not particularly evident in the APS agencies examined.

29. Agency-specific strategies should be developed to focus on that agency's identified workforce risks both current, such as existing skills shortages in particular occupations, and longer term, such as the ageing workforce. It is anticipated that, as agency workforce planning processes mature, strategies will become more targeted based on the identified needs that arise from the demand and supply forecasting undertaken. Through this process organisational capability should also improve. However, transition plans may need to be implemented in order to engage in simplified workforce planning processes until more tailored methodologies are developed.

30. Of interest to the ANAO is the extent to which the development of generic strategies of this sort is symptomatic of the lack of focus on organisational capability within agencies' workforce planning practices, or still broader, a need for better specification of functional capability requirements. Until that focus is developed, agencies will be unable to target their efforts and funds to provide cost-effective solutions to identified workforce risks. Furthermore, strategies derived from workforce planning efforts should extend beyond the human resource management sphere and include all relevant business strategies. While some examples were noted where significant workforce impacts resulted from changing business strategies, these tended to be by-products of other business activities rather than identifiable outcomes of the workforce planning processes.

31. Interagency cooperation may be required by those agencies with identified skill shortages. Competition between agencies for the same staff should alert agencies to the need for collaboration and joint initiatives. This may include initiatives on both the demand and supply side of agency workforce needs. The more traditional areas of collaboration are on the supply side in areas of recruitment and training. However, agencies may be able to consider demand side initiatives to alleviate staff shortages. The APSC may have a role here in keeping abreast of shortages and promoting shared initiatives.

Measurement of Progress (Chapter 6)

32. The success of workforce planning practices will be judged by whether it contributes to achieving the agency's mission and strategic goals. Within the current context of demographic change, however, it will also be judged by its

contribution to avoiding or dealing with shortages in mission-critical occupations and roles.

33. The survey results indicated that the majority of agencies do not have an appropriate measurement framework in place to assess their workforce planning activities. Even among the agencies examined in audit fieldwork few were found to have processes in place for monitoring workforce-planning efforts. Although agencies are in the early stages of developing systems in this area, reasonable examples from first-round attempts were observed in Insolvency and Trustee Services Australia, the Department of Education Science and Training, Australian Customs Service and the Department of Defence.

34. Despite this, the survey results indicated that agencies have a high level of confidence that their workforce planning activities will provide the capability needed. This suggests there may be a risk of over-confidence in agencies' ability to respond to the challenges that demographic changes pose.

35. Given the limited level of development in this area the ANAO did not expect to find completed reviews of workforce plans and associated strategies. Such reviews would, however, ensure that the anticipated benefits of workforce planning are accruing to agencies, that ongoing refinements are implemented and that assumptions made are still valid. Defence, with its long-term experience in workforce planning, is the one exception. Defence reviewed its approach documented in *Report of the Strategic Workforce Planning Review 2003*¹² and has made comprehensive changes as a result. The ANAO concluded that little information of the effectiveness of systems within other APS agencies exists at this time.

36. There is a risk in all of these efforts that the amount of data, and the way in which it is displayed, can swamp an understanding of the issues being presented. The ANAO encourages all agencies to determine the critical workforce data and information needed by the agency and to ensure that it is clearly and compellingly linked to the success of the business. The chosen measures should inform decision-making and be presented to the executive in a coherent assessment of the progress being made.

Overall audit conclusions

37. The ANAO found that while a number of APS agencies are undertaking workforce planning, few if any, could claim to have successfully embedded workforce planning into their business processes. Even the most advanced are only in the early stages of developing their systems.

¹² Department of Defence 2003, '*Report of the Strategic Workforce Planning Review 2003*', Department of Defence, Canberra.

38. A more thorough workforce risk assessment needs to be made by each agency to target their activities. Agencies need to consider the consequences of a particular skill or staff shortage, or alternatively, if shortages are not anticipated, consider the organisational capability to be developed. It is anticipated that, as agency workforce planning processes mature, strategies will become more targeted based on the identified needs that arise from the demand and supply forecasting undertaken. Through this process organisational capability should also improve.

39. The ANAO concluded that:

- an assessment of the demand for, and supply of, labour was rare;
- relating the shortfalls to capability is an essential element of workforce planning that should be adopted, in principle, by all APS agencies;
- consideration of external labour market information was, in most agencies, sporadic and ad hoc;
- agencies have a reasonable grasp of many of their workforce characteristics, but less so in relation to competencies;
- the link between analysis and strategy is not yet well developed; and
- little information on the effectiveness of workforce planning systems within APS agencies exists at this time.

40. The development time to generate effective workforce planning systems is significant and a considerable percentage of staff will be eligible to retire in five years. Agencies should ensure that workforce-planning systems inform the development of workforce and business strategies to meet desired organisational capability. The management challenges in developing workforce planning expertise, identifying and addressing workforce risks, and implementing appropriate strategies, are significant. For example, responding to skills shortages, assessing possible impacts on corporate knowledge and embedding flexible work practices, to name only a few, take time to implement, embed, and make effective.

41. The ANAO also considers that it would be beneficial for the APSC to assess the external environment and the repercussions for the APS. This could usefully be reported in the *State of the Service Report* in order to inform agencies of the broader external environment, and also to allow agencies to gauge the extent to which they may be able to collaborate to overcome recognised shortages or associated impacts.

42. The collection of information on shortages across the APS as well as an assessment of their impacts on capability would also be of benefit. When considered over time such information should identify the scale of any existing

shortages, as well as potential shortages and potential impacts on the delivery of government programs.

43. Such data collection is becoming increasingly important and it would therefore be advantageous if the APSC could develop this capacity soon in order to monitor the impact on the APS workforce as the Australian population and workforce ages.

What needs to be done?

44. Agencies need to focus attention on the workforce risks specific to the agency with clear reference to a consideration of organisational capability. Based on the findings of the audit, agencies are encouraged to:

- (a) undertake a workforce risk assessment in relation to their desired organisational capability. This should include an assessment of the workforce implications of the strategic direction of the agency. It should also consider the likelihood and consequences of staff shortages, in overall staff numbers and in relation to mission-critical occupations or competencies. Both short- and long-term consequences should be considered;
- (b) document this assessment in the form of a workforce plan. This should include:
 - an assessment of the demand for (workforce needed), and supply of labour (current workforce);
 - consideration of the impacts of any shortages and surpluses on organisational capability;
 - an assessment of the external labour market as it relates to the agency, the agency's reliance on the contingent workforce, as well as its dependence on the workforce of other entities for service provision;
 - the identification of mission-critical roles and/or competencies;
 - human resources and other business strategies that relate specifically to the risk assessments; and
 - a means of monitoring progress over time to ensure that the strategies are effective;
- (c) adopt simplified processes, where the agency is inexperienced in workforce planning, that can be refined and developed as experience is gained; and
- (d) ensure that workforce planning is integrated into the broader business planning process to ensure proper alignment with operational capacity.

45. The ANAO has made two recommendations as a result of the audit.

46. The first recommendation is directed to agencies to focus attention on the need for each agency to undertake a workforce risk assessment and to ensure that organisational capability is a core component of this.

47. All agencies agreed to the first recommendation indicating that they recognise the importance of conducting a workforce risk assessment and doing so with reference to organisational capability. Most agencies have recognised that a consideration of the audit criteria, developed to assess agency progress in workforce planning, does not suggest the adoption of a particular model or a uniform approach, but rather key areas to be considered in developing the approach. In this way dimensions such as agency size, a stable or dynamic environment, management structures, and other variables can also be factored into the approach.

48. The second recommendation is directed to the APSC and proposes an assessment of the broader labour market and the repercussions for the APS, including an aggregation of information supplied by APS agencies on shortfalls and their potential impacts on organisational capability. The APSC agreed with qualification to this recommendation.

49. The APSC notes that responsibility for workforce planning, including the identification of and response to shortages, rests with agencies. Demographic characteristics and changes are reported in the *State of the Service Report* and topical issues and themes are included when new evaluative material is available. Workforce planning is one of these and has been reported in the last two reports. The APSC also notes that they collect information on the categories of skills in which agencies have difficulty recruiting, via the annual survey, and that the APSED database has the capacity to include employee qualifications.

50. These issues are also considered by the MAC including the *Organisational Renewal* report and the current project on 'Managing and Sustaining the APS Workforce'. The Commission has for a number of years taken a collaborative approach to working with agencies on developing and promoting shared, better practice approaches to human resource management issues, through initiatives such as the *People Management Benchmarking Study*, the *Senior Executive Leadership Capability Framework*, the *Integrated Leadership System*, the *HR Capability Model*, and facilitation of networks where agencies meet to discuss issues of common concern. The APSC notes its key position to facilitate collaboration between agencies and it will continue to assess and, as considered appropriate, instigate such opportunities for collaboration within ongoing priorities.

51. However, the APSC advises that 'it is not feasible for the Commission to regularly assess the repercussions for the APS of changes in population and

workforce demographics within the broader Australian labour market. To undertake such an assessment in a useful and meaningful manner would involve significant extra resources beyond those currently available. The inclusions of this type of broader assessment in the *State of the Service Report* would typically be as a *one off* where such an assessment was seen as a priority for the year’.

52. The ANAO agrees that responsibility for the identification of, and response to, shortages rests with agencies. The ANAO further recognises that this initiative could require additional resources, and that there are difficulties in collecting data on skills shortages, but sees value to the broader APS in augmenting the largely qualitative information available at this time.

53. The APSC has an important role in providing a whole of service perspective in reference to the challenges posed by skill shortages in the shorter term, and demographic changes in the longer term. Importantly, Recommendation No.2 proposes that impacts on organisational capability be considered by agencies and reported to the APSC. The main thrust of the recommendation is designed to achieve this assessment and to facilitate its consideration by senior level APS staff.

54. In terms of cost-effectiveness, the ANAO considers that this approach would be considerably more efficient than the alternative of each agency seeking to assess the external environment. Indeed, a number of smaller agencies may not have the research capacity to undertake the task. More importantly, including risk information in the State of the Service Report is expected to provide a catalyst to the improvement of workforce planning practices within the APS and aid collaboration by agencies. Responses to the draft report by other agencies indicate that they consider this would make a positive contribution to agencies workforce planning efforts and they have displayed a willingness to pursue co-operative arrangements. Appreciating that resources are always a consideration this information could be collected by the APSC on a periodic, rather than an annual, basis.

55. The full text of the APSC’s response is included in Appendix 1.

Recommendations

Recommendation No.1 The ANAO recommends that agencies identify workforce risks specific to their agency with clear reference to a consideration of organisational capability.

Recommendation No.2 The ANAO recommends that the APSC:

- a) regularly assess the repercussions for the APS of changes in population and workforce demographics within the broader Australian labour market.
- b) collect information on shortages across the APS and assess their impacts on capability.

This could usefully be reported in the *State of the Service Report*, in order to complement existing analysis and to inform agencies and assist facilitation of discussions between them. It could also facilitate possible collaboration to overcome recognised shortages or associated impacts.

Agencies' Responses

The 10 agencies included in audit examinations and the Australian Public Service Commission were asked to respond to the audit report and to comment on the two recommendations. Their detailed responses are included at Appendix 1. The remaining 75 APS agencies were provided with the audit report but were not required to respond. Nine of these agencies responded and their responses are also included in Appendix 1.

All 10 audited agencies and the APSC agreed with Recommendation 1.

Recommendation 2 was agreed with qualification by the APSC. All 10 audited agencies agreed with recommendation 2a). Eight agencies agreed with recommendation 2b) and two, DIMIA and Defence, agreed with qualification.

Audit Findings and Conclusions

1. Introduction

Background

The Australian context

1.1 The Australian Government's *Intergenerational Report 2002–03*¹³ released with the Budget of that year and the report *Australia's Demographic Challenges 2004*¹⁴ highlighted a projected doubling in the proportion of the population aged 65 or more, and that growth in the proportion of the population of workforce age will slow to almost zero over the next 40 years. To ensure fiscal sustainability the government nominated seven key priorities—two of which relate to the workforce—preserving a well-targeted social safety net that encourages working-age people to find jobs and remain employed; and encouraging mature age participation in the labour force.

1.2 The Productivity Commission Research Report, *Economic Implications of an Ageing Australia* released in April 2005 found that the ageing of the population will depress aggregate workforce participation rates from the current level of 63.5 per cent to 56.3 per cent by 2044–45.¹⁵ Furthermore, as older workers have a greater tendency to opt for part-time work and as part-time work generally becomes more prevalent, average weekly hours worked per employee are projected to decrease.

1.3 The unemployment rate in Australia was 5.1 per cent as at February 2005¹⁶ and is expected to be more sustainable than previously. In this context, the government has identified labour force participation as an area where improvements can be made.¹⁷ To this end the government has implemented strategies to improve incentives to work and save for retirement, improve the capacity of people to undertake work, and to support more flexible work options.

¹³ Australian Parliament 2002, *2002–03 Budget Paper No.5 Intergenerational Report*, (circulated by The Honourable Peter Costello, MP, Treasurer of the Commonwealth of Australia), Canberra.

¹⁴ Social Policy Division, The Treasury 2004, *Australia's Demographic Challenges*, The Treasury, Canberra.

¹⁵ Productivity Commission (2004), *Economic Implications of an Ageing Australia*, Research Report, Productivity Commission, Canberra, p.47.

¹⁶ Australian Bureau of Statistics, Labour Force Australia, February Key Figures [Internet] ABS, Canberra 2005 available from <<http://www.abs.gov.au/ausstats/abs@nsf/mf/6202.0>>.

¹⁷ Australia's OECD ranking of 12 based on its total participation rate in 2002 was reported in: Social Policy Division, The Treasury 2004, *Australia's Demographic Challenges*, The Treasury, Canberra, p.1.

1.4 The Australian Government accounts for approximately 3 per cent of all wage and salary earners and approximately 16 per cent of total public sector wage and salary earners.¹⁸ As at 30 June 2004, employment in the Australian Public Service totalled 131 522.

The Australian Public Service context

1.5 The Management Advisory Committee's (MAC) 2003 report entitled *Organisational Renewal*,¹⁹ examines the challenges of building organisational capability by APS agencies against the background of changing workforce trends. The report examines the implications of the ageing profile of the APS and the career intentions of new graduate entrants. It noted that around 23 per cent of the APS is likely to depart over the next five years (from 2003 to 2008).²⁰ The report considers in some detail the changing demographics of the APS as well as the results of surveys that provide insights into staff attitudes and intentions.

1.6 Findings from the report include the need for APS agencies to engage in more systematic workforce planning, including:

- understanding their own workforce demographics and characteristics, noting the significant interagency variations on factors such as age;
- identifying their particular current and future capability requirements and implementing an integrated human resource management strategy to make sure they are met; and
- implementing effective succession management to develop bench strength for key roles.

1.7 The MAC *Organisational Renewal* report notes there will be increased competition to attract new staff and to retain skilled staff and that the participation of mature age workers will need to be maximised.

¹⁸ Australia, Parliament, 2004, *Budget Paper No.1—Statement 12: Trends in Public Sector Finances*, Canberra. The total public sector includes the general government sector, public non-financial corporations sector and the public financial corporations sector for the Australian Government and state/local levels of government.

¹⁹ Management Advisory Committee 2003, *Organisational Renewal*, Australian Public Service Commission, Canberra. (p.3). The State of the Service Report 2003–04 indicates that 43.7 per cent of the Senior Executive Service and 27.6 per cent of Executive Level staff could, if they wished, retire with superannuation benefits within five years (p.173).

²⁰ The figure of 23 per cent remains unchanged based on the APS Statistical Bulletin 2003–04 employment figures for 30 June 2004. However it should be noted that this 23 per cent, representing the proportion of the APS workforce greater than 50 years is not the crest of the wave. The current cohorts of 40–44 years and 45–49 years each represent more than 16 per cent of the APS workforce and as they enter the greater than 50 years category over the next ten years, the proportion of the workforce eligible to retire within a five-year period is expected to swell.

1.8 Further, the Senate Finance and Public Administration References Committee in its report *Recruitment and Training in the Australian Public Service*, tabled in September 2003, included Recommendation 5 that ‘all APS agencies, as a priority, develop a detailed analysis of their present workforce profile and a strategic action plan to meet their future workforce needs’.²¹ The government agreed with this recommendation outlining the progress that has been made to date and the resources at agencies’ disposal. These include the better practice guide *Building capability: A framework for managing learning and development in the APS*; a package of resource materials for human resource practitioners in the APS to address retention of mature aged workers; and the development of an Internet interface by APSC that will allow agencies direct access to their workforce data from APSED.²² The Government response to Recommendations 11 and 12, referring to agency and APSC reporting in relation to recruitment strategies, notes that reporting on the broader concept of workforce planning is appropriate and that ‘there remains scope for the APS Commission to seek information on matters such as workforce planning in connection with the State of the Service Report’.

1.9 More recently, skills shortages, across many occupations in the Australian workforce, continue to be documented by a number of bodies, including the Australian Industry Group,²³ the Department of Employment and Workplace Relations (DEWR),²⁴ and the Australian Chamber of Commerce and Industry.²⁵

1.10 This is a challenging scenario for APS managers. Each agency will need to assess the challenge of providing government services to an ageing population. Some agencies will experience a greater increase in demand for services than others, and will do so with an aging workforce and a stagnant overall labour market. Effective workforce planning will be essential to the ability of agencies to pursue and achieve their organisational objectives.

1.11 The ANAO identified workforce planning in the APS as a significant issue for the service given the ageing demographic and significant

²¹ Senate Finance and Public Administration References Committee 2003, *Recruitment and Training in the Australian Public Service*, SFPARC, Canberra, Recommendation No. 5.

²² Government response to the Senate Finance and Public Administration References Committee Report on Recruitment and Training in the Australian Public Service.

²³ Australian Industry Group 2004, *Australia's Skills Gap—Costly, Wasteful and Widespread*, AIG, Canberra.

²⁴ Department of Employment and Workplace Relations 2004, *National and State Skills Shortage Lists, Australia-2004*, DEWR, Canberra.

²⁵ Australian Chamber of Commerce and Industry 2004, *Survey of Investor Confidence*, July 2004 and October 2004, ACCI, Canberra.

expenditures on direct salaries and wages and associated costs.²⁶ The APSC's *State of the Service Report 2003–04*²⁷ indicates that awareness has been raised and many agencies are developing practices in this area.

1.12 The ANAO has completed a number of audits that have indicated that significant improvements are needed in workforce planning and that the APS is likely to be in the early stages of development.²⁸ These have included the reports *Managing People for Business Outcomes*²⁹ that examined human resource practices in a selection of agencies in 2001–02 and 2002–03, as well as *Workforce Planning in the Department of Immigration and Multicultural and Indigenous Affairs*³⁰ in 2001.

Audit objective

1.13 In March 2001 the ANAO published a better practice guide for managers, *Planning for the Workforce of the Future*,³¹ and defined workforce planning as a continuous process of shaping the workforce to ensure it is capable of delivering organisational objectives now and in the future. The guide outlines a generic set of principles to be considered. It is not prescriptive, recognises that 'one size does not fit all' in this activity, and provides some practical examples of activities undertaken by agencies. The guide also includes a manager's checklist, 'Key Considerations for Effective Workplace Planning', that contains 33 questions relating to potential workforce planning activities.

1.14 The objective of the audit was to consider the status of workforce planning by APS agencies against the background of the ANAO's 2001 Better Practice Guide *Planning for the Workforce of the Future*, in light of the recommendations made in the MAC *Organisational Renewal* 2001 and the

²⁶ Commonwealth of Australia 2004 *Consolidated Financial Statements for the Year Ended 30 June 2004*, page 47. An estimated \$26.2 billion was spent on Australian Government employees' direct salaries and wages and associated costs during 2003–2004 the APS representing a component of this.

²⁷ Australian Public Service Commission, op. cit.

²⁸ Of note from the ANAO *Managing People for Business Outcomes* Reports of 2001–02 and 2002–03 is that over half the participating agencies had no system for workforce planning in place and that line managers, although identifying workforce planning as a priority, did not feel that their agency's current workforce planning made any real contribution to agency performance (p.23). Stage two of the study found little, if any, improvement noting that line managers generally believe workforce planning is not helping them in their decision making and planning, and also noting that line managers may not yet fully understand the benefits of effective workforce planning (p.40).

²⁹ ANAO Audit Report No.61 2001–02 *Managing People for Business Outcomes* and ANAO Audit Report No.50 2002–03 *Managing People for Business Outcomes, Year Two*.

³⁰ ANAO Audit Report No.56 2001–02 *Workforce Planning in the Department of Immigration and Multicultural and Indigenous Affairs*.

³¹ ANAO Better Practice Guide For Managers—*Planning for the Workforce of the Future*, March 2001, Canberra.

Senate Finance and Public Administration References Committee report *Recruitment and Training in the Australian Public Service* 2003.

1.15 The audit included 86 APS agencies³² to assess the extent to which workforce planning is underway across the service. In response to the need to improve workforce-planning practices across the APS this report has identified better practices that will benefit agencies into the future.

Audit criteria

1.16 A general review of workforce planning methodologies revealed a range of approaches and models. In formulating the assessment criteria for the audit, the ANAO's aim was to focus on activities, that when conducted well, would ensure an effective approach to workforce planning. The result is a common set of activities contained in many, if not all, of the models reviewed and does not propose the adoption of any particular model or a uniform approach. The summary included in Appendix 2 '*What's in a workforce plan*' is presented to aid agencies in this regard and presents the ANAO's key criteria for workforce planning.

1.17 The ANAO adopted the following criteria to assess the level of development of workforce planning within agencies:

Criterion 1. The agency has assessed the demand for, and supply of, labour in the context of achieving the organisation's desired capability. Workforce planning is an integral part of the business planning process.

Criterion 2. The agency has assessed the potential gap in workforce characteristics and competencies. The agency has undertaken trend analysis of demographic data to provide both descriptive and forecasting models describing how changes will affect the workforce in the absence of management action, and to model the varying impact of possible management actions. The agency has assessed the competencies and skills of the workforce to analyse the differences between the current and desired competency profile.

Criterion 3. The agency's assessments have informed all relevant business strategies including, but not restricted to, human resources (HR) strategies.

Criterion 4. The agency has a measurement framework in place. Incremental progress can be measured on a range of relevant factors, as well as provide links to the overall performance of the agency. The chosen performance measures are clearly and compellingly linked to the success of the organisation.

³² See Appendix 4.

1.18 In adopting the above-mentioned criteria, the ANAO has set a reasonably high standard in assessing the workforce planning practices of APS agencies. The ANAO, however, feels this is appropriate in the context of the changing demographics of the Australian population and the need for agencies to meet any challenges this poses for their workforces. The priority given to these challenges is particularly important in light of our observation that the timeframes for development of effective practices are long and the results sometimes uncertain.

1.19 Most importantly, the theme of organisational capability is embedded within the criteria with a view to ensuring that agencies that address them would be well placed to effectively administer government programs and achieve the Government's desired outcomes. Agencies should, however, consider the examples noted in this report and adapt them where relevant to their own circumstances and in doing so apply the level of resources appropriate to their own identified needs.

Audit methodology

1.20 The audit methodology was designed to identify agencies that have developed workforce-planning methodologies either across the organisation or in relation to particular workforce segments. To achieve this, the ANAO conducted a survey of APS agencies to self assess their progress against the better practice guide checklist and some additional survey questions. Nine agencies (from a range of sizes covering small, medium and large) were then selected for review on the basis that they exhibited the following features:

- a workforce planning process was in existence;
- the process exhibited elements of better practice; and
- the agency was anticipating an increase in demand for the services of the agency and/or labour.

1.21 The nine agencies selected were the Department of Defence (Defence), Centrelink, the Australian Customs Service (Customs), the Department of Family and Community Services (FACS), the Department of Foreign Affairs and Trade (DFAT), the Department of Education, Science and Training (DEST), the Attorney-General's Department (AGD), the National Library of Australia and the Bureau of Meteorology. The Department of Immigration, Multicultural and Indigenous Affairs (DIMIA) was also included to consider the level of progress in workforce planning since the 2001–02 ANAO audit of workforce planning in DIMIA.

1.22 The ANAO then selected the most advanced small, medium and large agency with the aim of gaining a line managers perspective on workforce planning. Consequently a focus group of line managers was conducted in

DEST, telephone interviews with a number of business unit managers were conducted in Customs, and a focus group of workforce planners was conducted in Defence. HRM Consulting assisted in conducting the focus groups. The audit was conducted in accordance with ANAO auditing standards at a cost of \$333 000.

1.23 Readers of the report should note that the agencies examined represented some of the better workforce planning processes currently developed within the APS.

2. Status of Workforce Planning in the Australian Public Service

This chapter reports on the progress being made in relation to workforce planning in 86 APS agencies. The results of the ANAO survey are also presented.

Progress in workforce planning

2.1 The APSC *State of the Service Report 2003–04* reported that 41 per cent of agencies had policies, strategies or frameworks in place to ensure they have the skills and capabilities needed for the next 1–5 years (76 per cent of large agencies, 37 per cent of medium agencies and 26 per cent of small agencies).³³

2.2 The ANAO undertook a survey of 86 agencies and asked the executive responsible for workforce planning in each agency to describe their current progress specifically in relation to workforce planning using six options. These options ranged from having no plans to undertake workforce planning, through to having established workforce planning processes in place that are widely accepted and contribute to organisational performance. Figure 2.1 summarises the results.

2.3 Overall, the ANAO survey found that 24 agencies (28 per cent), a somewhat lower proportion than the APSC findings, claim to have established workforce-planning processes in place. Furthermore, there were fewer agencies in each size category (67 per cent of large, 20 per cent of medium and 13 per cent of small agencies). While these results are not directly comparable, due to the different questions asked, it does show a far less favourable outcome in terms of the number of agencies that have some workforce planning processes in place. It is encouraging to note, however, that a further 30 agencies (35 per cent) advise they are currently formulating a workforce plan and strategies at this time, and another 27 agencies (31 per cent) intend to undertake workforce planning. Of the remaining five agencies that have no plans to undertake workforce planning, four are small agencies with less than 250 employees.³⁴ Reasons cited by these five agencies for their delay in addressing workforce planning include small size, an existing ability to attract suitable staff and to monitor needs informally, and insufficient resources to engage in workforce planning.

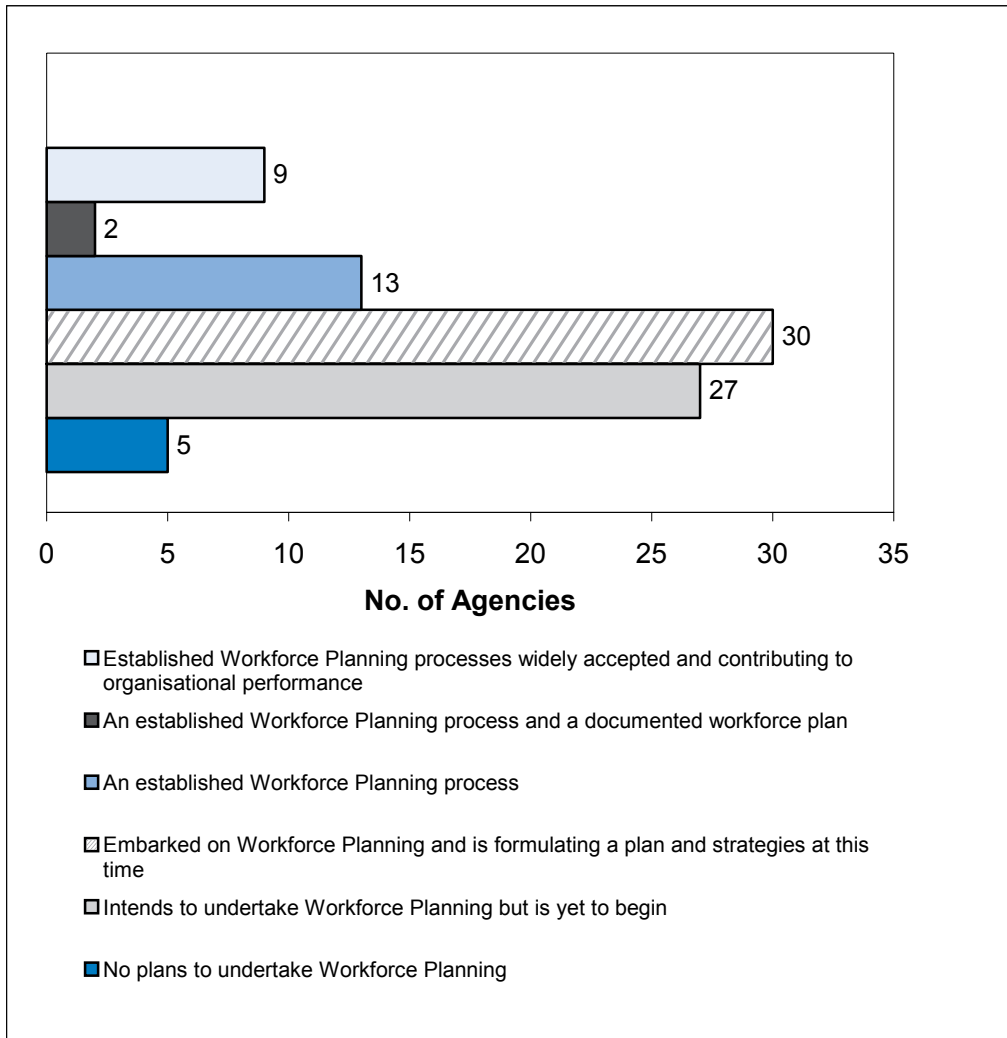
³³ Australian Public Service Commission, op. cit., 201. Large agencies are defined as those that employ more than 1000 employees, medium agencies employing between 250 and 1000 employees, and small agencies employ less than 250 employees.

³⁴ The agencies were: Australian Industrial Registry (213 staff); Federal Court of Australia (356 staff); Federal Privacy Commission (34 staff); Human Rights and Equal Opportunity Commission (104 staff); and the Royal Australian Mint (120 staff).

2.4 These results at least signal a heightened awareness of the need for workforce planning in the APS and agency responses generally indicate that agencies are responding more now to this issue than they have in the past. However, the ANAO considers that agencies should be further advanced in their efforts given the importance attached to workforce planning by the Management Advisory Committee in 2001 and the recommendation made in the Senate Finance and Public Administration References Committee in 2003.

Figure 2.1

Progress in workforce planning



Risk factors

2.5 Some of the risk factors that may be relevant to the increased need for workforce planning processes to be in place include the extent to which agencies may be experiencing an increased demand for their services, and hence labour; whether they are already experiencing skills shortages; and the age profile of their existing workforce.

2.6 As a guide to the level of demand, respondents were asked to consider their anticipated change in demand for services over the next five years and the impact any change will have on the demand for labour during this period. The survey found that 51 agencies expect an increase in demand for their services, and of these, 45 expect an increase in the demand for labour. However, only 18 and 14 agencies respectively in these categories currently have workforce-planning processes in place. The remaining agencies, despite having workforce planning currently on the drawing board or in their future intentions, risk experiencing an adverse impact on capability in the period before workforce planning becomes successfully embedded in the organisation.

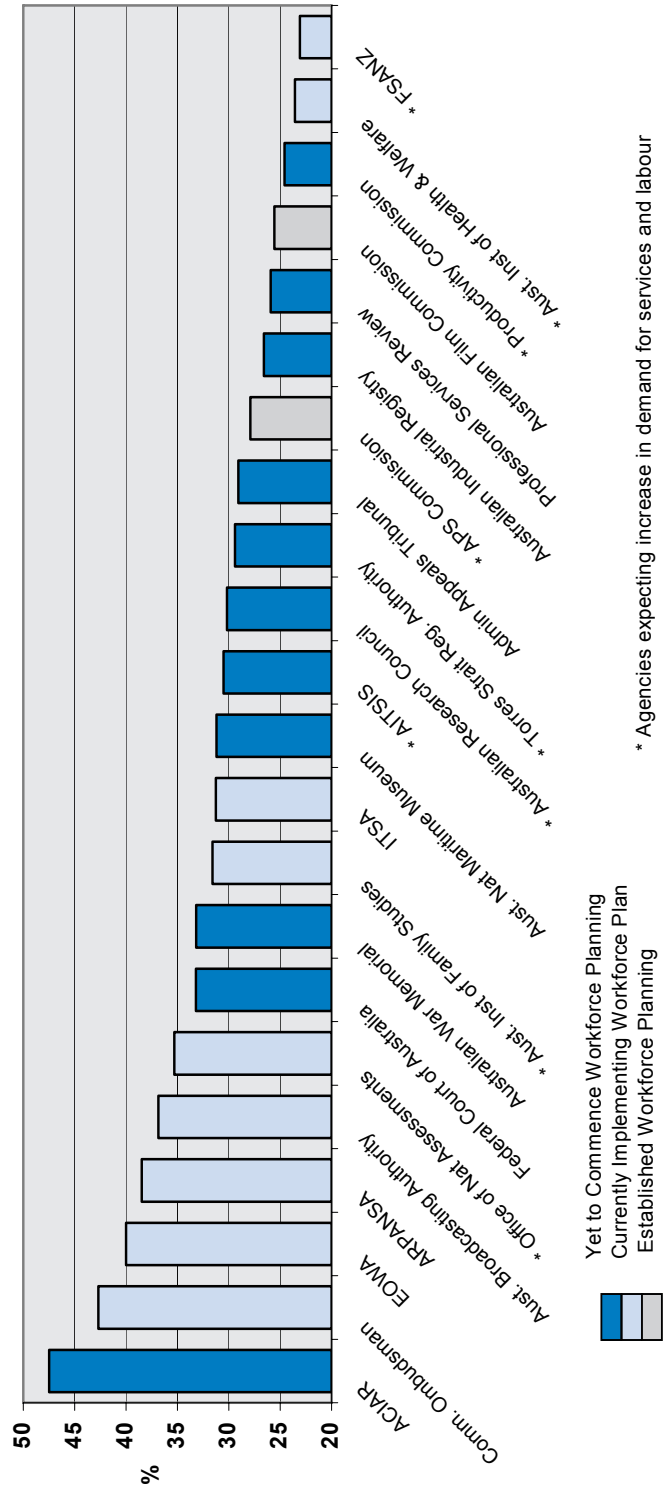
2.7 Agencies were also asked to report on identified current skill or staff shortages. More than half the responding agencies (45 of the 86) reported current shortages in skilled occupations. Most common amongst those mentioned were accounting professionals, legal officers, economists, project managers and information technology (IT) professionals. While frequently the numbers of shortages were small, some agencies are already experiencing relatively significant labour deficiencies. The Australian Taxation Office reported shortages of 500 auditors/accountants, 200 debt management professionals, 100 legal officers and 20 economists. The Australian Securities and Investments Commission reported vacancies for 52 legal professionals and 29 investigators, and IP Australia reported vacancies for 39 examiners of patents and trademarks.

2.8 Consideration of the age profile of each agency's workforce is also indicative of the level of workforce risk. A total of 41 agencies had 23 per cent or more of their ongoing workforce aged over 50 years as at June 2004. Figures 2.2 and 2.3 illustrate the progress made in workforce planning by these 41 agencies.

2.9 Of the 19 larger agencies (those employing more than 250 staff), only eight have established workforce planning processes in place, while a further seven are currently formulating a workforce plan and four have yet to give due consideration to workforce planning. Furthermore, over half of these larger agencies anticipate an increase in demand for their services and labour in the next five years.

Figure 2.2

Workforce planning in agencies employing less than 250 staff and with more than 23 per cent of staff over 50 years of age

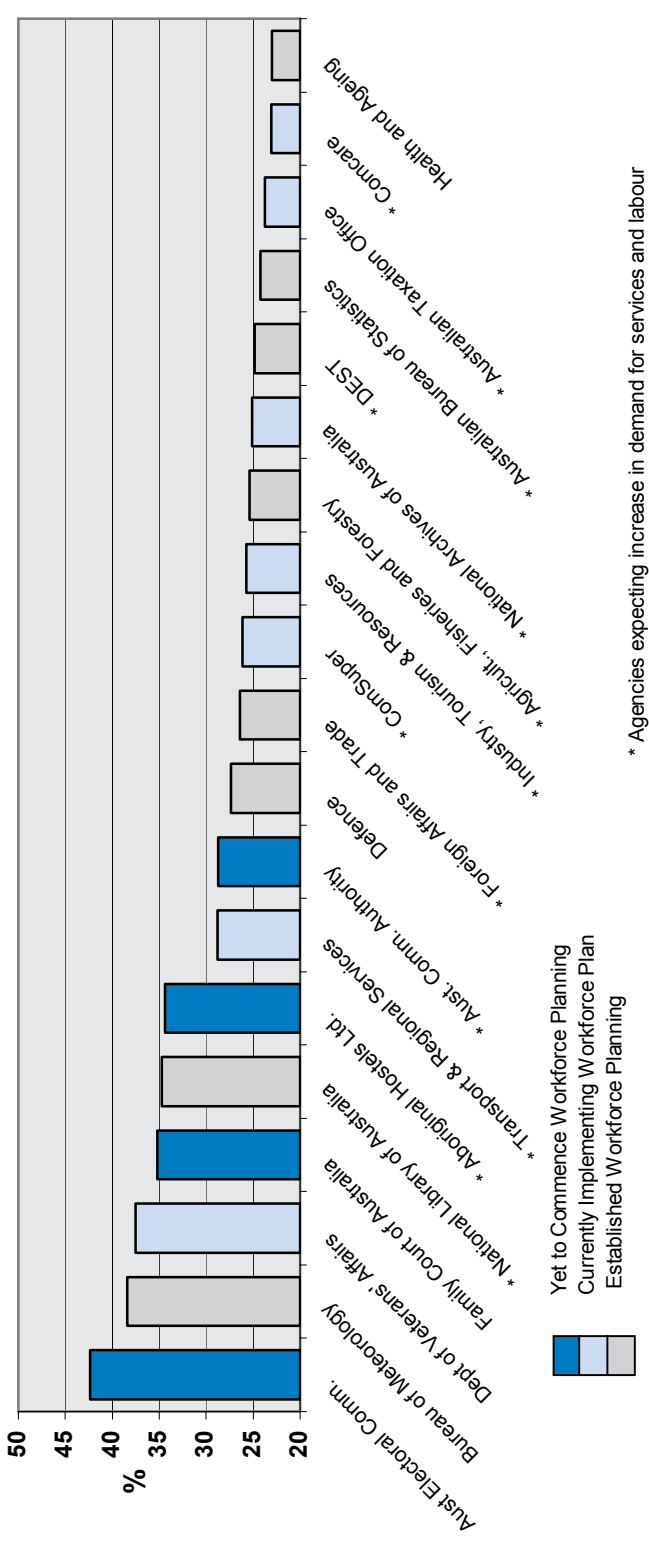


* Agencies expecting increase in demand for services and labour

Source: Australian Public Service Statistical Bulletin 2003–04. Total staff numbers for each agency included in Appendix 4.

Figure 2.3

Workforce planning in agencies employing more than 250 staff and with more than 23 per cent of staff over 50 years of age



Source: Australian Public Service Statistical Bulletin 2003–04. Total staff numbers for each agency included in Appendix 4.

2.10 The remaining 22 smaller agencies (those employing less than 250 staff) reveal slower progress in workforce planning. Only two agencies currently have a workforce planning process in place. Of the others, nine are currently formulating a workforce plan and 11 have yet to begin. Almost half of these smaller agencies anticipate an increase in the demand for their services and labour in the next five years.

Improvement in capability

2.11 The level of improvement in organisational capability achieved as a result of workforce planning was assessed by 22 of the 24 agencies with established processes in place. As indicated in Figure 2.4, five agencies reported a significant improvement, nine agencies reported moderately positive improvement and eight agencies reported modest or no noticeable improvement.

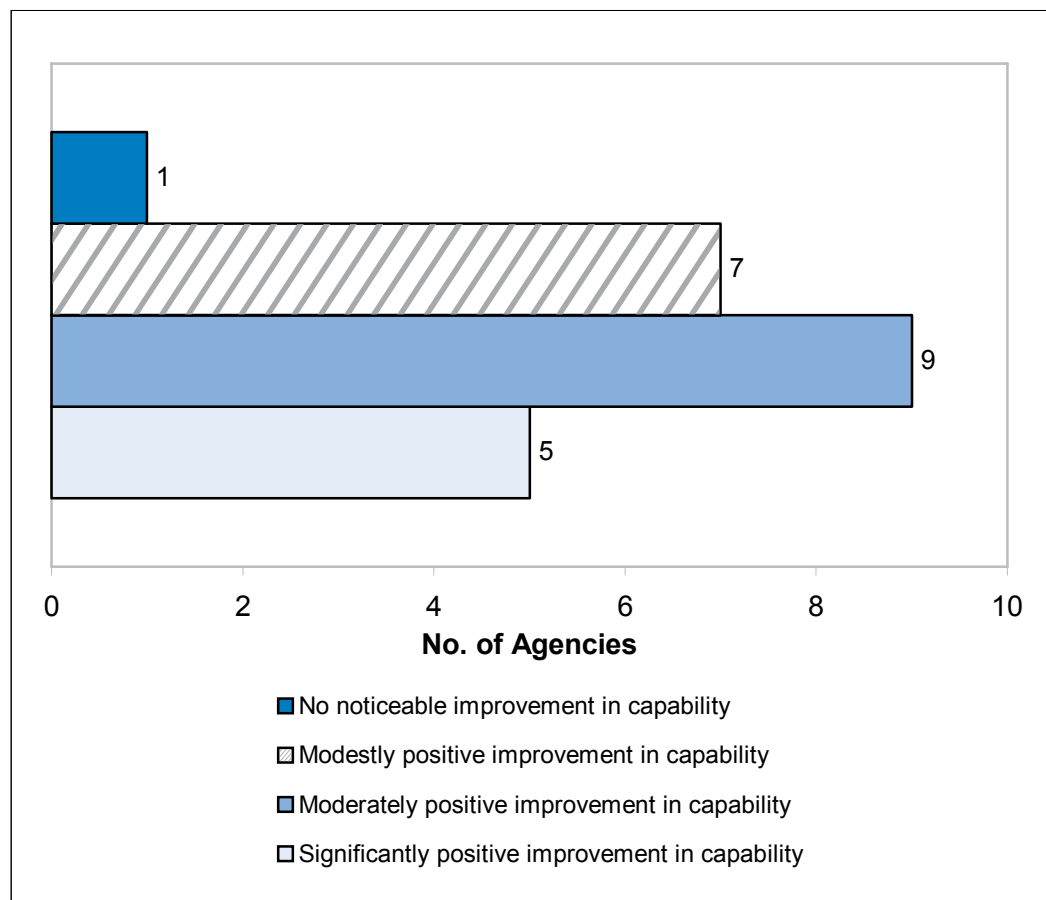
2.12 In general, improvement in capability was found to be greatest by those agencies that have engaged in workforce planning the longest. Of the eight agencies which rated improvement in capability to be either modest or not noticeable, six have had their processes in place for less than two years. Conversely, of the five agencies that reported significant improvement in capability, two have had an established process in place for in excess of 20 years, two for six years, and the fifth for four years.

2.13 The APSC, in its recent *State of the Service Report 2003–04*, stressed the importance of workforce planning in ensuring that agency capability is achieved. It observed that APS agencies have increased their focus on workforce planning as a means to address capability issues. However, the APSC notes that there is ‘considerable potential for agencies to improve their efforts in this area, and particularly to build on the preliminary work that has already begun in the area of workforce planning’.³⁵

2.14 The findings of this audit support this observation, particularly in light of the number of agencies anticipating an increase in demand for their services and/or labour over the next five years.

³⁵ Australian Public Service Commission, op. cit., p.242.

Figure 2.4
Improvement in capability



Challenges, impediments and success factors

2.15 As part of the ANAO survey agencies were asked to list the primary challenges and impediments in producing or implementing a workforce plan or planning processes. Responses tended to fall into six major categories.

- Some agencies reported difficulty in **understanding what workforce planning means in practice** and determining what is needed in terms of process. Many agencies also felt they lacked the **necessary skills and expertise** to undertake workforce planning.
- Raising the **awareness of workforce planning amongst line management, the executive and other key staff** and educating them as to the benefits of workforce planning were cited as challenges for several responding agencies. Related to the issue of awareness is the

problem of **gaining acceptance**, from both leaders and line managers, of the value of workforce planning, particularly in the areas of capability assessment and succession planning. Some agencies mentioned an organisational culture resistant to change as an impediment to implementing workforce planning. Others referred to the difficulty in generating motivation for workforce planning due to the long-term nature of the measurable benefits from the process.

- A **lack of resources**, including funding, necessary staff, suitable technology and time, was identified as a key impediment to workforce planning. Heavy workloads and competing HR priorities were also listed as obstacles. Fourteen agencies, ranging in size from 30 to 397 employees, believed their small size was an impediment or mitigated the need for any workforce planning.
- The **ability to collect meaningful, accurate and relevant data** was cited by several agencies to be one of the challenges of workforce planning. In particular, data on competencies, non-APS contractual labour and comparative workforce planning data were found to be difficult to gather. Several agencies also mentioned the inadequacy of their HR information systems.
- Survey responses suggest that many **agencies find forecasting a difficult process** to undertake in producing a workforce plan. 'Developing and articulating our future directions'; 'consideration of the implications of future environmental factors and business direction on people capability'; 'forecasting business needs in a government environment'; 'projecting future demand for the agency's services'; 'lack of information on future skills requirements'; and 'uncertain staff costs' are all examples of agency comments on the challenges faced in projecting the future.
- **Embedding workforce planning into the business planning process** was found to be a major challenge for many agencies. Although some agencies indicate that workforce planning has been undertaken in an ad hoc manner to date, there is considerable recognition that it needs to be an integral part of all organisational forecasting and planning.

2.16 The ANAO's interaction with agencies while conducting the audit has highlighted some perceptions among agencies that workforce planning is not necessary for agencies that employ small numbers of staff. Another claim put forward is that larger agencies have considerably more resources to apply to workforce planning and that small and medium sized agencies cannot emulate their practices.

2.17 This audit has endeavoured to address such issues by developing only four criteria for assessing workforce planning practices and by outlining, by way of example, a simplified framework of how agencies might proceed with their workforce planning efforts. The examples provided aim to demonstrate how an agency might undertake a certain activity: agencies can then transfer the idea to their own context. The ANAO considers that all agencies, regardless of size, should give consideration to their future workforce needs as a matter of prudent management practice, whether or not they are anticipating shortages. Of course, the extent of effort involved should be tailored to the circumstances of the agency but the key elements contained in the criteria require consideration by senior managers.

2.18 ANAO discussions with Defence, the employer of the largest workforce and the agency with the longest experience in workforce planning, nominated a number of critical success factors. These were:

- an enterprise level personnel information system to support workforce planning or a specialist database that captures the right types of information, however, noting that a spreadsheet would suffice for a small agency;
- a reliable and valid forecasting and mapping tool that can allow consideration of future scenarios;
- a group of workforce planners who have the requisite skills and competencies, including systems thinking and statistical analysis, as well as data interpretation skills to make use of this analysis;
- organisational linkages and connections that allow workforce planners to gain access and build credibility to influence and advise the business - in particular, future capability planners, HR and finance;
- useable products that operationalise that advice, that distils the data and trends, that is grasped quickly, and that is meaningful and can guide decisions at the unit level;
- an environment that is receptive;
- relevant policies and standard operating procedures to record how workforce planning links to business planning and to sustain the activities; and
- support from the top, facilitated in Defence by a Workforce Plan and a People Plan signed off by the executive.

2.19 Support from the executive is critical and the *Defence Personnel Environment Scan 2020*, produced in 2001, is considered to be a pivotal document in this regard. The consideration of the internal and external demographics highlighted to senior staff the shape of the workforce and the

trends for the future, and was produced at a time of low recruitment and high separation rates. This galvanised action and a strategic review was undertaken that has informed the current processes in Defence.

Role of the APSC

2.20 A consideration of the external environment and the repercussions for the APS would also be of value to APS agencies. For example, the *Strategic Workforce Planning Review* undertaken by Defence considered the repercussions for Defence of the ageing of the Australian population, falling labour market participation rates, fiscal strains, and increasing wage pressures. As stated succinctly in the Defence report, ‘much of the problem can be summarised in one word: competition’.³⁶ Importantly, the report also considered the ‘Defence Industry’ in recognition that it ‘is not an addendum to Defence capability but an integral part of it’.³⁷

2.21 The ANAO considers that the APS as a whole would benefit from a similar assessment of the external environment and the consequent repercussions for the APS. The purpose of this would be to inform agencies and facilitate discussions between agencies to allow them to gauge the extent to which they may be able to collaborate to overcome recognised shortages or associated impacts. Importantly, such collaborations could occur on the supply side, the more traditional route, or the demand side, that may lead to more innovative solutions in the way agencies do business to achieve their objectives.

2.22 To facilitate such a discussion the APS should also track and measure changes in workforce shortfalls. This would require the collection of relevant data from agencies and should include an assessment by the agencies of the impacts on organisational capability. When considered over time this information would identify not only the scale of existing shortages, but would also enable the identification of potential shortages and potential impacts on the delivery of government programs. As in the Defence report noted above such assessments should include the contingent workforce as well as dependencies on other entities.

2.23 Such data collection is becoming increasingly important and it would therefore be advantageous if the APSC could develop this capacity soon in order to monitor the impact on the APS workforce as the Australian population and workforce ages. This information would be of considerable assistance to agencies and be more cost-effective than each agency conducting

³⁶ Department of Defence, op. cit., p.76.

³⁷ Department of Defence, op. cit., p.77.

its own ongoing research, but would not abrogate each agency's responsibility to consider the trends in relation to their core roles.

Conclusion

2.24 The APSC's *State of the Service Report* notes that 41 per cent of agencies had policies, strategies or frameworks in place to ensure they have the skills and capabilities needed for the next 1–5 years.³⁸ The ANAO survey indicates that 24 agencies (28 per cent of 86 surveyed) report having an established workforce planning process in place. However, the ANAO concludes that the survey results, obtained by both the ANAO and APSC, overstate the extent of workforce planning in the APS. The audit fieldwork undertaken suggests that the results reported in the survey tended to be more positive than the actual evidence suggested.

2.25 The ANAO acknowledges that agencies have been diligent in trying to provide a realistic assessment of their activities. However, the ANAO considers that a lack of knowledge and skill in workforce planning in the APS has contributed to an inability by agencies to objectively assess their workforce planning practices. The problem being that those who are informed and have the necessary skills rate themselves lower, as they are aware of the complexities involved. Higher ratings, however, are sometimes the result of a lack of knowledge in this area.

³⁸ Australian Public Service Commission, op. cit., p.200.

3. Assessing Human Capital Requirements

This chapter considers the activities of selected agencies in relation to their assessment of their human capital requirements. This includes an assessment of the demand for, and supply of, labour as well as the integration of workforce planning into their business planning processes.

3.1 A key element in workforce planning is considering the implications for the workforce of the strategic direction of the agency. It is therefore essential for an agency to first clearly articulate its strategic direction and identify the organisational capabilities needed to deliver on commitments into the future, before workforce planning can be undertaken.

3.2 An agency's context will affect its approach to workforce planning. For example, the size of the agency will determine how complex the task will be and its geographic spread may impact on the approach. However, a fundamental element of workforce planning is consideration of the demand the agency has for labour, and consideration of the supply of people with appropriate competencies to fulfil that need. This means assessing the demand and supply dimensions of the workforce in the context of achieving the organisation's desired capability. The term 'capability' used here refers to organisational capability and relates to the capacity of the organisation to achieve its objectives. In this report ANAO has used this term **only** in relation to the organisation and has not used it in relation to workforce capability to avoid confusion.

3.3 Hence, workforce demand is the number of people required with the necessary competencies to deliver the organisational capability. Demand is therefore determined by business parameters and the design of work and the workforce characteristics being sought. Workforce supply is the availability of those people with the necessary competencies both within the wider Australian workforce and within the organisation. Supply is therefore determined by the external labour market as well as in-agency considerations including the existing workforce characteristics, individual competencies and skills, as well as staff movement dynamics.

3.4 The gap between the agency's demand for, and supply of, human capital represents a key area of risk to achieving organisational capability. The critical nature of identified gaps should be assessed and strategies developed to close those gaps. In relation to most occupational groups represented in the APS, with some exceptions noted earlier at 2.7, it is generally possible at the present time to close the gaps. However, as shown in Figures 2.2 and 2.3, a number of agencies within the APS have a significant percentage of staff

eligible to retire in the next five years. The implication is that supply may not meet demand in the future and agencies will need to reconsider their demand for labour and the consequent impacts on capability.

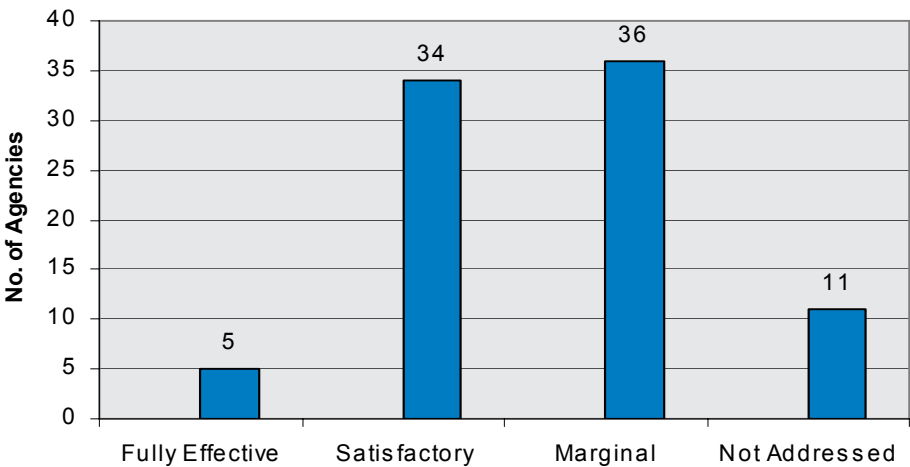
3.5 As part of the ANAO survey APS agencies were asked to rate the extent to which they had assessed the demand for and supply of labour in the context of achieving the organisation’s desired capability. They were also asked to consider the extent to which workforce planning was an integral part of the business planning process. This was presented as a criterion against which agencies were to nominate whether they thought they were ‘fully effective’, ‘satisfactory’, or ‘marginal’ in these activities or they were not addressed by the agency.

3.6 APS-wide results are presented in Figure 3.1. Only five agencies indicated a fully effective rating on this criterion. A further 34 agencies indicated a satisfactory rating. Of the remaining agencies, 36 assessed themselves as marginal and 11 indicated these activities were not addressed by the agency. Thus just less than half of all APS agencies report they have adequately assessed their human capital requirements.

Figure 3.1

Assessing Human Capital Requirements

Criterion 1. The agency has assessed the demand for, and supply of, labour in the context of achieving the organisation’s desired capability. Workforce planning is an integral part of the business planning process.



3.7 Agencies were also asked to complete the checklist from the better practice guide ANAO produced in 2001. The checklist contains a range of questions relating to the assessment of human capital requirements and the processes involved in doing so. These are presented in Figure 3.2. A high percentage of agencies have nominated a satisfactory or higher rating for most of the checklist items relating to Criterion 1. The least satisfactory dimensions were whether the agency had considered the external environment and its impact on the agency's approach to workforce planning and the extent to which assessments of the future business directions are used to identify workforce needs and to build organisational capability. Around 50 per cent of agencies reported 'marginal or not addressed' on these dimensions. These findings concur with ANAO's audit examination results. That is, across the APS, agencies have rated themselves lowest on those areas that the audit examinations revealed needed significant improvement.

Assessment of the demand for and supply of labour

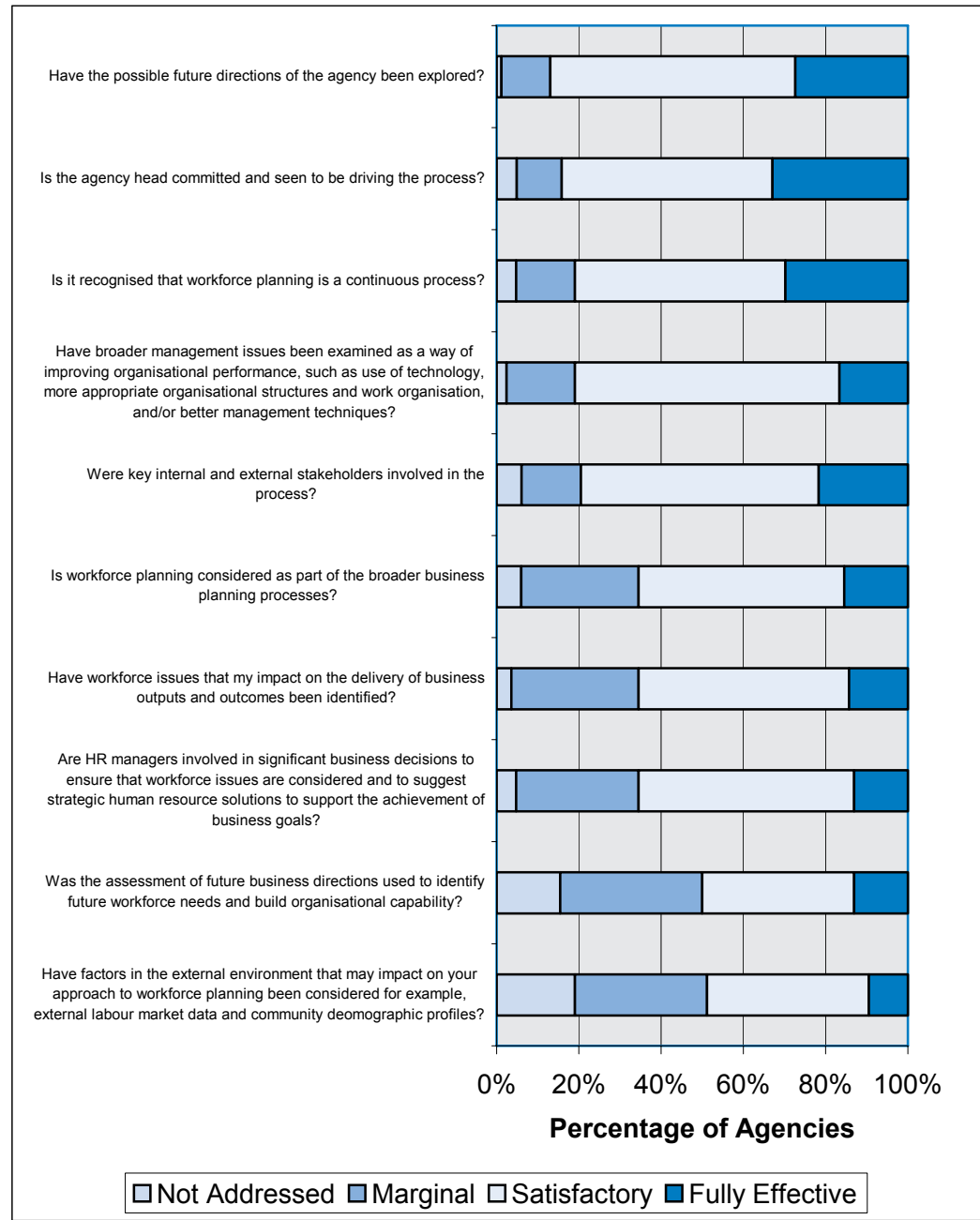
3.8 Overall, the audit examinations undertaken indicate a less positive level of progress in agencies' assessments of their human capital requirements, in comparison to their self-assessed rating on criterion 1. In the important area of assessing the demand for, and supply of, labour only three of the 10 agencies selected for the detailed review demonstrated a more fully developed approach. These were Defence, Customs and DEST. Further, only Defence has a systematic and documented means of assessing the workforce impacts on organisational capability (see para. 3.22).

3.9 The approach of each agency is quite different. In DEST the human resource area facilitates discussions with business groups and enabling groups and provides necessary supporting information. Within DEST, the Information Services Group has produced a workforce plan. In Customs, a demand and supply tool has been developed to enable line managers to consider demand and supply aspects. This tool is in the early stages of implementation. In Defence dedicated workforce planners consider the demand and supply of each occupational group and this augments workforce planning considerations undertaken for each of the Services.

3.10 The following section provides a brief description of the approach of these three agencies. In considering these examples agencies should consider ways in which they can adapt the approaches to suit their particular purposes and circumstances.

Figure 3.2

Checklist items relating to Criterion 1—Agency assessments



Department of Education, Science and Training

3.11 As part of DEST's annual business planning process, representatives from each of DEST's enabling areas, including People Management, IT, Communications, Finance, and Risk Management, meet with each of the 13 business groups to discuss the key deliverables and business outcomes of each group. These meetings provide a forum for the enabling groups to outline their strategies and for business groups to provide an overview of their operating environments and business priorities.

3.12 People Management Branch holds follow-up discussions with each business group to address the workforce planning implications of their business priorities and future directions. Business Group Managers bring to this discussion an understanding of their business goals and knowledge of their current people through the performance management and career development process, DEST's 360 Degree Feedback and Manager One Removed programmes and their group's staff survey results. To facilitate this process People Management Branch produces demographic data on the business group's existing workforce and frames the agenda around identified demand and supply issues, and any workforce gaps. Strategies are then formulated to help the business group plan its workforce to achieve its required level of capability.

3.13 Of interest is that the Information Services Group, which employs approximately 225 staff (145 FTE and 80 IT contractors), has produced its own workforce plan as a result of these discussions. This plan examines both the internal and external supply of IT labour and provides an analysis of the Information Services Group workforce data. From this analysis, issues are identified and strategies developed. The Information Services Group's workforce plan also recognises the need to regularly review and evaluate the progress of its workforce planning activities and, to this end, includes a template for a report summarising initiatives, targets and actions taken.

Customs

3.14 Customs piloted a Workforce Planning Supply & Demand Tool in its regional offices in 2004. While the analysis capabilities of the tool were well received, the system is very reliant on manual input of Human Resource data, which can take considerable time updating. As a result the regions are using the tool to forecast their workforce requirements on a periodic (i.e. budget time) rather than ongoing basis. Customs has more recently held discussions with its contracted human resource data suppliers about the idea of an automated supply and demand tool.

3.15 The forecasting of regional or organisational units staffing requirements has largely been progressed by the Executive in its response to government requirements in relation to border security and other public service wide reforms such as physical security and IT reform.

3.16 Some better practice features include:

- the tool uses information relating to current full-time equivalent staffing numbers as well as headcounts;
- the tool allows the consideration of three scenarios of interest to the agency, one of which is a stable environment. Results of each scenario analysis are considered for the current year, and one and three-years forward. Some improvements are, however, needed here as focus group discussions revealed that scenario planning in Customs takes place inconsistently at the local level. Also some longer-term planning should be considered;
- planners at the operational level are encouraged to record the contingencies and assumptions on which forecasts are based;
- planning templates are provided to branches and are then integrated into an annual *National Business Plan and Report*. These templates include reference to workforce planning and a number of related human resource management issues; and
- forecast staff numbers are compared to the current years salary budget allocation so line managers can reconsider profiles in light of these constraints. The human resource advisors in the regions work in conjunction with their finance areas to assess staff requirements against budgets. Demand and supply forecasts are undertaken in February–March and revised in May–June when regional funding allocations are known.

3.17 One area of caution in the Customs approach is that it is unclear the extent to which capability considerations are included in workforce planning. The present system assumes managers consider organisational capability in their scenario development. Discussions with Customs indicate that in the workforce planning undertaken in the Marine Unit, where staff and vessels requirements are considered over a number of years, it is likely that this organisational unit has a greater focus on capability in their scenario development. However, capability considerations are necessary elements in workforce planning undertaken in all organisational units. To further improve this aspect of the forecasting system Customs has indicated that they may consider integrating workload indicators into the planning system.

Department of Defence

3.18 The level of effort expended in workforce planning is highly dependent on the size of the agency and the complexity of its operations. National defence planning and the associated purchase of capital equipment requires long-term planning. Not surprisingly, the most extensive workforce planning efforts have been undertaken in Defence in relation to their military personnel.

3.19 These efforts are underpinned by the publication of a document, entitled *Report of the Strategic Workforce Planning Review 2003* which was the result of a major drive to improve workforce planning in Defence. This is a comprehensive review and demonstrates a strong commitment from Defence to improve its workforce planning processes.

3.20 Demand and supply forecasts are produced for each occupational category in each of the Services in the Australian Defence Forces, broken down by rank. This is a process of determining what resources are available against what the 'establishment' determines is required. The mathematical modelling takes into account separation rates, promotion rates and the in-house development of staff. An 'asset-demand coefficient' is produced that is then projected and graphed over a 10-year period. Each forecast is accompanied by a qualitative assessment to aid interpretation of the data and allows consideration of whether the result presents a current and/or an emerging issue.

3.21 Of interest within Defence's analysis of demand and supply is the links that are then made to organisational capability. Capability development is a priority focus for Defence.³⁹ The workforce is now recognised as a core element of capability and also that long lead times generally exist in skill development.

3.22 Hence, Defence has introduced an additional stage in the process to determine the risk to Defence capability of personnel shortfalls. Following the identification of demand-supply gaps an assessment is made, by senior staff, of the consequence of the current and projected gaps on organisational capability. For this purpose a 'risk management calculator' is used. This identifies the risk to Defence capability by relating the likelihood of a shortage in an occupational category with the probable consequences of the shortage. Four levels of risk and risk acceptance are used: Perilous-Intolerable (pink), Critical-Unacceptable (red), Major-Undesirable (amber), Minor-Acceptable with periodic review (green). These levels indicate the priority that should be

³⁹ Significant changes in capability, and hence workforce demand, derive from major reviews such as the White Paper and Defence Capability Review. As a consequence of these reviews workforce guidance is produced and represents the 'funded size of the Defence workforce agreed by Defence and Government as appropriate for the production and maintenance of agreed Defence capabilities'. Each year the Government endorses the Defence Management and Financial Plan (DMFP). The workforce size then acts as a baseline for determining other requirements such as trade and rank, housing and health.

accorded to correcting the underlying problem as well as guiding the level of reporting. This categorising matrix is presented in Table 3.1.

3.23 In this way the greatest quantum of shortages do not necessarily appear at the top of the critical shortfall list. Rather the gap that creates the greatest risk to capability is given the greatest scrutiny in follow-up actions. This means, for example, that a small shortage of specialist engineers may receive far greater attention and follow-up action, than a larger quantum shortage of some other occupation, as the former may have far greater impact on defence capability. Assessing the gap in this way and relating this to organisational capability is critical to effective workforce planning. The outcome of the process then determines the priority attention given to various shortfalls or emerging issues. Defence reports that this has been particularly useful in allowing them to reduce the categories of interest to a manageable number.

3.24 A further example of the importance of the linkage between workforce planning and capability is demonstrated by the recognition in Defence that misalignments between its capital program and workforce development are costly. To address this, the Defence Capability Committee agreed, in June 2004, that workforce risks are to be considered in approval processes for major capital investment decisions and the Department has developed a *Major Capital Investment: Workforce Checklist* for this purpose. In this process the capability project sponsor considers the functions and skills required, the numbers of personnel, through-life costs, and associated risks and mitigation options. This information becomes more refined through three stages: an initial strategic assessment, an initial business case and an acquisition business case. Defence Personnel Executive staff also undertake a quality assurance process in relation to the workforce risks. In this way the workforce risks are considered prior to the funding of any new major projects.

3.25 On the APS side of the Defence workforce the Defence People Plan notes that some skill shortages exist, albeit not critical. Efforts are now underway to classify APS positions by work function so that demand and supply analysis can be conducted in a similar manner to that described above for ADF Personnel. This capacity is intended to be in place by the end of June 2005. In classifying positions Defence has chosen to use the DEWR Job Outlook framework rather than the Australian Standard Classification of Occupations (ASCO), as this is likely to be adopted by the ASCO in the near future. Other APS agencies have not embarked upon this process yet and it should be noted that commonality of classification is required to enable benchmarking across the APS. APSC could have a role in facilitating this process and should note that efforts to ensure congruence between the frameworks are underway in connection with the 2006 ABS census.

Table 3.1
Risk Management Calculator (Category Shortfall—Ready Reckoner)

Likelihood of asset liability gap	Consequence of Gap (Impact on Delivering Capability)				Consequence
	Low	Moderate	High	Extreme	
Likely for a majority of the 0-5 year period and likely to worsen					<ul style="list-style-type: none">Extreme: The asset liability gap could result in mission failure at the strategic or operational level.High: The asset liability gap could result in severely limiting the range of strategic and operational options available to achieve the Defence mission.Moderate: The asset liability gap could result in temporarily or moderately limiting the range of strategic and operational options available to achieve the Defence mission.Low: The asset liability gap could result in minor limitations to the range of strategic and operational options available to achieve the Defence mission.
Likely for the majority of the 0-5 year period but neither worsening or improving					
Likely to become a concern and worsen in the 5-10 year period					
Likely to be a temporary concern during the 0-5 year period					
Category unlikely to experience a liability asset shortfall in the 0-10 year period					

Source: Department of Defence

RISK LEVELS	RISK ACCEPTANCE
<p>Perilous A perilous category is one that is experiencing a shortfall in numbers of Service personnel at required skill and rank levels, to the extent that the possibility of mission failure at the strategic or operational level has been raised significantly.</p>	<p>Intolerable This level of risk constitutes a dire and immediate threat to Defence's ability to deliver operational capability. The utmost rigour in mitigating this risk is essential. The matter requires urgent consideration and classified reporting at the highest levels within Defence and to Government. This level of reporting will normally be the responsibility of operational commanders through the Operational Preparedness Report framework.</p>
<p>Critical A critical category is one that is experiencing or is anticipated to experience a shortfall in numbers of Service personnel at required skill and rank levels, to the extent that this could severely limit the range of strategic and operational options available to achieve the Defence mission.</p>	<p>Unacceptable This level of risk significantly threatens Defence's ability to deliver capability now or in the near future. The matter demands priority attention at senior levels within Defence. Risk mitigation strategies must be implemented as soon as reasonably practicable to lower the short-term risk. Strategies to lower or remove the risk in the long-term should also be considered with due regard to the cost benefits involved. The risk constitutes a high priority for regular reporting to the Defence Committee through the monthly Defence Performance Report and regularly to Government.</p>
<p>Major A major workforce shortfall in a category occurs when the category is experiencing, or is anticipated to experience, a shortfall in numbers of Service personnel at required skill and rank levels, to the extent that this could result in temporarily or moderately limiting the range of strategic and operational options available to achieve the Defence mission.</p>	<p>Undesirable This level of risk potentially threatens the delivery of Defence capability but is of a lower priority. The risk should be subject to regular review at senior levels and be subject to appropriate risk management strategies designed to prevent it elevating to a higher level in the short term. It would also be appropriate that measures to achieve long-term reduction to the risk be considered. Normally the risk need only be reported annually to the Defence Committee.</p>
<p>Minor A minor workforce shortfall in a category occurs when the category is experiencing or is anticipated to experience a shortfall in numbers of Service personnel at required skill and rank levels, to the extent that this could result in minor limitations to the range of strategic and operational options available to achieve the Defence mission to achieve the Defence mission.</p>	<p>Acceptable with Periodic Review This level of risk may threaten the delivery of Defence capability at some time in the future but is considered manageable. This level of risk is acceptable, however, the matter should remain subject to periodic review and scrutiny at the staff level. The risk will normally be mitigated through the application of personnel and workforce initiatives applicable to the wider ADF. Normally the risk need only be reported at the staff level among workforce planners and personnel managers within Defence.</p>

Other agencies

3.26 Among the other agencies undertaking assessments of the demand for, and supply of, labour a variety of approaches and depths of analysis were observed.

3.27 In its 2002 Workforce Planning Reports FACS looked at the current workforce supply by branch, analysing headcount trends, age profiles (by job role and classification), tenure (in position and in the organisation), and turnover (by job role, classification, tenure and age). This data was then used to project potential retirements and separations over the next three and five years enabling future supply of labour for each classification to be calculated for each branch. An estimation of current workforce needs as well as projected workforce demand over three and five years for two different scenarios were obtained from each branch. By calculating the difference between the forecasted demand and supply, the gaps at each classification were apparent for each of the timeframes in each of the scenarios.

3.28 Supply and demand analysis at the National Library of Australia is undertaken in conjunction with the three year strategic direction and annual budget processes. Reallocations of resources are made in line with changes to the strategic directions and division capabilities. New skill requirements are considered annually as part of the balanced scorecard process, and demographic data contained in fortnightly and more comprehensive quarterly divisional staff reports further assists in the planning for internal demand and supply requirements.

3.29 In DFAT the main focus of workforce planning occurs within the staffing area. Staffing branch advises line areas on the availability for transfer of suitably skilled staff, enabling the best match between the available supply of skills and demand in the line areas. A continuous updating of matrices of employees returning from leave/absence and from overseas and interstate service facilitates this process. DFAT also enjoys low turnover and has many applicants for available positions so supply factors do not represent a significant challenge at this time. The Department reports that this process works well for them, as the workforce needs are well understood and subject to little change.

3.30 At the Attorney-General's Department analysis of division-specific demographic data, often including benchmarking, is used to inform division management of their internal labour supply. Questionnaires and focus group discussions with division representatives, together with the demographic data sets are then used to determine workforce needs or demand, within the division.

3.31 The Bureau of Meteorology conducts an annual recruitment campaign against all known or expected staffing needs. Given that science graduates are targeted as recruits and then extensively trained, there have been no supply problems to date. The Bureau is, however, aware of the potential impact of ageing workforce issues and maintains links to educational institutions to ensure that they can predict any changing trends in their supply areas and react accordingly.

Assessment of the external supply of labour

3.32 Workforce planning should include an assessment of the impact of population and labour force trends on the agency's workforce. Consideration should be given to the ageing demographic in Australian society, general labour market conditions such as changing participation rates and cultural factors, as well as labour force trends in relation to the groups of interest including skill shortages. It can also be useful to assess the capacity of relevant educational providers to produce the skilled personnel needed where heavy reliance is placed on outside agencies to provide this service. This is particularly important where the skills are technical and where the organisation is highly dependent on them, and they cannot be developed by the agency itself.

3.33 Defence has given detailed consideration to supply issues in the Australian labour force. Population and labour force trends, demographic changes, and skill shortages and competition for skills feature in the analysis. This is documented in the *Defence Personnel Environment Scan 2020* (2001), and the *Report of the Strategic Workforce Planning Review* (2003) mentioned previously. Similarly the *Defence Workforce Plan* considers this information and its impact on the attraction, recruitment, trade and rank management and retention of Defence personnel. Monthly reports to the Defence Committee include an update to the workforce supply outlook. As noted earlier the environmental scan was considered to be a pivotal document in galvanising senior people in Defence and leading to the strategic review.

3.34 Centrelink has researched available external sources of information, such as the MAC Report on *Organisational Renewal*,⁴⁰ ABS statistical material and additional sources to inform the executive and managers on the external supply of labour and what the future implications of this will be for workforce planning. This research has also included assessments of the capability of educational institutions to supply future demand requirements. An Outlook

⁴⁰ Management Advisory Committee, op. cit.

Report, that will set these external workforce pressures out in a Centrelink context and enable this material to be input into higher level workforce planning, is nearing completion.

3.35 Other APS agencies audited have some knowledge of trends gleaned from ABS and DEWR data, the budget papers, and the MAC Organisational Renewal report. Agencies also increasingly gather information from newspaper reports and attendances at conferences. External recruitment agencies provide some intelligence, particularly in relation to non-ongoing and contingent staff. A number of agencies also maintain regular interaction with educational institutions. However, the audit examinations found that these assessments are often sporadic and ad hoc, and not an integral part of a workforce planning process.

3.36 Agencies of all sizes should ensure relevant external labour market data and knowledge is included in their workforce plan and is used to inform strategies to address agency-specific workforce risks. Its inclusion will also ensure that line personnel as well as HR managers are fully conversant with relevant labour market conditions.

3.37 For example, the workforce plan of the Information Services Group in DEST contains an extract of observations and statistics from an ABS 2003 report *Employment in Information and Communication Technology*, relevant to the labour market in which ISG operates. The plan also includes relevant data on skill shortages from *Jobsearch* and market intelligence from recruitment agencies and IT contractor service providers. These elements of external supply analysis have then been used to inform retention and recruitment strategies within the workforce plan.

3.38 The ANAO observed that many agencies found the information contained in the MAC *Organisational Renewal* report very useful and this prompted action on the issues raised. This same catalytic effect could be created by the APSC by assisting agencies in their assessment of the external environment. The ANAO has included in the recommendations that the APSC advise agencies on shortages identified in the APS in the context of an assessment of the external environment and share this with them via the *State of the Service Report*.

Contingent staff

3.39 The assessment of external supply of labour by agencies should include consideration of their contingent workforce. Contingent staff are an important resource to many APS agencies; that is, non-APS staff engaged on non-consultancy contracts. Expenditure by the 24 agencies, that reported

having a workforce planning process in place, on non-APS external labour in 2003–04 was in excess of \$528 million.⁴¹

3.40 Contingent staff may be contracted directly by the agency or through another entity. This element of the workforce is likely to grow as agencies seek to retain those eligible to retire or attract others back to the workforce. Considerations of the demand for, and supply of, labour should consider the reliance the organisation places on contingent staff and the factors that impact on their availability and cost. As a minimum, agencies should monitor the trends in their use of contingent staff and understand the fluctuations in their use. Agencies should also seek to understand the demographics of the contingent workforce as these are being drawn from the same aging population and may not be relied on if staff shortages occur in the longer term. In some cases workforce planning strategies might consider ways to develop long-term responses to identified needs to reduce the reliance on the contingent workforce.

3.41 In Defence, the total defence workforce is recognised as comprising ADF, Reserves, APS civilians and the Defence industry workforce, of which professional service providers are a part. In Defence, professional service providers (approximately 1800) are not recorded in the HR system, PMKeyS and Defence reports this is an issue that will require further development.

3.42 Similarly, Centrelink reports that the demographics of the contingent workforce are well understood but there is, at this stage, limited formal integration into higher level workforce planning. Even so, Centrelink have indicated that they have had some success in reducing their reliance on the contingent workforce by offering permanent positions.

3.43 A better practice example is drawn from the workforce plan of the Information Services Group (ISG) in DEST. The group presents and analyses data on the terms of engagement of IT contractors and hourly rates of remuneration compared to ongoing employees. From this analysis it was recognised that the heavy reliance on IT contractor services, especially longer-term engagements, had adverse consequences for the effectiveness of workforce management, giving rise to a number of issues including that:

- ISG becomes highly dependent on the retained knowledge of contractors with limited means of managing exposure to loss of this knowledge under what are commercial service provider arrangements;

⁴¹ This figure reduces to \$236 million if Centrelink and the Department of Defence are excluded. It should be noted that the Australian Taxation Office is not included in these 24 agencies. Expenditure on contingent staff by all 86 agencies, including the Australian Taxation Office, would be substantially greater than the \$528 million mentioned.

- ISG is directly exposed to pressure on hourly rates, particularly in a tight labour market. Dependency on retained knowledge compounds this exposure to increased costs of services; and
- equity of remuneration and allocation of work that can lead to problems of retention of valuable ongoing employees.

3.44 ISG then devised strategies to deal with these issues that included implementing a staged program of structural adjustment to reduce reliance on IT contractors and build the skills and capacity of employees in areas of work that can be cost effectively resourced from the employee base; and implementing a performance review regime within the framework of contract management of IT contractor services that promotes and recognises service quality and skills transfer.

3.45 While the issues and responses will be agency or even group-specific this is a good example of the analysis and strategy development that is possible. While many agencies recognised that contingent staff were an important part of their workforce, the extent to which they were included in workforce planning was limited.

Dependence on the workforce of other entities

3.46 The assessment of the external supply of labour by agencies should include consideration of the agency's dependence on the workforce of other entities. The need for this pro-activity is already being demonstrated in some local councils in Australia where, although particular services are outsourced, labour shortages in staff undertaking physical jobs, truck and bus drivers and so on, are impacting on those provider's ability to attract suitable workers.

3.47 Of the agencies examined the ANAO found that Defence is the only agency considering workforce dependencies with other entities. Defence recognised the importance of the wider defence industry in its strategic review. Outcomes stemming from the review include a requirement for some Defence contracts to explicitly require industry to demonstrate its capacity to sustain its workforce through training and education, strategic partnering for dealing with critical employment categories, and job sharing between Defence and Industry. More recently Defence has begun implementing a Government program titled 'Skilling Australia's Defence Industry'; a program aimed at increasing the skills available to Defence industry and enabling industry to better support the ADF. Defence is also trying to smooth defence demands with private companies to give them greater confidence in infrastructure and skills formation.

3.48 While such arrangements may be outsourced, it is prudent for APS agencies to make some assessment of the ongoing availability and capability of this workforce and monitor it as part of its workforce planning activities. This

will allow early identification of labour shortages and allow agencies to respond if this occurs. Many agencies have outsourced IT and other services and should ensure that consideration is given to these relationships within the context of workforce planning. As previously noted, the assessed impact on organisational capability should drive responses.

Integrating workforce planning

3.49 In this chapter consideration has been given to assessments of the demand for, and supply of, labour and of the external supply of labour. However, these assessments of human capital requirements need to be made in the context of, and integrated with, the agency's business planning process.

3.50 A total of 64 per cent of agencies report that workforce planning is considered to be part of their broader business planning processes. In all, 80 per cent report that they have considered broader management issues as a way of improving organisational performance, such as use of technology, more appropriate organisational structures and work organisation, and/or better management techniques. Audit examinations revealed that many of the selected agencies have made the effort to integrate workforce planning with their wider business planning processes.

3.51 The importance of an agency specific risk assessment is demonstrated by the observation that workforce-planning efforts improve significantly where events trigger an appreciation of the need for it, or where the consequences of shortfalls are severe. Defence and Customs, for example, have assessed the consequences of shortfalls as significant and have implemented demand and supply assessment systems.

3.52 Similarly, a small agency, the Bureau of Meteorology put considerable effort into workforce planning as forecasts are relied upon widely and the consequences of inaccurate weather predictions can be severe. Workforce planning is integrated into normal business planning processes as the Bureau must have a fully trained and adequate workforce available at all times. This had been recently reinforced by events that received high media coverage such as the 2000 Sydney Hail Storm and the losses of life resulting from the 1998 Sydney to Hobart yacht race.

3.53 Of interest is an observation in relation to executive input from DFAT. The main focus of workforce planning occurs within the Staffing Branch who then advise line areas on staff availability. The centralised management of staff was a management response to the rapidly evolving international environment and a key role is played by the executive in ensuring workforce decisions align with the strategic direction of the Department. Although there is input from line areas on these issues, frequent executive intervention, particularly the creation of task forces, means the central Departmental need is frequently the

prevailing one. This staffing model creates some line management tensions that the Staffing Branch seeks to manage to ensure that line management needs are not adversely impacted.

3.54 For other agencies it is important that senior management ensures that an ongoing workforce planning process is in place so that the necessary warning signals are provided well in advance. Even then, there is no guarantee that knowing early will ensure recruitment is possible in occupational groups where shortages become evident. More creative responses may be required.⁴²

3.55 An additional concern based on observations in agencies is that budgetary constraints often dictate the demand and supply outcomes rather than an assessment of workforce needs for organisational capability. This view was reinforced in focus group discussions by line managers from both Customs and DEST who perceive workforce planning to be driven by budgetary processes and short time frames.

3.56 As a consequence one agency, Centrelink, has deliberately separated the workforce planning and budgetary processes in order to consider workforce issues prior to imposing the constraints. Some agencies also perceive that long-term workforce planning is hindered in the APS due to the relatively short-term focus of operational business planning.

3.57 These influences together mean agencies tend to plan on an annual basis which is highly influenced by budgetary constraints. Where longer term planning is undertaken it is usually no longer than three years, except in Defence. This culture creates a significant risk to the APS, as the demographic impacts will be generated over the long term and is asynchronous with APS planning activities.

3.58 While many agencies have made efforts to integrate workforce and business planning, the ANAO considers agencies could do more by linking the workforce planning to organisational capability as previously discussed. The ANAO also observed that annual budget constraints, and the relatively short-term focus of operational planning, is perceived to hinder efforts to plan for the longer-term.

3.59 As previously reported Defence has implemented a means of creating the crucial link to organisational capability and plans over a 10 year period—an outline of the integration of Defence workforce planning is outlined in Figure 3.3.

⁴² Recent news reports indicate that in the area of accounting consideration is being given to training graduates from non-economic backgrounds by Australia's largest accounting firms, and the Institute of Chartered Accountants and CPA Australia are considering ways to establish shorter courses. Australian Financial Review, 'Accounting firms cast wider net to win recruits', 5 January 2005 and 'Flexibility will ease shortage', 21 March 2005.

Figure 3.3

Integrating workforce planning in Defence

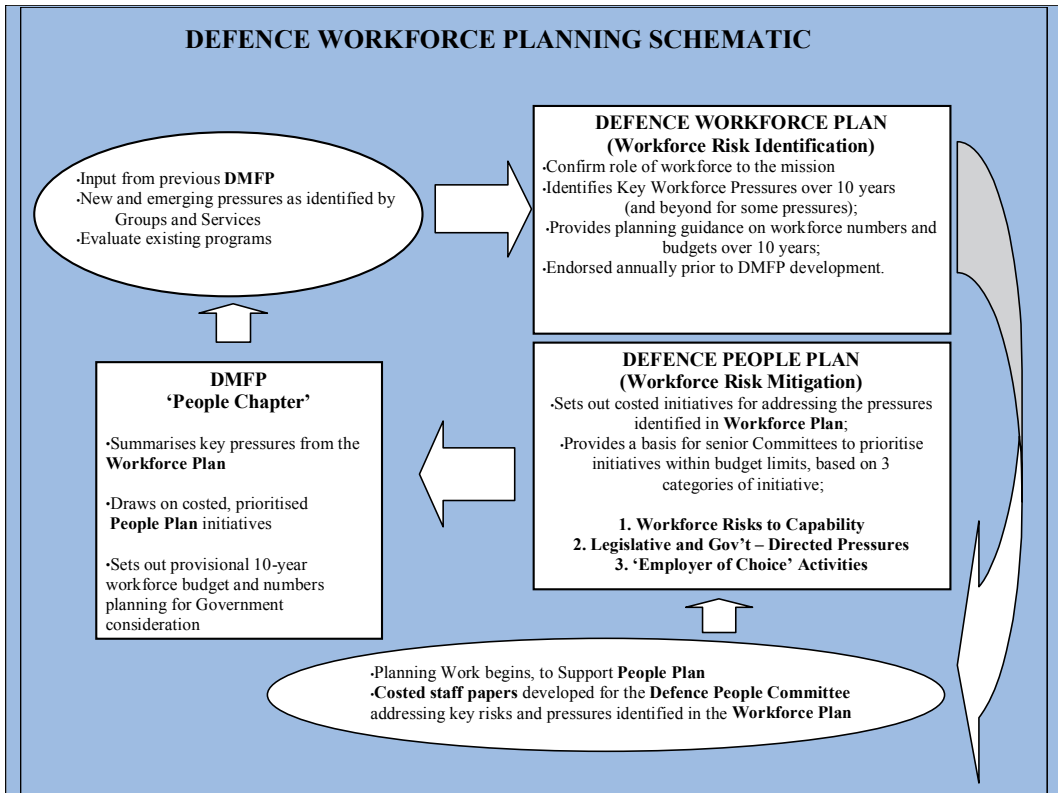
The Defence Workforce Plan is endorsed annually and informs the People Plan. The People Plan assigns responsibility for remedial action to the appropriate stakeholders across Defence, which are overseen by the Defence People Committee. The People Plan forms the 'people chapter' of the annual Defence Management and Financial Plan.

Defence reports that 'in this way, it is intended that the Defence Workforce Plan will summarise and draw the senior Defence Committees attention to the most important workforce issues, from the short- to the long-term, so these committees can take more targeted remedial decisions and management action throughout the coming year. It is important to recognise that the Defence Workforce Plan does not attempt to discuss every issue related to the Defence workforce. Instead, the document takes the three key aspects of the workforce—demand, supply and budget—within which virtually all other issues, whether policy, new initiatives etc., can be accommodated. It discusses the current status and emerging trends and pressures that face these core areas over the coming decade'.⁴³

Better practice features demonstrated by integration of the Defence workforce planning process with the business planning process are:

- Key workforce issues are identified annually in the Workforce Plan.
- This informs the People Plan where responsibility for remedial actions is assigned to appropriate 'work sponsors'.
- The Workforce Plan and the People Plan are the peak mechanisms for workforce risk identification and remediation respectively, and all other workforce risk management processes are subordinate to these documents.
- The majority of the work of the Defence People Committee for the year is based on addressing these remedial actions.
- Work sponsors return to senior Defence committees later in the annual business cycle with assessments, and options are prioritised for funding within the subsequent Defence Management and Financial Plan.
- The recommendations are then considered in light of workforce budget and expense pressures (ensuring that the budget impact of key workforce pressures and any proposed initiatives is transparent at all times).

⁴³ Defence Workforce Plan, p.3.



Source: Department of Defence

Even so, Defence reports that 'more work is required on integrating workforce planning with other major planning considerations into demand sponsor planning. To ensure that the situation improves, the Defence Workforce Plan must become laterally connected and visible to the other major planning documents where demand is altered—most notably in the Defence Capability Plan and the Green Book (Infrastructure considerations)'. Defence notes that by 'making this link stronger, demand sponsors (most notably Strategy Group, Vice Chief of the Defence Force, and the Services) can ensure that all of the workforce aspects of future changes to capability are considered in a timely fashion'.

Conclusion

3.60 A key element in workforce planning is considering the implications for the workforce of the strategic direction of the agency. In making an assessment of agencies' practices the ANAO was looking for an assessment of the demand (workforce needed) and supply (current workforce) dimensions of the workforce to support the achievement of the organisation's desired capability. The ANAO concluded, based on its examinations of practices within agencies, that an assessment of the demand for, and supply of, labour was rare.

3.61 In order to facilitate agency activities in this area the audit has outlined the approaches of the best practices identified for other agencies to consider. A noteworthy example was obtained from the workforce planning for Australian Defence Force personnel. A part of the methodology considers the demand/supply shortfall in each occupational group and relates this to the impact on organisational capability. The ANAO concluded that relating the shortfalls to capability is an essential element of workforce planning that should be adopted, in principle, by all APS agencies. It should also be noted that the application of this concept could be much broader than shortfalls in occupational groups. Defence also applies it in its consideration of major capability investments. At the present time APS agencies could usefully apply it prospectively to retiring staff.

3.62 The ANAO also concluded that consideration of external labour market information was, in most agencies, sporadic and ad hoc. It is essential that agencies keep abreast of the context in which they are operating and developments in areas of skills shortage. Further, while it was generally considered appropriate to include the contingent workforce in planning processes, the extent of their inclusion was limited in almost all agencies. With the exception of Defence, no evidence of a consideration of wider workforce dependencies was evident, such as the workforces of other entities on which agencies rely.

3.63 While many agencies have made efforts to integrate workforce and business planning, the ANAO considers agencies could do more by linking the workforce planning to organisational capability as previously discussed. The ANAO also observed that annual budget constraints, and the relatively short-term focus of operational planning, is perceived to hinder efforts to plan for the longer-term.

4. Assessing Workforce Characteristics and Competencies

This chapter considers the extent to which agencies know their workforce both in the context of workforce characteristics and workforce competencies.

4.1 The availability of current and accurate workforce data at the agency level is essential to identifying workforce planning issues. Appropriate initiatives can then be implemented to actively manage those issues. For example, workforce data is needed in times of growth to systematically allocate staff to program areas of need, and in times of reduction to ensure that reductions can be absorbed with minimal impact on the effectiveness of operations. This criterion seeks to establish whether agencies have a good knowledge of their workforce. This will include its size, workforce characteristics and competencies needed to fulfil their strategic objectives.

4.2 Agencies were asked to rate the extent to which they had assessed the potential gap in workforce characteristics and competencies. This included whether the agency had undertaken trend analysis of demographic data to provide both descriptive and forecasting models describing how changes will affect the workforce in the absence of management action, and to model the varying impacts of possible management actions; as well as whether the agency has assessed the competencies and skills of the workforce to analyse the differences between the current and desired competency profile. This was presented as a criterion that agencies were to nominate whether they thought they were 'fully effective', 'satisfactory', or 'marginal' in these activities or they were not addressed by the agency.

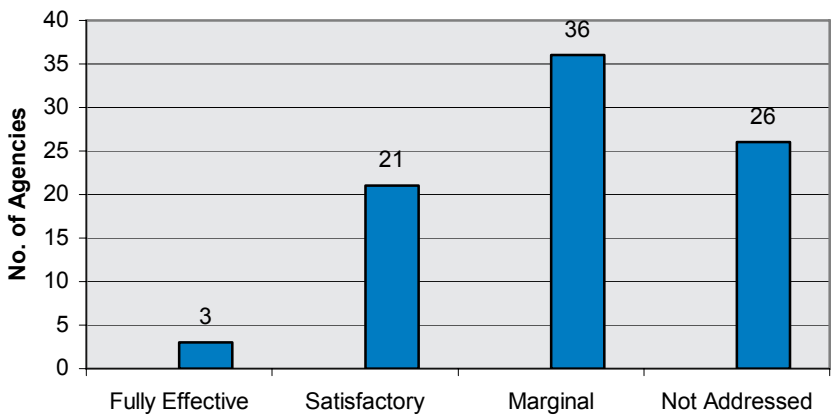
4.3 APS-wide results are presented in Figure 4.1. Only three agencies indicated a fully effective rating on this criterion. A further 21 agencies indicated a satisfactory rating. Of the remaining agencies 36 assessed themselves as marginal and 26 indicated these activities were not addressed by the agency. These results indicate that the majority of agencies have not adequately assessed the potential gap in workforce characteristics and competencies.

4.4 Agencies have rated their activities somewhat lower on this criterion than Criterion 1.

Figure 4.1

Assessing workforce characteristics and competencies

Criterion 2. The agency has assessed the potential gap in workforce characteristics and competencies. The agency has undertaken trend analysis of demographic data to provide both descriptive and forecasting models describing how changes will affect the workforce in the absence of management action, and to model the varying impacts of possible management actions. The agency has assessed the competencies and skills of the workforce to analyse the differences between the current and desired competency profile.



Workforce characteristics

4.5 An understanding of the characteristics of the agency workforce is necessary in order to assess the gaps in the workforce profile that may create risks in relation to the human capital needs of the organisation. This is often a function of the central human resource area. Agencies should have a good understanding of the demographic profile of their existing workforce and relevant trends. The examination of agency workforce dynamics, that is, the movements of staff internally and externally can assist in developing an understanding of those trends. Similarly, projections of attrition rates can be made to assess the impact on the future human capital needs of the organisation. Best and worst case scenarios to predict likely future workforce implications can then be assessed.

4.6 Decisions can then be taken to develop strategies to rectify any existing workforce imbalances and to plan for any future workforce risks.

4.7 To this end, a number of analytical strategies are of value as follows:

- analysis of workforce characteristics and the identification of trends;
- benchmarking of information in assessing outcomes against industry norms; and
- information from staff surveys which can be used to gather workforce information and to understand trends.

4.8 The data obtained from the ANAO survey indicates that basic information is available to many agencies. For example, Figure 4.2 shows that key demographic data has been captured to develop a profile of the current workforce in 70 per cent of agencies, and the workforce data is collected on an on-going basis in 63 per cent of agencies.

Observations in agencies

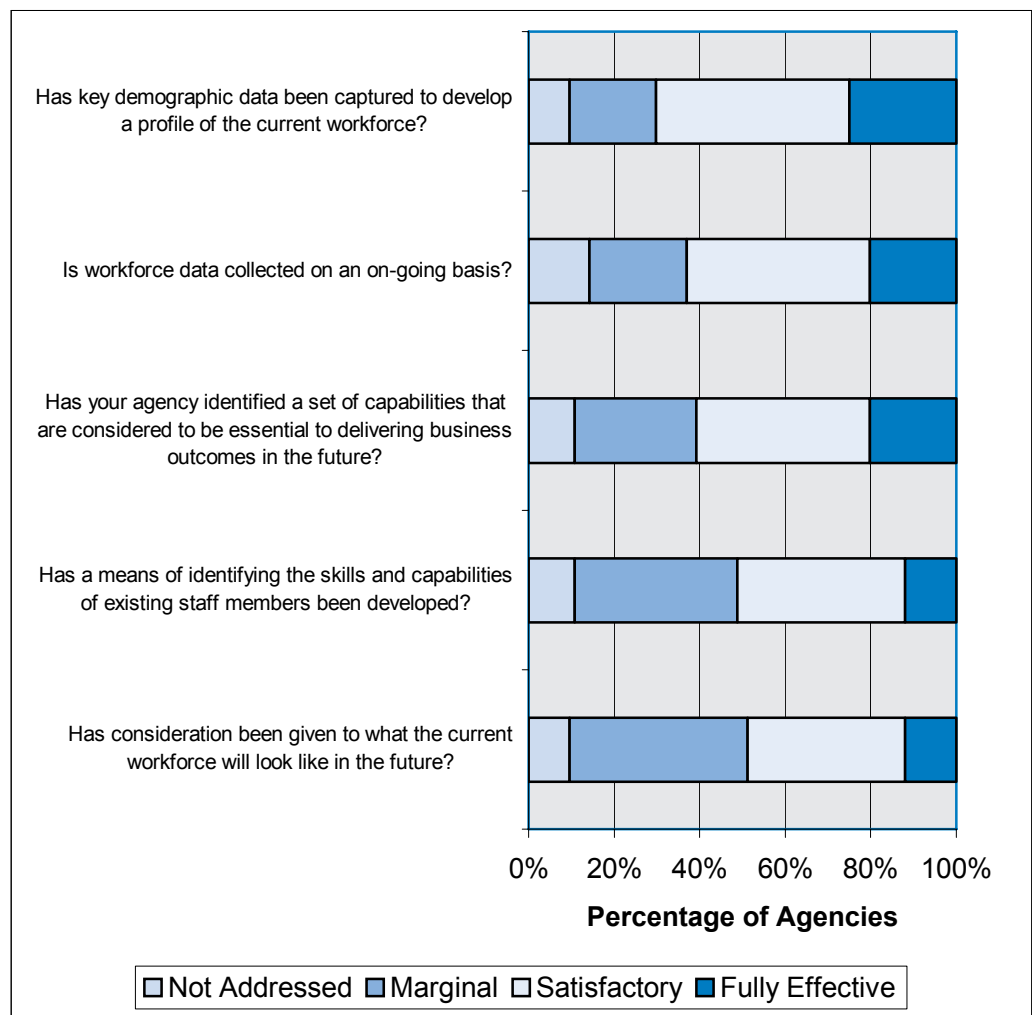
4.9 Agencies typically produce a variety of workforce data such as age and classification profiles, recruitment and separation rates. Tabulations on some variables such as age are common in response to the MAC *Organisational Renewal* report as is the collection of information on retirement intentions.

4.10 Customs' quarterly workforce planning reports provide a good example of the additional types of analysis that are useful. The reports include staff numbers by both headcount and full-time equivalents, including changes in these over time. Analysis is also provided by classification, age group and gender by an appropriate organisational unit, such as region, airport, or function. Additional analysis is provided in relation to Commonwealth Superannuation Scheme staffing numbers aged 45+, and on issues such as absenteeism, external separations, and external recruitment. Overtime, penalties and salary costs are also considered on a year-to-date basis. While the report reviewed did not include a comparison of current and projected full-time equivalents (FTEs) the intention to produce this was indicated in the next update. Customs ran a census week in an attempt to improve the integrity of the data in their human resource databases and approximately 300 record changes were made.⁴⁴ Further, consultancy services are used to enable agencies such as Customs and FACS to benchmark their workforce characteristics against other government agencies.

⁴⁴ Underlying these analyses are some data integrity issues specifically relating to staff self identifying as being from non-English speaking backgrounds or as Aboriginal and Torres Strait Island descent. There is belief that a good proportion of both groups are electing not to identify.

Figure 4.2

Checklist items relating to Criterion 2—Agency assessments



4.11 Whilst there are limited examples of turning data analysis into strategic information, there are some exceptions as noted below.

4.12 In Customs, for example, one area of focus is the management of absenteeism and turnover. The development of strategies in this area is underpinned by a detailed analysis of absenteeism and turnover statistics. Regional HR staff and line managers have access to data and tools to facilitate their exploration of the data. The data has been benchmarked both internally, to consider regional variations, and externally, against government and non-government peers. Detailed consideration of the data has enabled Customs to target its strategies to counter the particular issue of a greater-than-

acceptable level of separations among staff with less than one-year tenure. Strategies thus developed include psychometric testing and interviews to establish cultural fit at the selection stage as well as an online induction process for new above base level staff (yet to be released). A staff entry survey is also used to capture information and to manage expectations of new staff. Absenteeism data is now collected and monitored on an ongoing basis through the workforce planning updates and an Absenteeism Project Steering Committee oversees progress.

4.13 Defence undertakes significant work to identify internal workforce demographics and trends, and the external trends and pressures in the Australian workforce that may impact upon that. Defence maintains a significant research and analysis capacity and the Defence workforce is surveyed to support this research. As mentioned in the previous chapter, modelling techniques are applied to occupational categories and, for critical groups, additional research is undertaken to gauge the impact of management interventions referred to as decision support systems.

4.14 At this point in time many APS agencies are able to perform the necessary data analysis but need to become more sophisticated in turning the outputs into quality information to aid decision-making. Often this will mean combining data and information in a meaningful way. In the APS, for example, a common data collection is in relation to the retirement intentions of staff. While this is useful information, it needs to be considered in light of the observation that it can be difficult to obtain accurate data from individuals due to the perceived impact that providing such information may have on the remainder of those individuals' careers. Agencies can combine such information with a knowledge loss risk assessment, that is, the length of time to retirement and the critical nature of the knowledge that will be lost, as well as an indicator of workforce readiness, that is, an assessment of the number of key positions with at least one fully competent person ready to take over. Considered together such information can assist management to keep track of, measure progress, and assist in prioritising strategies.

Workforce competencies

4.15 It is important for all agencies to undertake an assessment of the competencies of their workforces and to analyse the differences between the current and desired competency profile. Of particular importance is the identification of critical occupations and competencies for mission accomplishment and for input into succession planning. Systems need to be in place to identify and manage competency gaps on an ongoing basis. This will include establishing effective links between the competency framework and other key workforce intervention tools such as performance, and learning and development management systems.

4.16 Figure 4.2 shows that 63 per cent of agencies have identified a set of capabilities that are considered to be essential to delivering business outcomes in the future and 51 percent have a means of identifying the skills and capabilities of existing staff members.

4.17 A number of examples of the existence or development of competency frameworks were observed. These were often in the process of being linked to performance management systems and occasionally to learning management systems. DFAT, Customs and Centrelink currently have systems under development in these areas.

4.18 For example, DFAT's HR database contains information on the educational qualifications, language proficiency, postings and placement experience on all employees. Plans are in place to supplement this with a skills audit module, which will provide a comprehensive skills snapshot of every employee in the department thus enhancing capacity to match vacancies with appropriately skilled employees and also to identify possible future skill shortages. Similarly, in Customs further work is being undertaken to report on workforce competencies through a Learner Management System, and it is possible to determine certification status of individual staff members through data captured in the on-line performance agreement.

4.19 In the context of workforce planning such systems can facilitate the identification of occupational groups or competencies required by the organisation. However, agencies do need to consider how this information can be used in conjunction with their demand and supply forecasting efforts which are often produced by classification level (see Chapter 3).

4.20 The approach Defence has taken alleviates this problem to some extent as the analysis of demand and supply by occupational groups at least contains some information on the type of work performed and hence the competencies needed. When such analysis is undertaken by classification level no information is available on the type of work performed. However, in the APS many would argue that a large percentage of staff are employed for their generalist skills and that the level of sophistication of those skills, indicated by classification level, is the appropriate categorisation to use. Each agency will need to make its own assessment but any possible benchmarking in relation to skills shortages across the APS would require some consistency in approach. Similarly, comparisons to external data sources on skills shortages rely on categorisation by occupational grouping.

4.21 Of interest in this context is the workforce planning practices of DFAT. While the department does not specifically make demand and supply assessments in relation to its workforce, it manages the same (short-term) need by targets in relation to numbers and a detailed knowledge of the competencies of their workforce. DFAT's placement and posting processes

provides the Staffing Branch and Placements and Postings Committee with the opportunity to become familiar with the competencies and experience of the DFAT workforce. Placement rounds, in which vacancies are filled by returning employees or local Canberra based employees seeking new placements, are conducted every six to eight weeks. Posting rounds, to fill vacancies in overseas missions are three-month processes conducted twice annually and include an assessment of applicants' claims and consultations with relevant divisions and posts, before final submission to the independent Postings and Placements Committee. DFAT's HR information system combined with senior management's knowledge and familiarity with individual competencies derived from the above process are useful not only in regular postings and placement cycles but also in crisis situations that require the rapid formation of task forces comprising employees with particular skill sets, and in succession planning. The planned addition of the skills audit will further enhance an ability to monitor skills gaps.

Mission-critical occupations

4.22 The identification of mission-critical occupations was rarely observed during the audit. An exception to this was found in DFAT. The Department has identified a number of mission critical areas of specialist expertise and has measures in place to address potential gaps through in-house training and targeted recruitment programs. By way of example, proficiency in foreign languages has been identified as a mission critical skill for employees filling language designated positions in foreign posts. A review of language training requirements in 2001 highlighted the need for a more targeted and effective approach to delivering, retaining and rewarding language skills in the department. This led to the introduction of a new tiered structure of priority languages that more accurately reflects Australian foreign and trade policy priorities. A number of financial incentives were also implemented to encourage staff to retain language skills at designated levels and the SES selection criteria were amended to include proficiency in a foreign language as an advantage.

4.23 Some form of succession planning however, is in widespread development in the APS as a result of the focus placed on this area in the MAC *Organisational Renewal* report. Three examples of note are described below.

4.24 Defence advised, for Australian Defence Force staff, that various interventions such as training are long standing and integrated into the business. A 'cradle to grave' approach to dealing with desired workforce competencies is fundamental to how the Australian Defence Force operates. Set templates of competencies are integral to the Australian Defence Force's approach to the enlistment, induction and ongoing work of its men and women. When any new set of competencies is required, such as a new military

hardware acquisition, the training and other qualities needed are considered in the acquisition program. For instance, the acquisition of new aircraft or tanks will often entail overseas familiarisation and training of staff who, in turn, train local Australian staff.

4.25 The Manager One Removed (MoR) program is an important part of career planning and succession planning in DEST. MoR is available to employees at the Executive Level 1 and above (APS6 Team Leaders in the states). One of the aims of the program is to assist DEST in identifying and retaining future leaders, building corporate capability, and in identifying future workforce requirements. The program seeks to achieve this by providing the opportunity for staff to meet with their manager's supervisor to discuss their future potential, career path options and possible retirement intentions.

4.26 The career and succession planning model in the Australian Securities Investment Commission begins with senior management teams meeting to review key staff and roles. In the first of two workshops, management teams identify current and emerging talent and review career and development plans for those people. In the second workshop, management teams identify and review key jobs, discuss successor options and establish or review succession plans including development plans for successors. The outcome of this process is the establishment of succession plans that aim to minimise risk. Information from the process will potentially feed into performance management, business planning and development requirements.

Conclusion

4.27 Agencies need to know their workforce, both in the context of workforce characteristics and workforce competencies, in order to identify workforce-planning issues. The ANAO concluded that agencies have a reasonable grasp of many of their workforce characteristics, but less so in relation to competencies. Further, while agencies are able to produce many outputs in relation to the demographic profiles and other workforce characteristics there are limited examples of turning data analysis into strategic information. Agencies need to become far more sophisticated in combining sources of information to produce quality information to aid decision-making.

4.28 A number of agencies have competency frameworks in place that are being linked to performance and learning management systems. In the context of workforce planning such systems can facilitate the identification of occupational groups or competencies required by the organisation. However, agencies do need to consider how this information can be used in conjunction with their demand and supply forecasting efforts that are often produced by classification level.

4.29 A useful contribution these systems can make to workforce planning within agencies is the identification of mission-critical occupations. Only isolated examples of this were noted. Regardless of the lack of identification of these occupations many agencies did, at least, report some form of succession planning under development. This is a result of the focus placed on this area in the MAC *Organisational Renewal* report..

5. Implementation of Strategies

This chapter considers the development of strategies designed to respond to identified workforce planning issues in the selected agencies. It considers the identification of human resource as well as other business strategies to achieve desired outcomes.

5.1 The MAC *Organisational Renewal* report raises the question of whether agencies are adequately prepared for the potential loss of skills, corporate knowledge and leadership that is likely to begin to impact within the next five years.

5.2 To begin to address this, business plans need to recognise the challenges. Senior executives must champion the workforce planning process and change leaders must support it. A consensus view across different areas of the organisation has to be established. Workforce planning is a continuous and evolving process, and must be coordinated with other business strategies, particularly where major change is involved. In operational terms responsibilities should be assigned, timeframes specified, resources allocated and communications implemented. Transition plans may need to be implemented in order to engage in simplified workforce planning processes until more sophisticated methodologies are developed.

5.3 The results of workforce planning will lead to a consideration of the implications for the organisation and generally lead to the development of human resource management strategies. In the current context of demographic change obvious examples include the management of an aging workforce, knowledge management initiatives, certified agreement changes to support these initiatives and occupational health and safety considerations. However, other business strategies should also be considered and may include outcomes such as prioritisation of functions or the redesign of how work is done at the operational level. At the corporate level this information should inform major business decisions such as organisational design, infrastructure requirements, technology enhancements, and contracting out considerations, to name a few.

5.4 Agencies were asked to rate the extent to which the agency's assessments have informed all relevant business strategies including, but not restricted to, HR strategies. This was presented as a criterion that agencies were to nominate whether they thought they were 'fully effective', 'satisfactory', or 'marginal' in these activities or they were not addressed by the agency.

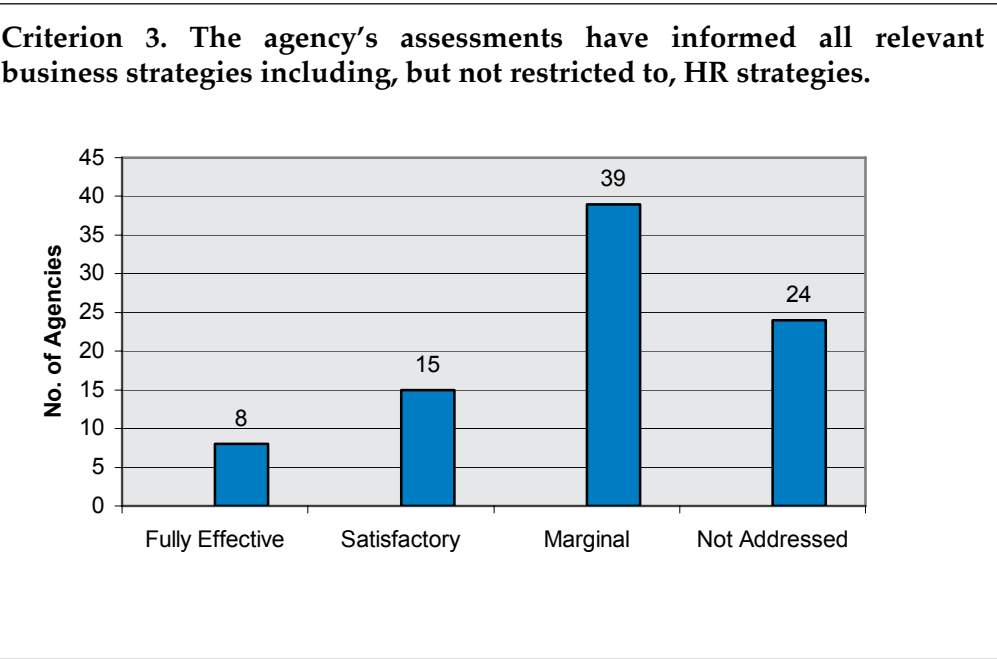
5.5 APS-wide survey results are presented in Figure 5.1. Only eight agencies indicated a fully effective rating on this criterion. A further 15 indicated a satisfactory rating. Of the remaining agencies 39 assessed themselves as marginal and 24 indicated these activities were not addressed.

These results indicate that in the majority of agencies assessments have not informed all relevant business and human resource strategies.

5.6 Agencies have rated their activities on this criterion slightly less positively than Criteria 1 and 2.

Figure 5.1

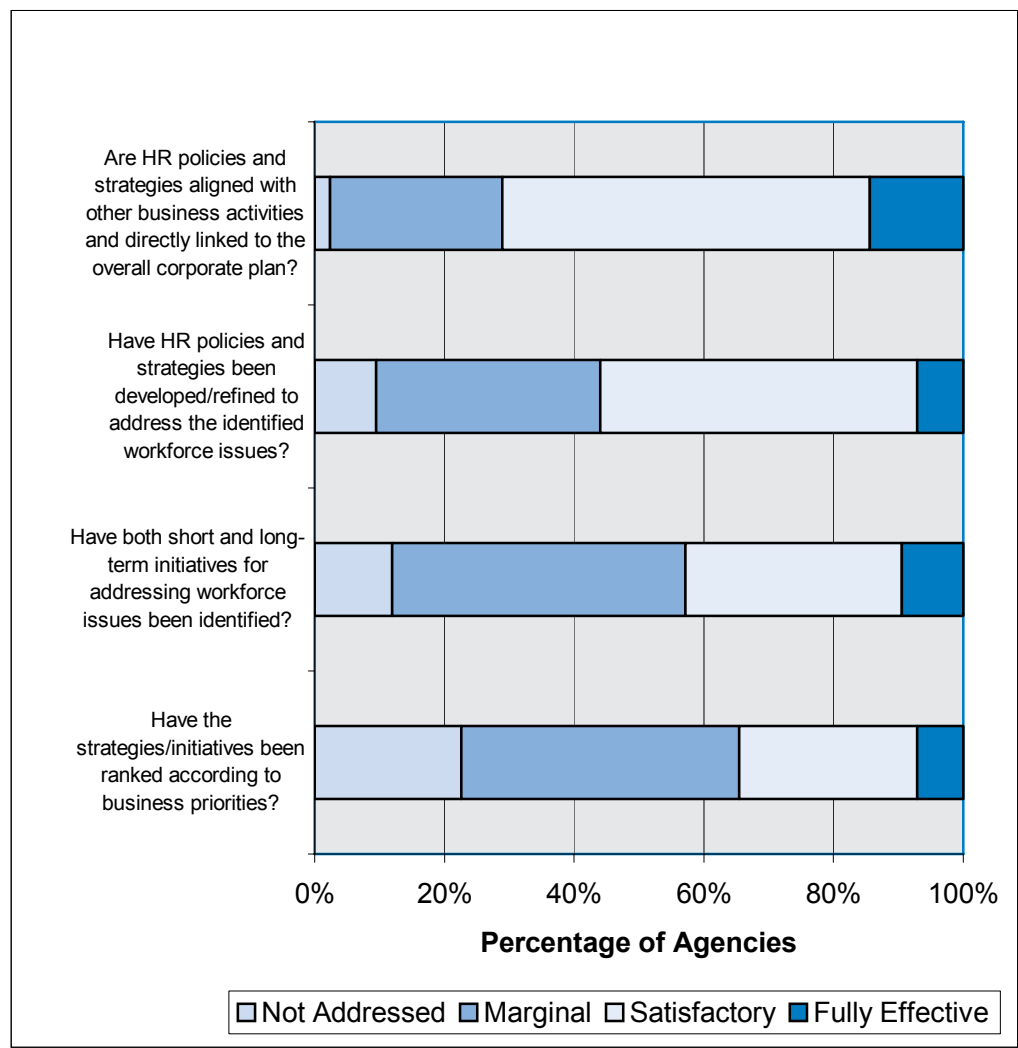
Implementation of strategies



5.7 As shown in Figure 5.2, the survey results further indicate that 71 per cent of agencies claim that their HR policies and strategies align with other business activities and directly link to the overall corporate plan. However, a somewhat lower 56 per cent of agencies have developed HR policies and strategies to address identified workforce issues, 43 per cent of agencies have developed both short and long-term initiatives, and 34 per cent of agencies have ranked the strategies according to business priorities.

Figure 5.2

Checklist items relating to Criterion 3—Agency assessments



Workforce strategies informed by gap analysis?

5.8 Agencies currently have a range of human resource strategies in place. However, the extent to which these are informed by the workforce-planning processes and outcomes is difficult to ascertain. The importance of this connection cannot be overstated. The high-level planning, demand and supply analysis, as well as the assessment of the organisation’s workforce characteristics and competencies should inform the development of all relevant business strategies, including, but not restricted to, human resource strategies. This connection is an important mechanism for driving, in

particular, human resource strategies from an assessment of the business needs. It is also a mechanism by which strategies put in place can align with, and impact directly on, organisational capability.

5.9 As noted in Chapter 3, Defence produces a People Plan. This plan considers the characteristics of the workforce and the principle risks to workforce capability. As a result, funding priorities are presented and short-, medium- and long-term guidance is developed. Throughout the People Plan there is a demonstrated link to an analysis of quantitative data and the subsequent assessment of the impact on Defence capability.

5.10 Of particular interest is the development of strategies based on the identification of critical categories. After identification of these categories Defence has taken the next step and commissioned research into, for example, quantifying the impact on retention of a particular shift in pay or conditions to improve the cost-effectiveness of strategies to be implemented. This process demonstrates a clear link from the outcomes of demand and supply analysis to the targeted implementation of strategies. Further, critical categories are considered throughout the various sections of the People Plan in recognition that the recruitment and retention of staff in these occupational categories is the 'Achilles heel of ADF sustainment'.⁴⁵

5.11 DEST has developed a range of HR strategies as a result of the workforce planning process, which aim to eliminate anticipated gaps in desired workforce characteristics and competencies. These include a Mature-age Workers strategy, a strategy for Building High Performing Teams, the Leadership Initiative for Tomorrow program and the Review of Entry Level Recruitment program. Although workforce planning at DEST commenced in 2001, the release of the MAC *Organisational Renewal* report has provided further impetus to ensure appropriate strategies are in place.

5.12 This clarity of connection between workforce risk analysis (based on demand and supply analysis and understanding the workforce characteristics and competencies discussed in the last two chapters) and strategies to address them was not particularly evident in other APS agencies.

5.13 The ANAO observation is that many of the strategies stated by agencies reflect the priorities of the MAC *Organisational Renewal* report including flexible employment, monitoring profiles, retention of mature age workers, surveys to inform attraction and retention strategies, employer of choice strategies, and occupational health and safety. Agencies have also focused on improvements to their recruitment, learning and development, and performance management systems. However, agencies have generally not

⁴⁵ Defence People Plan 2005–2015, p.16.

developed targeted strategies to address specific risks identified for their workforce.

5.14 For many agencies isolated examples of strategy development exist, based on workforce planning based risk assessments. For example, in Centrelink, indigenous recruitment in northern Australia is an example of where current strategies are likely to be better informed by the workforce planning process. A more detailed example is provided by the AGD's accommodation task force, overseeing the move to new premises in 2008, which has proposed the inclusion of a childcare centre as part of a staff retention strategy. Supply analysis revealed that 58 per cent of its workforce is female with 51 per cent of these being under the age of 35. External supply scanning confirmed that more women than men currently study law and that 62 per cent of commencements in 2003–04 were female. Issues identified from this analysis include a potential increase in carer and family responsibilities and a high take-up of maternity leave.

5.15 There are a number of factors that may have contributed to a disconnect between workforce risk assessments and the related development of strategies. As already noted, workforce planning practices have not developed sufficiently to allow the identification of specific workforce risks. Another may be an over-reliance on the guidance provided, and strategies indicated, in the MAC *Organisational Renewal* report.

In-agency strategies

5.16 As noted above, there is a diverse range of strategies that agencies have adopted. However, the ANAO is concerned that one of the most significant risks to the APS, as the full impact of demographic change is felt, will be in relation to retention of corporate knowledge.

5.17 In this context, of interest is the practice by Customs and DFAT of consistently seeking to replenish its supply of generalist staff capable of filling a broad range of roles. Staff training and deliberate mobility is encouraged so that staff can be deployed in a variety of settings. FACS has also introduced a mobility program that provides for secondment and transfer of staff, both internally and externally. These practices have the dual advantage of minimising the risk that gaps in human capital needs will arise as well as ensuring that corporate memory is more widely distributed. Importantly, it guards against the departure of any particular individual leading to a depletion of corporate knowledge.

5.18 Other business strategies drawn from workforce planning efforts were rarely observed. However, the ANAO recognises that agencies do demonstrate links between their strategic vision and workforce responses in the normal course of business. For example, DFAT has used the flexibility of creating task forces in response to the emerging challenges of international security threats

and an increased focus on bilateral free trade arrangements. The Department reports that this strategy allows for the establishment of flexible work structures that can be expanded, contracted or disbanded as needed, without detracting from the government's ongoing foreign and trade policy agenda.

5.19 Another example is DIMIA's Global Working strategy that has enabled a significant shift in processing work from overseas offices to processing centres in Australia. This initiative has helped to improve the viability of some state DIMIA state offices, providing better economies of scale and career paths for local employees. Centralised processing has also resulted in productivity gains through the reduction in resources needed in overseas branches, and better client service due to greater consistency of decision-making and improved processing times. This strategy is an example of workforce planning occurring in DIMIA as a normal part of business planning and appears effective in meeting corporate outcomes.

5.20 Small size can be an advantage to the extent that workforce planning efforts inform the development of business strategies. For example, the National Library of Australia is a smaller agency where workforce planning is a consideration but not a major driver of other business strategies. However, many of the same managers participate across the various committees, facilitating the ready transfer of information. Their professional and academic connections also help identify skill shortages particular to their organisation's needs.

Across-agency strategies

5.21 There is also the issue of the development of strategies across APS agencies. The need for this is demonstrated by the observation that poaching is not uncommon between agencies and is occasionally observed as an undocumented strategy. This is symptomatic of skills shortages and should be the subject of collaborative action by agencies. Indeed, poaching also occurs between business units within an agency. While this can sometimes be difficult to identify it can be indicated by a high level of internal movement.

5.22 DIMIA has observed a high level of internal staff movement. However, DIMIA's management team also recognise that a degree of 'churn' is important for maintaining a flexible workforce particularly to support overseas operations and to respond appropriately to business needs. As part of the identification of key performance indicators, DIMIA's People Management Committee will be considering the appropriate level of internal movement to support organisational objectives, to maintain the department's health and to deliver business outcomes. These measures will be reviewed as workforce planning processes become more established, and the department starts to refine its strategies. DIMIA has also developed a National Training Framework, which contains several principles designed to ensure more

structured training and development across the department to support staff who are required to take on new roles following mobility.

5.23 An example of a mitigation strategy was observed in Defence. Staff were resigning following the completion of training for a particular occupational category. Investigations showed that staff was being over-trained for the tasks they were initially required to perform, leading to frustration on their behalf while at the same time making them very attractive to other employers. Defence has, in this case, now divided the training to initially only provide the level needed to be operational and delayed completion of the qualification over a number of years. This provides a retention incentive for the personnel involved.

5.24 Competition between agencies for the same staff is a salient example of the need for collaboration and joint initiatives. This may include initiatives on both the demand and supply side of agency workforce needs. The more traditional areas of collaboration occur on the supply side and could include identifying sources of recruits, shared training, and providing networking opportunities for particular staff. Agencies could also consider and share information on the extent of occupational wastage in areas of shortage. This refers to the number of individuals trained in a particular profession but not employed specifically to use those skills. In the future the APS may need to consider sharing staff across agencies where specialised skills are involved or are unobtainable.

5.25 On the demand side, agencies could collaborate on strategies to reduce the demand for particular skill sets where shortages are evident. This might include a range of strategies such as pushing work down to staff with similar but lower level skills where possible, considering where technological solutions may produce efficiencies, and giving consideration to the way business is conducted or the timeframes that are imposed. Indeed, where chronic shortages are evident demand side adjustments should be considered sooner rather than later as implementing changes are likely to be complex.

5.26 The APSC may have a role here in keeping abreast of shortages and promoting shared initiatives.

Conclusion

5.27 Many of the strategies adopted by agencies reflect the priorities of the MAC *Organisational Renewal* report including flexible employment, monitoring profiles, retention of mature age workers, surveys to inform attraction and retention strategies, employer of choice strategies, and occupational health and safety. All the strategies noted above are useful and agency efforts are to be commended.

5.28 While the ageing demographic is the most common and widely publicised issue it is not the only workforce issue that the APS faces. Generic strategies to address the aging demographic will not necessarily address particular risks to the agency. That is, a clear link between workforce risk analysis and strategies to address those risks was not particularly evident in APS agencies examined. The ANAO concluded that the link between analysis and strategy is not yet well developed.

5.29 Agency-specific strategies should be developed to focus on that agency's identified workforce risks both current, such as existing skills shortages in particular occupations, and longer term, such as the ageing workforce. It is anticipated that, as agency workforce planning processes mature, strategies will become more targeted, based on the identified needs that arise from the demand and supply forecasting undertaken. Through this process organisational capability should also improve. However, transition plans may need to be implemented in order to engage in simplified workforce planning processes until more tailored methodologies are developed.

5.30 Of interest to the ANAO is the extent to which the development of generic strategies of this sort is symptomatic of the lack of focus on organisational capability within agencies' workforce planning practices, or still broader, a need for better specification of functional capability requirements. Until that focus is developed, agencies will be unable to target their resources to provide cost-effective solutions to identified workforce risks. Furthermore, strategies derived from workforce planning efforts should extend beyond the human resource management sphere and include all relevant business strategies. While some examples were noted of changing business strategies with significant workforce impacts, these tended to be by-products of other business activities rather than identifiable outcomes of the workforce planning processes.

5.31 Interagency cooperation may be required by those agencies with identified skill shortages. Competition between agencies for the same staff is a salient example of this and should alert agencies to the need for collaboration and joint initiatives. This may include initiatives on both the demand and supply side of agency workforce needs. The more traditional areas of collaboration are on the supply side in areas of recruitment and training. However, agencies may be able to consider demand side initiatives to alleviate staff shortages. The APSC may have a role here in keeping abreast of shortages and promoting shared initiatives.

6. Measurement of Progress

This chapter reports on the extent to which agencies have a measurement framework in place that allows them to judge their progress in workforce planning and its contribution to achieving the agency's mission and strategic goals.

6.1 The success of workforce planning practices will be judged by whether it contributes to achieving the agency's mission and strategic goals. Within the current context of demographic change, however, it will also be judged by its contribution to avoiding or dealing with shortages in mission-critical occupations and roles.

6.2 The first of these contributions is difficult to measure. However, measurement on a range of subordinate issues can inform this assessment and, in combination, enable agencies to gauge how well their efforts are contributing to business performance. Furthermore, a measurement system can provide a frame of reference to assist managers in carrying out their responsibilities.

6.3 Agencies have the data and ability to potentially produce hundreds of reports. The challenge is to condense this to critical workforce planning information. The chosen measures should be used to track incremental progress, including the adoption of quantitative goals where appropriate, and a relevant timetable. It is important that regular reports are available to the executive to allow the monitoring of progress of workforce planning efforts.

6.4 Chosen performance measures should be clearly and compellingly linked to the success of the organisation. To impact on organisational capability this information needs to be integrated with other business information such as outcomes, outputs, financial, logistical, and client/stakeholder information. Such cross-enterprise analysis provides the most powerful tools for decision makers.

A measurement framework

6.5 Agencies were asked to rate the extent to which they had an appropriate measurement framework in place, including whether incremental progress can be measured on a range of relevant factors, as well as provide links to the overall performance of the agency. They were also asked to consider whether the chosen performance measures are clearly and compellingly linked to the success of the organisation. This was presented as a criterion that agencies were to nominate whether they thought they were 'fully effective', 'satisfactory', or 'marginal' in these activities or they were not addressed by the agency.

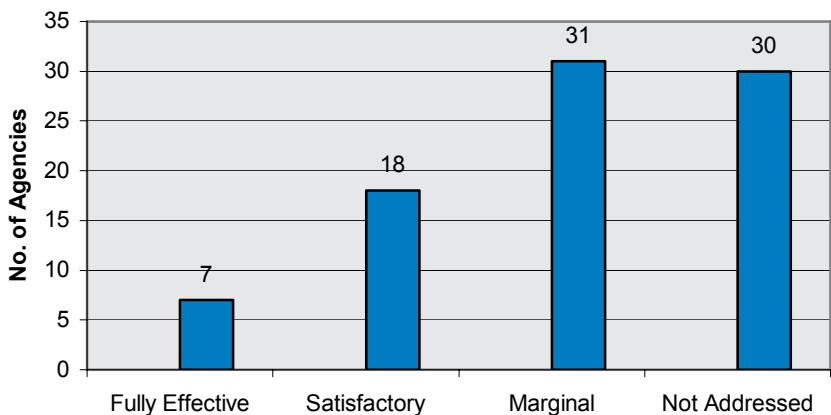
6.6 APS-wide survey results are presented in Figure 6.1. Only seven agencies indicated a fully effective rating on this criterion. A further 18 agencies indicated a satisfactory rating. Of the remaining agencies 31 assessed themselves as marginal and 30 indicated these activities were not addressed by the agency. These results indicate that the majority of agencies do not have an appropriate measurement framework in place to assess their workforce planning activities.

6.7 Agencies provided the least favourable rating of their activities in relation to this criterion.

Figure 6.1

Measurement of progress

Criterion 4. The agency has a measurement framework in place. Incremental progress can be measured on a range of relevant factors, as well as provide links to the overall performance of the agency. The chosen performance measures are clearly and compellingly linked to the success of the organisation.

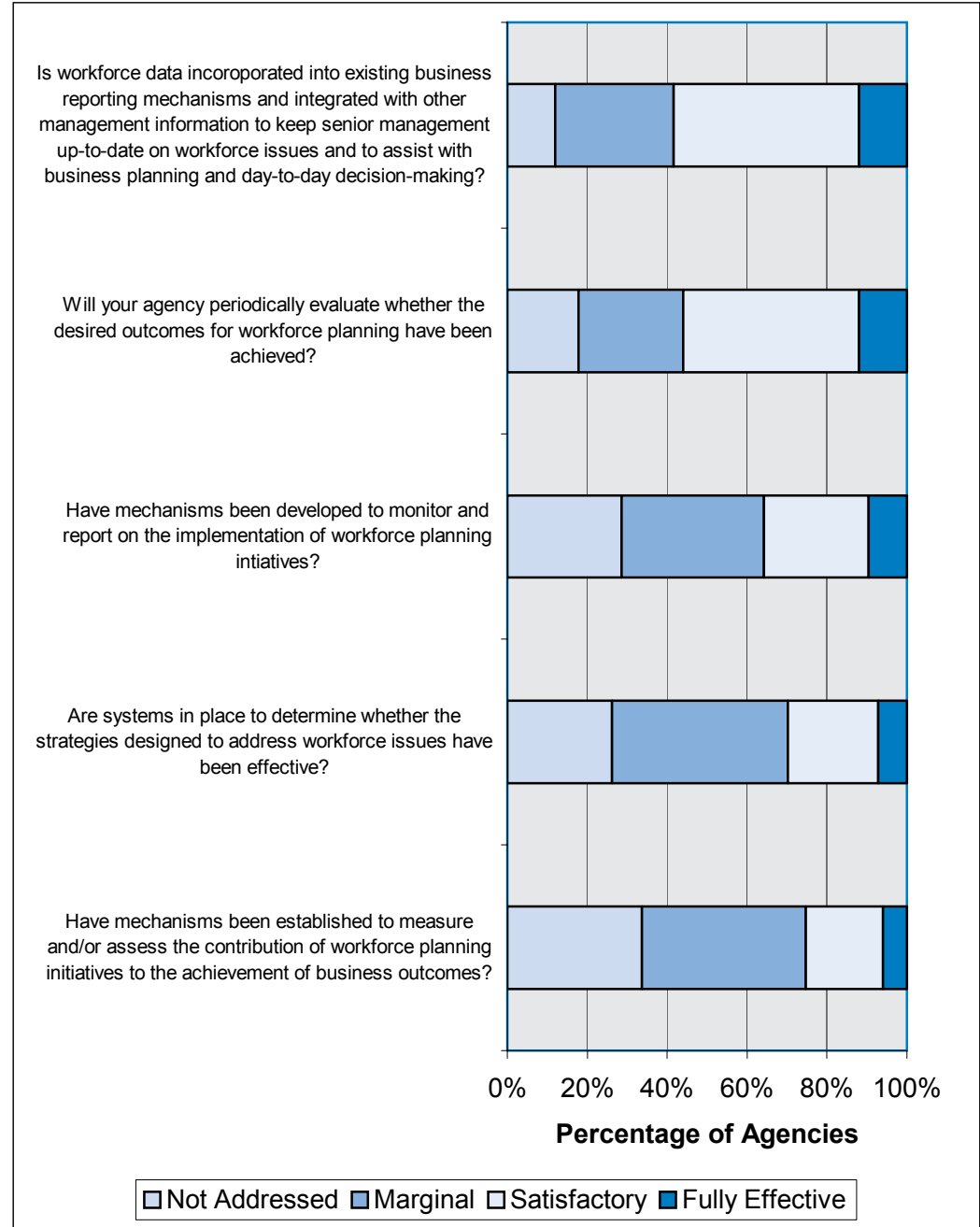


6.8 Additional results from the survey presented in Figure 6.2 show that 58 per cent of agencies report that workforce data is incorporated into existing business reporting mechanisms and that 56 per cent of agencies report they will periodically evaluate the desired outcomes of workforce planning. However, these percentages fall considerably for the remaining three items. Thirty six per cent of agencies report they have developed mechanisms to monitor and report on the implementation of initiatives, 30 per cent have a system in place to determine whether the strategies designed have been

effective, and 25 per cent claim to have mechanisms to assess the contribution of initiatives to the achievement of business outcomes.

Figure 6.2

Checklist items relating to Criterion 4—Agency assessments



6.9 Another test of agency progress is whether the agency is confident that the workforce plan or workforce planning processes they have put in place will provide the capability needed to meet the organisation's requirements over a specified period of time. In the survey the ANAO asked this question relating to the next five years. Of the 54 agencies who responded to this question 43 indicated that they were quite confident and six were very confident. Only five agencies indicated they had limited confidence that the processes would provide the capability needed.

6.10 Agencies are displaying a high level of confidence but this is somewhat undermined by the relatively few agencies nominating effective practices on criterion four and associated checklist questions. That is, this confidence is against a background of much lower levels of ability to measure the effectiveness of workforce planning efforts.

Monitoring workforce planning efforts

6.11 The ANAO found it difficult to find a comprehensive example of the monitoring of workforce planning efforts in the selected agencies. As a consequence, this section outlines some observed activities in a number of agencies including small, medium and large agencies. Agencies can consider their own practices in this area and compare and contrast to those presented in order to develop an appropriate response.

An overall framework

6.12 One of the better overall frameworks observed came from the Insolvency and Trustee Service Australia. The agency developed a workforce-planning framework paper after discussions with branch managers in 2004, entitled 'Better alignment between capabilities and performance—A workforce planning framework for ITSA'. In this three-page document ITSA has produced a useful framework for guiding and communicating its intended workforce planning processes. Briefly, it covers:

- the steps to achieving these objectives, including identifying future needs, knowing the current workforce, bridging the gaps, implementing strategies, and monitoring and evaluating;
- an outline of the strategies, policies and guidelines in place to support managers to undertake workforce planning; and
- a detailed plan of how the agency will measure achievement of the objectives and evaluate the relationship between workforce planning and a better alignment between capabilities and performance.

6.13 A summary of the ITSA framework is reproduced at Table 6.1. This is an instructive example from a small agency that links the broader objectives of workforce planning to performance indicators and includes an assignment of responsibilities. The agency has advised that reporting against these stated workforce planning objectives will replace the previously produced workforce statistics report.

Table 6.1

ITSA framework for measuring the achievement of the objectives of workforce planning

Objective	Performance indicator	How assessed / by who / when
A better understanding of the current and anticipated workforce capabilities necessary for business success	Regular workforce planning analysis at the national and business line level accurately identifies capability requirements and issues	Retrospective review of extent and quality of previous year's analysis. (Employee Relations, annually)
	A workforce planning action plan in place for each branch.	Review of branch action plans (Employee Relations, annually)
Improve capacity to respond to change	A succession plan is in place for every key position or groups of positions. The succession plan identifies development and contingency issues in relation to each key position.	Review of branch succession plans (Employee Relations, annually)
A good match between employee capabilities, resources and workloads	Review of labour utilisation conducted regularly in each branch.	Branch reports on review/s conducted (Employee Relations, ongoing)
	Advertised positions attract a good field of suitable internal applicants.	Selection committees data incorporated into quarterly People Performance Measures (Employee Relations, quarterly)
	The percentage of employees on non-ongoing arrangements (ie non-ongoing employees and higher duties) is between 5 and 15 per cent.	Quarterly People Performance Measures (Employee Relations, quarterly)
	Reduction in the period of time taken to fill vacant positions.	Recruitment statistics in quarterly People Performance Measures (Employee Relations, quarterly)
	All employees undertake some development activity during every quarter.	Learning and Development statistics in quarterly People Performance Measures (Employee Relations, quarterly)
	Increase in the percentage of development activities that have identified work related outcomes.	Learning and Development statistics in quarterly People Performance Measures (Employee Relations, quarterly)
	Increase in the percentage of employees who are highly satisfied with their development.	As reported by employees in employee survey (Employee Relations, biannually)

Objective	Performance indicator	How assessed / by who / when
	Branch action plans are implemented and improve the capacity of the branch to attract, deploy and retain employees with the required capabilities.	Branch Head assessment—verbal or written (Employee Relations, annually)
A work environment that encourages motivated and productive employees	Rates of employee separation are within identified targets.	Separation statistics in the People Performance Measures (Employee Relations, quarterly)
	Rates of unscheduled absence are lower than in identified targets	Absenteeism statistics in the People Performance Measures (Employee Relations, quarterly)
	Improved representation of diverse groups in all areas of the workforce.	Representation statistics in quarterly People Performance Measures (Employee Relations, quarterly)
	Increase in the percentage of employees who report feeling highly motivated in their current job.	As reported by employees in employee survey (Employee Relations, biannually)
Strategies, policies and guidelines that support workforce planning processes	Strategies policies and guidelines that respond to and address workforce planning issues are developed as required and reviewed regularly.	Review of current strategies and progress on implementation (Employee Relations, annually)
	Strategies policies and guidelines are implemented and achieve stated objectives.	In accordance with the monitoring and evaluation arrangements documented in the strategy, policy or guideline (Employee Relations, as required)

Source: Insolvency and Trustee Service Australia

Reporting on specific issues

6.14 The Information Services Group within DEST provides a considered approach to identifying workforce planning issues and monitoring efforts to address them. Their Workforce Plan 2004–06 identifies various issues of interest to the group. For each of these the group has presented one or two pages of background information including key data, identifying the specific issues of interest, presenting an outline of the strategies to be employed, and finally, outlining the specific initiatives to be pursued.

6.15 Of interest is that the initiatives include, where relevant, quantitative targets and timeframes for completion as well as relevant performance indicators to monitor progress. For example, within learning and development, one strategy is to improve the capacity for flexible employee use by promoting cross-skilling through work design, coaching, staff rotation and succession planning. While this sort of strategy might appear in the documentation of other agencies they generally have not developed a performance measure. Information Services Group in this example plans to ‘track and report their performance in cross skilling within teams by measuring the workforce readiness level, that is, the percentage of key jobs with at least one fully competent person ready to take over’ as well as by other qualitative means. To

further develop this concept, the agency could implement a key performance indicator for senior managers such that each manager has to identify and mentor a successor. Another example from this group was presented in relation to management of contingent staff (see 3.43).

Agency-wide reporting

6.16 Two examples, from Customs and Defence, are presented in relation to agency-wide reporting.

6.17 The Customs quarterly workforce report, discussed in Chapter 4, contains useful data and information. It has a number of better practice features including providing updates on specific strategies and following-up issues identified by Customs and by other parties, such as the MAC *Organisational Renewal* report⁴⁶ and ANAO findings. However, at present this document is clearly fulfilling a number of roles within Customs' communication framework and would benefit from clarifying the intention of this document and to refine it in light of the outcome of those considerations. For example, as an update to management on workforce planning, it requires focus and the strategic link to organisational capability.

6.18 Monthly reports are produced by Defence and are provided to top-level committees. Key areas of interest covered are staffing levels, identified gaps, recruitment and enlistment statistics, separations and critical categories. Trends, progress against targets and changes over time are noted. There is also an update to the outlook for the Australian labour market and the implications for recruitment and separations. Each month the report includes a background paper on a topic of interest to Defence workforce planning personnel. This allows the executive to keep abreast of methodologies being employed. In the example reviewed the theme was the new processes for determining critical categories (outlined in Chapter 3).

6.19 There is a risk in all of these efforts that the amount of data, and the way in which it is displayed, can swamp an understanding of the issues being presented. The ANAO encourages all agencies to determine the critical workforce data and information needed by the agency and to ensure that it is clearly and compellingly linked to the success of the business. The chosen measures should inform decision making and be presented to the executive in a coherent assessment of the progress being made.

6.20 One way to do this is to be clear in the objectives set for the workforce planning processes within the agency and to develop the most appropriate suite of information, both quantitative and qualitative, to report on these. This is not an easy task. It requires a clear understanding of the strategic direction of

⁴⁶ Management Advisory Committee, op. cit.

the agency, a grasp of the particular issues facing the agency at the present time, an appreciation of the contribution particular strategies can make to addressing the issues, and data collection and analysis knowledge.

Periodic reviews

6.21 The ANAO sought to determine if periodic reviews were undertaken of the workforce plan and associated strategies to ensure the anticipated benefits of workforce planning are accruing to agencies. Such reviews are also useful to ensure ongoing refinements are implemented and to assure relevance and continuous improvement. It is also important that agencies test if assumptions made previously are still valid.

6.22 Given the low level of development indicated by the survey results in this area, the ANAO did not expect to find completed reviews and little information on the effectiveness of systems within APS agencies exists. FACS has attempted one round of workforce planning and is currently reviewing its practices with a clear intention of making significant changes to improve the processes. The ANAO also received a report from the Department of Agriculture, Fisheries and Forestry 2004 internal audit review in response to the survey. Customs has signalled a possible internal audit review in 2005.

6.23 Defence, given its long-term experience with workforce planning, completed a major strategic workforce review in 2003. Defence reports the review 'was established against a background of steadily increasing pressures on Defence to make more effective use of its resources. These pressures included rising personnel costs, increasing operational commitments and a changing demographic and social environment'. It is anticipated that the same pressures will build on other public sector agencies.

6.24 Since the review, Defence's activities indicate it is implementing refinements to its methodology. Implementation of the new process for determining critical categories of staff is a recent innovation, as is the independent assessment of the workforce implications of major capability acquisitions. Defence has also nominated improvements to the workforce planning of its APS staff in 2005.


Conclusion

6.25 The survey results indicated that the majority of agencies do not have an appropriate measurement framework in place to assess their workforce planning activities. Even among the agencies examined, few were found to have processes in place for monitoring workforce-planning efforts. Intentions in this area or reasonable examples from first-round attempts were observed in ITSA, DEST, Customs and Defence.

6.26 Despite this, the survey results indicated that agencies have a high level of confidence that their workforce planning activities will provide the capability needed. This suggests there is a risk of over-confidence in agencies' ability to respond to the challenges demographic changes pose.

6.27 Given the limited level of development in this area the ANAO did not expect to find completed reviews of workforce plans and associated strategies. Such reviews would ensure that the anticipated benefits of workforce planning are accruing to agencies, that ongoing refinements are implemented and that assumptions made are still valid. Defence, with its long-term experience in workforce planning, is the one exception. Defence reviewed its approach documented in *Report of the Strategic Workforce Planning Review 2003* and has made comprehensive changes as a result. The ANAO concluded that little information of the effectiveness of systems within other APS agencies exists at this time

Canberra ACT
23 June 2005



Ian McPhee
Auditor-General

Appendices

Appendix 1: Agencies' responses

Attorney-General's Department

Recommendation 1. Agreed, recognising that the timing and extent of workforce risks self-assessment will depend largely on each agency's business activity and review cycles.

Recommendation 2. Agreed both parts, however agencies have specific workforce needs that will need to be reflected in more general APS forecasts.

Australian Customs Service

Customs agreed to both recommendations. Progress in implementing recommendations which impact on Customs will be reported, as usual, through the Audit Committee which the ANAO attends. The audit of Workforce Planning has been beneficial and the opportunity to comment, both consultatively throughout the audit and with the draft reporting phase is appreciated.

Australian Public Service Commission

Recommendation 1. Agree. In any approach to workforce planning, it is important that agencies identify the capability requirements arising from their articulated strategic direction and the impacts of the external environment. The identified capabilities are then used as a framework for undertaking workforce assessments and identifying the areas where the performance and accountability requirements upon the organisation may be at risk

Within the Commission, this approach is built into workforce planning processes so that capability requirements are identified and workforce risks assessed. The impacts of any shortfalls on organisational capability are taken into consideration in major capability investments and workforce planning efforts are reflected beyond HR strategies to include relevant business strategies.

While significant progress has been made to embed workforce planning into business processes, the Commission like most agencies, is still in the early stages of developing its systems. Work is continuing on a medium to long term workforce planning strategy, and the Commission is currently in the process of completing an assessment of missions-critical positions and capabilities, which combined with other sources of workforce planning information will aid workforce decision-making.

Recommendation 2. Agree with qualification. In the devolved legislative framework in which the APS operates, responsibility for workforce planning, including the identification of and response to shortages, rests with agencies.

An annual agency survey is conducted by the Commission to inform the annual *State of the Service Report* (SOSR) to Parliament (as per section 44 of the *Public Service Act 1999*). A consistent focus of all SOSRs has been an evaluation of the extent to which the APS incorporates and upholds the APS Values and the Code of Conduct. In addition, APS demographic characteristics and changes are identified in the report.

Recent SOSRs have also included particular themes and issues that have been topical or for which new evaluative material has become available. Workforce planning is one of these 'topical' issues that has been reported on in the last two reports. In the context of the SOSR however, it is not feasible for the Commission to regularly assess the repercussions for the APS of changes in population and workforce demographics within the broader Australian labour market. To undertake such an assessment in a useful and meaningful manner would involve significant extra resources beyond those currently available. The inclusion of this type of broader assessment in the SOSR would typically be as a 'one off' where such an assessment was seen as a priority for the year.

In 2005, for the second year, the agency survey will collect information about workforce challenges agencies have faced in the last 12 months. This year, the survey also seeks information from agencies who identify they had 'difficulty in recruiting people (other than for the graduate programme) with required skills', about the types of skills they had difficulty recruiting for (for example, information technology, human resources, legal, and accounting). To some extent, the results of these questions will provide indicative information about skill shortages in the APS. However, it is not envisaged that analysis of these results would provide a detailed assessment of the impact of skill shortages on capability across the APS. The varying nature of agencies' business means that certain skill shortages pose different risks to individual agency's capability, and therefore to be effective, such assessments would need to be done at the local level.

The Australian Public Service Employment Database (APSED) is another important potential source of data on employee qualifications and previous employment, both of which are critical to effective workforce capability assessment. However, agencies need to request employees to provide such data in order to enter it into their own systems and forward it to APSED together with other data routinely provided. Rather than increasing, agency reliability in reporting such data is actually decreasing. If this data were systematically reported, the Commission could undertake comprehensive skills profile data analysis to support APS workforce planning initiatives.

In addition to being highlighted in the SOSR, workforce planning challenges are raised in discussions with agency heads and the Commission intends to continue to do this. At the agency head level, consideration is also given to these issues through the Management Advisory Committee, including the

Organisational Renewal report and the current project on “Managing and Sustaining the APS Workforce”.

The Commission notes the ANAO’s comments regarding possible roles for the Commission in relation to promoting or facilitating shared initiatives in relation to skill shortages. The Commission has for a number of years taken a collaborative approach to working with agencies on developing and promoting shared, better practice approaches to human resource management issues, through initiatives such as the *People Management Benchmarking Study*, the *Senior Executive Leadership Capability Framework*, the *Integrated Leadership System*, the *HR Capability Model*, and, facilitation of networks where agencies meet to discuss issues of common concern. Very good outcomes have been achieved for agencies and the Commission from adopting shared approaches, and it is considered that these have been consistent with the philosophy behind the devolved APS legislative framework. The Commission is in a key position to facilitate collaboration between agencies and assesses such approaches according to the needs, priorities and interest of agencies in participating in collaborative initiatives. It will continue to assess and as considered appropriate, instigate such opportunities for collaboration within ongoing priorities.

General comment There is a potential ambiguity in paragraph 3.25 in the context of classifying APS positions. All APS employees are allocated an APS classification in accordance with, the *Public Service Classification Rules 2000* which are administered by the Department of Employment and Workplace Relations. Agencies are free to group APS sets of duties against the ASCO or Job Outlook framework for workforce planning purposes but this will not have any affect on APS classifications held by employees, and any such grouping would need to be done so as to ensure currency and manageability of the resulting information.

Paragraph 4.20 of the report highlights the difficulty of formally assessing skills shortages across the APS. As the report states, APS agencies classify jobs by classification level, which don’t provide information on the type of work performed. Effective workforce planning requires agencies to make their own assessments of how to best identify/classify skills needed and skills available. Cross-APS benchmarking would require agencies to agree on a form of categorisation which would not necessarily suit their own needs.

Conclusion In line with the ongoing collaborative approach to workforce planning across the APS the Commission looks forward to reviewing comments from other agencies and to developing future approaches and identifying future trends.

Bureau of Meteorology

The Bureau of Meteorology agrees with the recommendations of the report.

Centrelink

Centrelink welcomes this audit report and agrees with the recommendation related to Centrelink's responsibilities. While Recommendation 2 is directed at the Australian Public Service Commission, it does indirectly impact on the APSC/Centrelink relationship. Therefore, Centrelink considers it appropriate to make the following comment on this recommendation. Centrelink agrees to work closely with the APSC to implement part b) of this recommendation, recognising that assessing impacts for the APS as a whole would be at a high level unless supported by a comprehensive view of standardised capabilities across the APS. Such a view could be formed over time as workforce planning in all agencies is developed further.

Department of Defence

Recommendation 1. Agree.

Recommendation 2 a). Agree.

Recommendation 2 b). Agree with qualification. Both matters should be included in the State of the Service Report. Defence would fully support part b), if it was extended to read: 'the APSC should also examine available sources of Australian workforce data and projections, and how this information may be consolidated or best utilised by agencies, and collect information on shortages across the APS and assess their impacts on capability'.

Department of Education, Science and Training

Overall DEST supports the draft report's key recommendations and in particular would welcome an increased role for the APSC in supporting cross agency collaboration and information sharing on common workforce planning themes. However, it is important that the collection of information does not have significant resource implications especially for small agencies.

DEST believes that the draft report, by identifying examples of better workforce planning practice, will provide valuable ideas and guidance for individual agencies (including DEST) at different stages of the workforce planning journey.

DEST has been a keen and active participant in the audit and I am pleased that the proposed report acknowledges the Department as a leading workforce planning agency in the APS. While workforce planning is a key part of DEST's business planning framework, the Department is continuing to further refine

its process especially in terms of our capacity to define, develop and forecast organisational and individual capability.

Department of Family and Community Services

Recommendation 1. Agree—FaCS is currently amending its approach to workforce planning to ensure that it supports the Core Business Processes and the supporting Integrated Capability Framework.

Recommendation 2 a) and b). Agree—FaCS supports the approach and agrees that it would be helpful if the APSC regularly assesses the demographic issues facing the broader Australian labour market, and to alert the APSC to approaches to overcome potential labour shortages. It will also be helpful to the APS to have information about capability shortages across the APS, which will allow us to plan better to meet our future needs.

Department of Foreign Affairs and Trade

DFAT notes that several aspects of the departments' workforce planning activities are cited as examples of better practice. These are elements of a fully developed and specially adapted approach to workforce planning that has been seamlessly integrated into the department's human resource management and other business strategies. We consider individual agencies do not need to conform to a particular model to satisfy the essential requirement to undertake 'a continuous process of shaping the workforce to ensure it is capable of delivering organisational objectives now and in the future'. In our view, the report should clearly acknowledge that there is no single correct approach to achieve this objective. It would also be helpful to recognise that agencies' success in workforce planning cannot be effectively measured by purely mechanistic means,

We agree with the report's recommendations. Regarding the first recommendation, directed at agencies, DFAT already identifies risks on a continuous basis, and actively manages them to ensure they do not adversely affect organisational capability. The second recommendation, aimed at enhancing the information available to agencies about wider workforce issues is sensible. The research into the APS workforce that is currently being conducted on behalf of the Management Advisory Committee is a useful start. DFAT is interested in the potential for cross-agency collaboration in recruiting specialists, such as accountants, to the APS.

Department of Immigration, Multicultural and Indigenous Affairs

Recommendation 1. Agree—This is fundamental to the success of workforce planning in any organisation, and DIMIA supports this critical element of the process. The importance of workforce planning as a component to managing

business risk is specifically recognised within DIMIA's Risk Management Framework and draft Workforce Planning Framework.

Recommendation 2 a). Agree—If the APSC were to conduct an environmental scan on behalf of the APS it would reduce the need for individual agencies to research and/or purchase material from research houses leading to efficiencies and cost-savings. Of course it would be necessary for each agency to determine the relevance of the information to its own workforce issues.

Recommendation 2 b). Agree with qualification—There is certainly a place for the APSC to identify broad skill shortages across the APS to inform their contribution to an external environmental analysis and to aid APS agencies to develop collaborative approaches to common workforce planning issues. However, each agency will need to continue to focus on their particular needs and maintain the capacity and flexibility to implement appropriate workforce planning approaches.

National Library of Australia

The Library agrees with each of the recommendations contained in the proposed report.

Other Agencies

A further nine agencies responded. Four of these acknowledged receipt of the Section 19 report without further comment. These were ASIC, Crimtrac, Department of Finance and Administration and National Occupational Health and Safety Commission.

AIATSIS

At a recent planning session for the 2005-06 year, AIATSIS management identified a priority need 'to respond effectively to outstanding workforce planning and development issues and give greater emphasis across the organisation to workforce planning and staff development'. I would expect that the ANAO report will provide a sound basis, and useful practical direction, to support this priority.

AusAID

Workforce planning is an issue which AusAID recognises it need to focus on. The People Management Advisory Group, which has a key role in setting the agenda for people management and human resource matters within Aus AID, has named workforce planning as a key focus for the foreseeable future. The findings of the audit report provide relevant guidance to us as we begin to develop systems and processes that will support AusAID's workforce planning capability.

Australian Industrial Registry

As a general principle, the AIR supports the proposition that all agencies, regardless of size, should give consideration to their future workforce needs as a matter of prudent management practice, whether or not they are anticipating shortages. Similarly, there is considerable merit in all agencies having policies, strategies or frameworks in place to ensure they have the skills and capabilities needed for the next 1-5 years. The AIR supports these objectives as proper means of ensuring its legislative functions and obligations will be met.

The AIR also welcomes the note that workforce planning practices will be influenced by the size of the agency, its complexity, and the context in which it is operating.

In considering the proposed audit report, and the feedback it contains about the extent of workforce planning throughout the Australian Public Service, the AIR considers there may be merit in the report, or future work on the subject matter, considering the impact of particular agency level influences, such as agency size and context. In this regard, the AIR refers to the comments at 2.3 of the proposed audit report, which indicates that AIR is one of four agencies that have no plans to undertake workforce planning and employs less than 250 employees. This comment raises two important considerations. The first is whether workforce planning can occur informally in a small agency, and not just on the construct of the four somewhat formal evidence based criteria established by this audit? The second relates to issues of organisational context, and in particular, the extent to which 'client' preferences about skills and competencies fit within the model developed. This relates to the fact that although the AIR is reported as employing 213 staff, the wider context for the AIR is that 72 of these staff at the date of reporting are the personal staff of members of the Australian Industrial Relations Commission who traditionally are engaged by the member according to the member's own objectives about skill or background and often leave when the member leaves. This leaves quite a small pool of staff for which workforce planning is relevant and which explains the current informally based workforce planning systems present in the AIR. This situation is further complicated by the very low turnover rates of the base staff group.

Australian Taxation Office

Staff at the Australian Taxation Office have examined the report in detail and agree that the recommendations contained within it are very sound and provide a valuable insight into the issues facing Public Service agencies in regard to their approach to workforce planning. The Tax Office further supports the recommendation that the APSC regularly assess the repercussions for the APS of changes in population and workforce demographics within the

broader Australian labour market, in particular regarding shortages across the APS and their impacts on capability.

The Tax Office is developing initiatives in relation to all aspects of workforce planning, organisation renewal and continued improvement of our workforce through learning and professional development. In recent months the Tax Office has taken a reinvigorated approach to workforce planning, working towards the development of a corporate workforce planning framework. We have continued to develop workforce plans through our business lines, with a view to bringing them together to form a plan for the entire organisation. This approach is supported by our professional streams framework, and is helping us to better align our workforce decisions and budgets at the program level.

The Tax Office has also undertaken some analysis of our ageing workforce demographic and its implications for the future; labour market supply and demand for capability areas with the most pressing need; and, entry, exit and movement of staff at a granular level including an analysis by work type, location, classification and capability. The Tax Office is implementing a succession management program across several business lines, and is currently trialling growth strategies for specific capabilities. We are also investigating options relating to promotion, mobility and rotation programs as part of our overall blended approach to 'buy in' or 'grow our own' capability strategies. The ATO has taken a deliberate, conservative approach to workforce planning; acknowledging that it has some way to go, but also considering external research opportunities through an Industry Partnership arrangement with the Australian Research Council in conjunction with the Australian National University (ANU) and Australian and New Zealand School of Government (ANZSOG). This partnership will assist us to investigate workforce planning across the public sector and from it we will gain the valuable research information, be able to leverage the significant knowledge and experience of international research findings and as a result implement a more considered approach to workforce planning.

The Tax Office has also recently applied to become an industry partner with Business Work and Ageing Centre for Research, at Swinburne University of Technology to address ageing workforce issues more holistically. This three year project will investigate the potential labour supply offered by the ageing workforce in an environment of current and future supply pressures. This project will provide us with industry level and organisational human resources modelling for planning our labour force responses which will assist us to respond to the skilled labour supply issues into the future. The value to the Tax Office will be to understand labour supply pressures, the potential demographic pool, so that we can respond to demographic pressures.

The ATO is strongly committed to a collaborative approach to workforce planning across the public sector, including cooperative arrangements with specific agencies where there is a potential for competition for identified capabilities.

Department of Veterans' Affairs

The Department of Veterans' Affairs (DVA) considers that this document will provide a useful resource to Commonwealth agencies undertaking workforce planning. It outlines clearly the need for agencies to undertake a detailed analysis of their current workforce profile, and to develop strategies to meet future workforce needs. It provides a wealth of practical information to assist in this process, particularly the information about the work being undertaken by other agencies.

DVA is currently undertaking a review of its service delivery arrangements, which will include analysis of our workforce requirements in light of projected changes to the numbers and demographic characteristics of our clients. This report provides information that will assist in undertaking this analysis in a systematic way.

DVA supports the recommendations of the audit.

Appendix 2: What's in a workforce plan?

A workforce plan should include an over-arching vision of the future of the agency including what changes are likely and how these will impact on the shape of the workforce. In other words, the Executive of the agency needs to address the question 'what are the workforce implications of the strategic direction of the agency?' Environmental impacts, both planned and unplanned, can be considered as well as the workforce links to other resources in an overall assessment of organisational capability.

A workforce plan should relate to a specified period into the future. This does not mean it is a static document. Indeed, as the need arises, the workforce plan should be replaced and the timeframe extended to cover whatever future period is of interest to the agency. Much of the information within the plan will have a reasonably short-term focus, but longer-term challenges and responses should also be identified. The aim of a workforce plan should be to provide decision makers with summary information relating to the workforce risks and pressures over the period of interest. It should focus on workforce demand and supply issues within the context of achieving organisational capability (see Chapter 3).

The following provides guidance for agencies that are developing Workforce Plans and is based on various examples of better practice noted by ANAO during the course of the audit.

A workforce plan

A workforce plan will reflect the management style, operational environment and size of the organisation for which it is developed. It should document a workforce risk assessment in relation to the organisation's desired capability. This requires a consideration of what changes are likely as a result of both internal and external influences and how these will impact on the shape of the workforce. In this analysis, it may be useful to examine a number of possible future scenarios such as 'business as usual', an increase or decrease in demand for agency services or a possible change in emphasis in services to be provided.

Consideration of the external labour market trends and skills shortages should inform workforce-planning efforts. Consultation of publicly available data, such as those provided by the Australian Bureau of Statistics (ABS), DEWR, APSC and budget documents, is essential to providing contextual information.

A workforce plan should identify any gaps, from the analysis of the workforce that the agency has (workforce supply) against the workforce that the agency needs (workforce demand). Additional emphasis should be given to mission-critical roles. Senior executives must then consider the impacts of any gaps (shortages or surpluses) in organisational capability, both short- and long-term.

The key purpose of a workforce plan is to provide a means of transition from the present workforce to the workforce needed for delivery of future organisational capability. Workforce planning should, therefore, inform the development of a set of strategies that will create the required workforce composition. Often these strategies are wide-ranging and so may be contained in people plans and broader business plans.

A workforce plan should outline a system to monitor the implementation and effectiveness of strategies. It is also important to include in this an ability to gauge the extent to which assumptions, on which the workforce plan was based, remain valid.

To achieve this, agencies need a good understanding of their present workforce and business processes. Workforce planners or line managers need information relating to the workforce characteristics and competences as well as information relating to business processes. Trends can be examined, forecasts made, and benchmarks established. Consideration should also be given to the contingent workforce, as well as the workforce of other entities on which the agency relies. The overall challenge in analysing these sources is to produce information that will inform decision-making.

Key Criteria for Workforce Planning

Criterion 1: The agency has assessed the demand for, and supply of labour in the context of achieving the organisations desired capability. Workforce planning is an integral part of the business planning process.			
Criterion 2: The agency has assessed the potential gap in workforce characteristics and competencies. The agency has undertaken trend analysis of demographic data to provide both descriptive and forecasting models describing how changes will affect the workforce in the absence of management action, and to model the varying impact of possible management actions. The agency has assessed competencies and skills of the workforce to analyse the differences between the current and desired competency profile.			
	Supply Analysis	Demand Analysis	Gap Analysis
External Environment	<p>Agency assessment of the impact of labour force trends on the supply of the agency's workforce. These may include:</p> <ul style="list-style-type: none"> - census information and national labour force trends (ABS); - industry sectors and/or trends in various occupational groups (clerical, administrative, management and various others required in APS); - education and training trends in occupational groups of interest and particularly where accredited qualifications are required; and - trends in cultural aspects that impact on the workforce. 	<p>Agency assessment of environmental impacts on demand for labour such as the anticipated demand for services, and the potential for unplanned impacts.</p> <p>Agency assessment of planned organisational change on demand for labour such as need for new organisational structure, future activities, changing work processes, and the impact of changing technology.</p> <p>Agency assessments of shifts in occupational demands, major renewal issues in key occupations, as well as assessments of future workloads.</p>	<p>The agency has assessed the supply and demand dimensions of its workforce in light of the external environment. The impact on organisational capability has been considered.</p>

	Supply Analysis	Demand Analysis	Gap Analysis
Internal Environment	<p>Organisational unit assessment of workforce supply. This will include a consideration of:</p> <ul style="list-style-type: none"> - staff numbers (headcount/FTE); - movement dynamics such as commencements, separations (including resignations, retirements, promotions, transfers etc), staff on various forms of long-term leave, and rates of unscheduled absences; - necessary qualifications or certifications and up-dating requirements, as well as the in-house development of staff. <p>A consideration of supply will also involve assessment of the agencies use of contingent staff as well as the agency's dependence on the workforce of other entities.</p>	<p>Organisational unit assessment of workforce demand. Assessment based on business knowledge including information on outputs, workload and qualitative assessments of managers.</p>	<p>Organisational units have assessed the supply and demand dimensions of their workforce in light of their business needs. The impact on organisational capability has been considered.</p>
Workforce Characteristics	<p>Use workforce data to analyse staff demographics. Identify past trends and project into the future to assess likely trends. Information from staff surveys has been used to gather workforce information and understand trends. Benchmarks may be useful to compare with others.</p>	<p>Analyse to describe how changes will affect the workforce in the absence of management action, and to consider the varying impact of possible management actions. Consider best and worst case scenarios. Ensure projections are based on explicit and documented assumptions.</p>	<p>The agency has assessed the gap in workforce characteristics.</p>

	Supply Analysis	Demand Analysis	Gap Analysis
Workforce Competencies	Obtain data on the existing competencies and skills of staff. This can include educational qualifications, experience, and learning and development records. Mission critical roles, occupations and/or competencies should be identified.	Establish the roles and core competencies needed to support the agencies goals and service delivery strategies. This has been translated into the number of employees needed and qualifications sought.	The agency has assessed the gap in workforce competencies. This is facilitated where agencies have defined competencies in each occupational group or classification level. <i>(It is important that the competency set developed for assessing supply must be comparable to that used in assessing demand).</i>

Criterion 3: Assessments inform all relevant business strategies including, but not restricted to, human resource strategies.		
Assessments inform all relevant business strategies. Assessments inform all relevant human resource strategies.	Strategies have been developed to close gaps in desired workforce characteristics, and competencies and reducing surplus competencies. All relevant stakeholders have been involved.	Workforce transition plans are developed, responsible parties are nominated, timeframes specified, resources allocated, and communication strategy in place.
Criterion 4: The agency has a measurement framework in place. Incremental progress can be measured on a range of relevant factors, as well as provide links to the overall performance of the agency. The chosen performance measures are clearly and compellingly linked to the success of the organisation.		
Performance measures are used on on-going basis to track incremental progress on relevant indicators, measure achievement of milestones, and which inform, or relate to, indicators relevant to desired business outcomes.	On-going refinements are implemented to ensure relevance and continuous improvement as well as testing if the assumptions made are still valid.	A periodic review of the workforce plan and associated strategies to ensure that anticipated benefits of workforce planning are accruing to the agency.

Appendix 3: Background on selected agencies subject to audit field work

Attorney-General's Department

The AGD had 909 employees as at 30 June 2004. The AGD introduced workforce planning in 2003 with a successful pilot run. In 2004 the process was implemented in five divisions. The Human Resource Branch (HRB) analyses workforce data for each division and consults with a cross-section of employees using questionnaires and focus groups. From these consultations, HRB focuses on those workforce issues needing attention with the formulation of remedial strategies and key performance indicators. AGD self-assessed as being satisfactory under criteria 1, 2 and 4 and marginal under criteria 3.

Australian Customs Service

Customs had 4 804 employees as at 30 June 2004. Customs has a very succinct high level workforce plan. Its strength is more in the workforce planning processes developed and the information systems available to support that. Of interest, is that Customs has developed a demand and supply tool to help line managers consider their workforce needs. This was introduced in 2004 and the agency is in the process of embedding the tool. Information systems are in place to enable exploration of workforce characteristics and competencies. A number of strategies are being implemented derived from workforce planning efforts. Update reports on workforce planning are produced quarterly. Customs has self-assessed as being satisfactory under criteria 1 and 4, and fully effective under criteria 2 and 3.

Bureau of Meteorology

The Bureau of Meteorology (BOM) had 1 455 employees as at 30 June 2004. BOM's Program Coordination and Information Section consults line managers as part of the annual business planning process, to assess workforce needs. Detailed workforce demographics are available to line managers to provide an accurate picture of supply and to assist in the estimation of demand. Information from line managers is then consolidated to ascertain overall annual demand for staff and also informs recruitment and training strategies. BOM self-assessed a being satisfactory under all criteria.

Centrelink

Centrelink had 25 446 employees as at 30 June 2004. Centrelink is expected to produce its first national workforce plan by mid 2005. This will be a summation of individual plans created by the four functional business streams. The workforce planning schedule which guides managers includes demand and supply projections for a 12 month period and key skills required. Planning at this stage is integrated with the business improvement process but it is recognised that improvements are required in integrating workforce planning with the corporate business planning agenda. Top down strategic input is to be provided once the four domain plans are finalised, via a national level gap analysis and strategy setting process. Centrelink self-assessed as being satisfactory under criteria 1, 2 and 3 and marginal under criterion 4.

Defence

At 30 June 2004, Defence employed 19 142 APS staff and in excess of 70 000 Australian Defence Force (ADF) staff. Defence undertook a strategic review in 2003 that demonstrated a commitment to improve its workforce planning. Defence now produces a *Defence Workforce Plan* covering a 10-year period. This document outlines a workforce risk assessment. Strategies to address these risks are documented in the *Defence People Plan*. Dedicated workforce planners undertake workforce planning that complements workforce planning undertaken for each of the Services and Groups. Update reports on workforce planning are produced monthly. Defence self-assessed as being satisfactory under criteria 1, 2 and 3 and marginal under criterion 4.

Department of Education, Science and Training

DEST had 1 819 employees as at 30 June 2004. DEST's People Management Branch (PMB) meets annually with business groups to discuss the workforce planning implications of each group's business priorities and future directions, and to formulate HR strategies to help achieve business goals and maintain capability. To facilitate this process, PMB produces demographic data on each business group's existing workforce, identifying supply and demand issues, and any workforce gaps. DEST self-assessed as being fully effective under criteria 1 and 2, and satisfactory under criteria 3 and 4.

Department of Family and Community Services

FACS had 1 951 employees as at 30 June 2004. In its 2002 Workforce Planning Report (one for each cluster) FACS assessed supply and demand for labour within two possible future scenarios. The agency is currently revising and refining its workforce planning processes, as the first round was found to have shortcomings. The new plan is intended to be more practical at the branch level, offering solutions, not just data, to branch heads. FACS self-assessed as being satisfactory under criteria 1 and 2, and marginal under criteria 3 and 4.

Department of Foreign Affairs and Trade

DFAT had 1 950 Australia-based employees as at 30 June 2004. DFAT's workforce is centrally managed by the Staffing Branch. This branch undertakes continuous assessment of the internal supply and demand for staff through consultation with line areas and from analysis of a number of demographic reports. Where appropriate, strategy papers are produced to address key workforce planning issues. DFAT self-assessed as being fully effective under criteria 1, 3 and 4 and satisfactory under criterion 2.

Department of Immigration, Multicultural and Indigenous Affairs

DIMIA had 4 744 employees as at 30 June 2004. DIMIA produces a detailed and comprehensive workforce report every two years, containing high-level analysis of staffing demographics, emerging trends and issues requiring management attention. Currently, workforce-planning assessments are made at the devolved local and program level in direct response to business needs. The Human Resources Management Branch provides advice and assistance to business managers with reporting and communication lines in place to enable the aggregation of local issues to inform corporate level planning and risk management as appropriate. More recently, DIMIA has identified workforce planning as an important organisational risk and increased focus on this activity is planned. DIMIA self-assessed as being satisfactory under criteria 1 and 2, marginal under criterion 3 and not having addressed criterion 4.

Agency's Response

DIMIA has advised that its Management Board and People Management Committee will shortly consider a proposed range of key performance indicators that will be used to provide workforce reports on a monthly and quarterly basis. These measures, and continuous reporting as part of regular business performance reports, will ensure incremental progress in terms of implementing workforce planning can be measured and that links will be established to the overall performance of the agency. The Department's Investing in People document, which forms part of DIMIA's strategic plan, acknowledges workforce planning as a key element of its management strategies.

National Library of Australia

The National Library had 518 employees as at 30 June 2004. The Library's Workforce Planning Committee addresses workforce issues identified within the divisions and formulates strategies to resolve them. The committee is kept informed by a quarterly report prepared by HR, which presents demographic data on the current workforce and provides the basis for further, separate, ad hoc papers addressing the issues identified by the data analysis. The Library is in the process of reviewing its workforce planning process. The Library self-assessed as being satisfactory under criteria 1, 2 and 3, and fully effective under criterion 4.

Appendix 4: Australian Public Service agencies surveyed

The 86 agencies included in the survey were:

Agency	Total Staff 30/06/2004
Aboriginal Hostels Ltd.	432
Administrative Appeals Tribunal	145
Attorney-General's Department	909
Australian Agency for International Development	508
Australian Broadcasting Authority	124
Australian Bureau of Statistics	3028
Australian Centre for International Agricultural Research	51
Australian Communications Authority	445
Australian Competition and Consumer Commission	494
Australian Crime Commission	395
Australian Customs Service	4804
Australian Electoral Commission	925
Australian Film Commission	192
Australian Government Information Management Office	108
Australian Industrial Registry	211
Australian Institute of Aboriginal and Torres Strait Islander Studies	114
Australian Institute of Family Studies	77
Australian Institute of Health and Welfare	218
Australian National Audit Office	301
Australian National Maritime Museum	107
Australian Office of Financial Management	37
Australian Public Service Commission	212
Australian Radiation Protection and Nuclear Safety Agency	124
Australian Research Council	59
Australian Securities and Investment Commission	1578
Australian Taxation Office (A.T.O.)	21733
Australian Transaction Reports and Analysis Centre	93
Australian Valuation Office	Incl. in A.T.O.
Australian War Memorial	311

Agency	Total Staff 30/06/2004
Bureau of Meteorology	1455
Centrelink	25446
Child Support Agency	3070
Comcare	347
Commonwealth Grants Commission	45
ComSuper	382
CrimTrac Agency	47
CRS Australia	1972
Defence Housing Authority	774
Department of Agriculture, Fisheries and Forestry	4195
Department of Communications, Technology and the Arts	690
Department of Defence	19142
Department of Education, Science and Training	1819
Department of Employment and Workplace Relations	2366
Department of Family and Community Services	1951
Department of Finance and Administration	1075
Department of Foreign Affairs and Trade	1950
Department of Health and Ageing (incl. Therapeutic Goods Admin.)	4122
Department of Immigration, Multicultural and Indigenous Affairs	4744
Department of Industry, Tourism and Resources	1735
Department of the Environment and Heritage	1595
Department of the Prime Minister and Cabinet	374
Department of the Treasury	858
Department of Transport and Regional Services	932
Department of Veterans' Affairs	2605
Equal Opportunity for Women in the Workplace Agency	27
Family Court of Australia	732
Federal Court of Australia	397
Federal Magistrates Service	72
Food Standards Australia New Zealand	121
Geoscience Australia	633
Great Barrier Reef Marine Park Authority	166

Agency	Total Staff 30/06/2004
Human Rights and Equal Opportunity Commission	100
Insolvency Trustee Services, Australia	265
IP Australia	781
Migration and Refugee Review Tribunals	333
National Archives of Australia	480
National Blood Authority	35
National Capital Authority	82
National Library of Australia	492
National Museum of Australia	246
National Native Title Tribunal	290
National Occupational Health and Safety Commission	96
National Oceans Office	47
National Science and Technology Centre	189
Office of Film and Literature Classification	39
Office of National Assessments	60
Office of Parliamentary Counsel	47
Office of Professional Services Review	30
Office of the Commonwealth Director of Public Prosecutions	457
Office of the Commonwealth Ombudsman	82
Office of the Employment Advocate	Incl. In DEWR
Office of the Federal Privacy Commissioner	41
Productivity Commission	192
Royal Australian Mint	119
Social Security Appeals Tribunal	Incl. In FACS
Torres Strait Regional Authority	44

Source: APS Statistical Bulletin 2003–04 or Agency Advice

Index

A

AIATSIS, 98
APSC, 11-14, 17, 19-21, 23, 28-30, 34, 39, 43-44, 52, 57, 80-81, 93, 96-99, 103, 111
ASIC, 36, 98
Attorney-General's Department, 32, 55, 78, 93, 108, 111
AusAID, 98, 111
Australian Customs Services, 18, 32-33, 47, 49-50, 60-61, 67-68, 70, 78, 88-89, 93, 108, 111
Australian Industrial Registry, 34, 99, 111
Australian Taxation Office, 36, 58, 99, 100-101, 111

B

Better practice, 12, 14-15, 29-30, 32, 47, 50, 58, 95, 97, 102
Bureau of Meteorology, 27, 32, 56, 60, 96, 103, 108, 112
Business planning processes, 45, 60

C

Centrelink, 32, 56, 58, 61, 70, 78, 96, 109, 112
Competency frameworks, 16, 70, 72
Contingent staff, 57-59, 86, 88, 105
Crimtrac, 98, 112
Criteria, 13, 21, 31-32, 42, 46-47, 65, 71, 74-75, 82-83, 85, 99, 108-110

D

Demand for labour, 12, 14-17, 19-20, 29, 31-32, 36, 39, 41, 45-47, 49-52, 55-56, 58, 60-64, 70, 72, 76-77, 81, 102-106, 108-110
Department of Agriculture, Fisheries and Forestry, 89, 112

Department of Defence, 12, 15, 18, 32-33, 42-43, 47, 51-54, 56, 58-62, 64, 69-71, 77, 80, 88-90, 96, 109, 112

Department of Education, Science and Training, 32-33, 47, 49, 57-58, 61, 72, 77, 87, 89, 96, 109, 112

Department of Family and Community Services, 32, 55, 67, 78, 89, 97, 109, 112

Department of Finance and Administration, 98, 112

Department of Foreign Affairs and Trade, 32, 55, 60-71, 78, 97, 110, 112

Department of Immigration, Multicultural and Indigenous Affairs, 32, 79, 97, 110, 112

Department of Veterans' Affairs, 101, 112

E

External labour market, 15, 19-20, 45, 56-57, 59, 60, 64, 103

G

Gap analysis, 29, 31, 45, 52-53, 65, 66, 76, 104-106, 109

I

Insolvency and Trustee Services Australia, 18, 85-86, 89

M

MAC *Organisational Renewal* Report, 11-12, 16, 28, 30, 56-57, 67, 71, 73, 74, 77-78, 80, 88, 95

Mission critical occupations, 16, 18, 20, 71, 73, 82

N

National Library of Australia, 32, 55,
79, 98, 110, 113

National Occupational Health and
Safety Commission, 98, 113

O

Organisational Capabilities, 15, 45

S

Skill shortages, 11-12, 14-15, 17, 19,
20-21, 36, 43, 51-52, 56, 57-60, 64,
70, 79, 81, 93, 95, 97-98

State of the Service Report 2003–04,
12-13, 19, 23, 28-30, 34, 39, 44, 57,
94, 96

Succession planning, 16, 41, 69, 71,
72-73, 87

Supply of Labour, 15-17, 19-20, 31,
45-47, 49-52, 55-64, 70, 72, 76-78,
81, 102-106, 108-110

W

Workforce Characteristics, 16, 19, 31,
45, 65-67, 72, 76-77, 103-105,
107-108

Workforce Competencies, 16, 65, 69,
70-72, 106

Series Titles

Audit Report No.54 Performance Audit
Administration of Health Care Cards
Health Insurance Commission
Department of Health and Ageing
Centrelink
Department of Family and Community Services

Audit Report No.53 Performance Audit
The Home Ownership Programme
Indigenous Business Australia

Audit Report No.52 Performance Audit
Legal Services Arrangements in the Australian Public Service

Audit Report No.51 Performance Audit
DEWR's oversight of Job Network services to job seekers
Department of Employment and Workplace Relations
Centrelink

Audit Report No.50 Performance Audit
Drought Assistance

Audit Report No.49 Business Support Process Audit
Administration of Fringe Benefits Tax

Audit Report No.48 Performance Audit
Internationalisation of Australian Education and Training
Department of Education, Science and Training

Audit Report No.47 Performance Audit
Australian Taxation Office Tax File Number Integrity

Audit Report No.46 Business Support Process Audit
Management of Trust Monies in CAC Act Entities

Audit Report No.45 Performance Audit
Management of Selected Defence System Program Offices
Department of Defence

Audit Report No.44 Performance Audit
Defence's Management of Long-term Property Leases

Audit Report No.43 Performance Audit
Veterans' Home Care
Department of Veterans' Affairs

Audit Report No.42 Performance Audit
Commonwealth Debt Management Follow-up Audit

Audit Report No.41 Protective Security Audit
Administration of Security Incidents, including the Conduct of Security Investigations

Audit Report No.40 Performance Audit
The Edge Project

Audit Report No.39 Performance Audit
The Australian Taxation Office's Administration of the Superannuation Contributions Surcharge

Audit Report No.38 Performance Audit
Payments of Good and Services Tax to the States and Territories

Audit Report No.37 Business Support Process Audit
Management of Business Support Service Contracts

Audit Report No.36 Performance Audit
Centrelink's Value Creation Program

Audit Report No.35 Performance Audit
Centrelink's Review and Appeals System

Audit Report No.34 Performance Audit
Centrelink's Complaints Handling System

Audit Report No.33 Performance Audit
Centrelink's Customer Satisfaction Surveys

Audit Report No.32 Performance Audit
Centrelink's Customer Charter and Community Consultation Program

Audit Report No.31 Performance Audit
Centrelink's Customer Feedback Systems—Summary Report

Audit Report No.30 Performance Audit
Regulation of Commonwealth Radiation and Nuclear Activities
Australian Radiation Protection and Nuclear Safety Agency

Audit Report No.29 Performance Audit
The Armidale Class Patrol Boat Project: Project Management
Department of Defence

Audit Report No.28 Performance Audit
Protecting Australians and Staff Overseas
Department of Foreign Affairs and Trade
Australian Trade Commission

Audit Report No.27 Performance Audit
Management of the Conversion to Digital Broadcasting
Australian Broadcasting Corporation
Special Broadcasting Service Corporation

Audit Report No.26 Performance Audit
Measuring the Efficiency and Effectiveness of E-Government

Audit Report No.25 Performance Audit
Army Capability Assurance Processes
Department of Defence

Audit Report No.24 Performance Audit
Integrity of Medicare Enrolment Data
Health Insurance Commission

Audit Report No.23 Performance Audit
Audit Activity Report: July to December 2004
Summary of Results

Audit Report No.22 Performance Audit
Investment of Public Funds

Audit Report No.21 Financial Statement Audit
Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2004

Audit Report No.20 Performance Audit
The Australian Taxation Office's Management of the Energy Grants (Credits) Scheme

Audit Report No.19 Performance Audit
Taxpayers' Charter
Australian Taxation Office

Audit Report No.18 Performance Audit
Regulation of Non-prescription Medicinal Products
Department of Health and Ageing
Therapeutic Goods Administration

Audit Report No.17 Performance Audit
The Administration of the National Action Plan for Salinity and Water Quality
Department of Agriculture, Fisheries and Forestry
Department of the Environment and Heritage

Audit Report No.16 Performance Audit
Container Examination Facilities
Australian Customs Service

Audit Report No.15 Performance Audit
Financial Management of Special Appropriations

Audit Report No.14 Performance Audit
Management and Promotion of Citizenship Services
Department of Immigration and Multicultural and Indigenous Affairs

Audit Report No.13 Business Support Process Audit
Superannuation Payments for Independent Contractors working for the Australian Government

Audit Report No.12 Performance Audit
Research Project Management Follow-up audit
Commonwealth Scientific and Industrial Research Organisation (CSIRO)

Audit Report No.11 Performance Audit
Commonwealth Entities' Foreign Exchange Risk Management
Department of Finance and Administration

Audit Report No.10 Business Support Process Audit

The Senate Order for Departmental and Agency Contracts (Calendar Year 2003 Compliance)

Audit Report No.9 Performance Audit
Assistance Provided to Personnel Leaving the ADF
Department of Defence
Department of Veterans' Affairs

Audit Report No.8 Performance Audit
Management of Bilateral Relations with Selected Countries
Department of Foreign Affairs and Trade

Audit Report No.7 Performance Audit
Administration of Taxation Rulings Follow-up Audit
Australian Taxation Office

Audit Report No.6 Performance Audit
Performance Management in the Australian Public Service

Audit Report No.5 Performance Audit
Management of the Standard Defence Supply System Upgrade
Department of Defence

Audit Report No.4 Performance Audit
Management of Customer Debt
Centrelink

Audit Report No.3 Business Support Process Audit
Management of Internal Audit in Commonwealth Organisations

Audit Report No.2 Performance Audit
Onshore Compliance—Visa Overstayers and Non-citizens Working Illegally
Department of Immigration and Multicultural and Indigenous Affairs

Audit Report No.1 Performance Audit
Sale and Leaseback of the Australian Defence College Weston Creek
Department of Defence

Better Practice Guides

Public Sector Audit Committees	Feb 2005
Fraud Control in Australian Government Agencies	Aug 2004
Security and Control Update for SAP R/3	June 2004
AMODEL Illustrative Financial Statements 2004	May 2004
Better Practice in Annual Performance Reporting	Apr 2004
Management of Scientific Research and Development Projects in Commonwealth Agencies	Dec 2003
Public Sector Governance	July 2003
Goods and Services Tax (GST) Administration	May 2003
Managing Parliamentary Workflow	Apr 2003
Building Capability—A framework for managing learning and development in the APS	Apr 2003
Internal Budgeting	Feb 2003
Administration of Grants	May 2002
Performance Information in Portfolio Budget Statements	May 2002
Life-Cycle Costing	Dec 2001
Some Better Practice Principles for Developing Policy Advice	Nov 2001
Rehabilitation: Managing Return to Work	June 2001
Internet Delivery Decisions	Apr 2001
Planning for the Workforce of the Future	Mar 2001
Contract Management	Feb 2001
Business Continuity Management	Jan 2000
Building a Better Financial Management Framework	Nov 1999
Building Better Financial Management Support	Nov 1999
Managing APS Staff Reductions (in Audit Report No.49 1998–99)	June 1999
Commonwealth Agency Energy Management	June 1999
Cash Management	Mar 1999

Security and Control for SAP R/3	Oct 1998
Selecting Suppliers: Managing the Risk	Oct 1998
New Directions in Internal Audit	July 1998
Controlling Performance and Outcomes	Dec 1997
Management of Accounts Receivable	Dec 1997
Protective Security Principles (in Audit Report No.21 1997–98)	Dec 1997
Public Sector Travel	Dec 1997
Audit Committees	July 1997
Management of Corporate Sponsorship	Apr 1997
Telephone Call Centres Handbook	Dec 1996
Paying Accounts	Nov 1996
Asset Management Handbook	June 1996