

## **Submission to Independent Review of the Australian Public Service (APS)**

### **Background**

I was employed in the mainstream APS and the Parliamentary Departments for a total of 36 years from 1978 to 2014, starting as a base grade clerk and progressing to Executive Level 2. I have extensive experience in public sector industrial relations and corporate governance, as well as seven years with the Energy Efficiency Opportunities Program.

This submission will examine aspects of the operating model of the APS and make recommendations for change. My views and recommendations are based on my experience employed in the APS.

### **Budget Allocation & Financial Accountability**

APS Departments are misusing budget allocation for approved new policy proposals and this is costing the Government millions of dollars.

The Corporate Divisions of APS Departments are skimming a percentage off the top of the budget allocation of all new policy proposals in order to “pay” for cost of providing corporate services to these new activities. This practice is wide spread and rarely, if ever, takes into account whether these services could be provided by the existing corporate structures. Conversely, when programs end in Departments, it is rare that the corporate budget is adjusted accordingly.

The result is that the Corporate Divisions need to find ways to spend this money in order to justify their existence and the budget they receive. They become bloated with top heavy structures that provide little in the way of value added services.

A second problem is that senior officers skim further money off the top of the budget allocation in order to fund “pet projects”. These can sometimes appear to be related to the new policy proposal, but were not considered by it and are not really essential to its success. Because this expenditure is hidden within the activity of the new policy proposal, it can be sometimes difficult to identify.

The Government needs to get bipartisan support to crack down on these kind of practices and to reinstate vigour into the processes of financial accountability. Some suggestions include:

- portfolio budget statements should show proposed expenditure for the coming year itemised against the original policy proposal. At the end of the financial year deviation should be explained in the Department’s annual report;
- large deviations or redirections should explained at senate estimates;
- Corporate Divisions in all APS Departments should have their budget capped at an appropriate percentage of total Departmental salaries budget.

### **Attracting the Right Employees**

To ensure the APS is fit-for-purpose for the coming decades it is essential that it acquires and maintains the necessary skills and expertise to fulfil its responsibilities.

Historically, the APS has had certain advantages in attracting the employees it required. These included:

- a generous superannuation scheme;
- competitive salaries;
- mobility between departments that offered a wide range of jobs; and
- attractive conditions of service.

These advantages have been reduced or removed over the last 10 years:

- the defined benefits superannuation scheme is now closed to new members;
- APS salary rates have stagnated in the last 5 years and in many departments are no longer the attraction they used to be;
- separate employment agreements for APS departments as well as individual employment contracts have created market forces between and within APS Departments that hinders mobility; and
- attractive conditions of service are slowly being eroded by the workplace bargaining process to pay for what small salary increases are being negotiated.

Additionally, the merit principle as defined by the *Public Service Act 1999* is not only causing huge amounts of time and money to be spent on the recruitment process, it is actually putting off many potential recruits from applying. The process takes way to long, places the private sector applicant in an awkward situation when referees comments are sought but that person does not get the job, and often ends up as a huge waste of time when the person acting in the job is finally promoted to it.

#### *Recruitment*

The merit principle needs to be redefined to allow for direct promotion of a person to a position if they have already demonstrated the skills and attributes required for that position.

This would eliminate the need to advertise the position and conduct a selection process in such circumstances. In time this would give applicants from outside the APS the confidence that positions advertised were real vacancies worth the effort of applying for.

This change would also save the APS a huge amount of time as well as money. In 2016-17, well over 8,000 positions were advertised in the APS Gazette. An estimated 50% of these could be eliminated by redefining the merit principle, resulting in tens of millions of dollars' worth of productivity improvement, not to mention the money saved on advertising or employing scribes to "write-up" the selection process.

If a true vacancy exists and a department needs to advertise a job, the merit principle needs to allow for a more streamlined recruitment process. This could include identifying the two most important selection criteria on which to distinguish candidates, not the 6-8 that is currently is the norm, and only interviewing the top three candidates.

#### *Enterprise Bargaining*

For nearly 20 years the APS has had separate employment agreements for each APS Agency. The Government's policy has been that pay increases negotiated for these agreements must be underpinned by productivity improvements of equal value.

In the Preface to Budget Paper No 4 for 2017-18 the Government indicated that since 2013, initiatives such as the Smaller Government Agenda, Contestability, Operation Tetris, and the Efficiency Dividends have generated efficiencies of around \$7.6 billion in savings for the APS. Despite the fact that APS employees have been integral to these savings being achieved, not one cent has been applied in order to increase APS salary rates.

Agencies have been forced to find even further productivity improvements to underpin wage increases which has often meant bargaining away hard won employment conditions.

It has been this system that has led the stagnating salaries and conditions erosion and it needs to be abandoned and the APS returned to a service wide employment agreement. A common salary scale could be devised simply by taking the most generous salary scales that currently exist in the individual agreements. Critics may say that this is an expense the Government cannot afford. It must be remembered, however, it was the Government of the time that created the current, problematical workplace bargaining process.

If the Government refuses to share some of the productivity improvements it has reaped since 2013, the cost of the new pay scales could be offset by productivity gains made by implementing:

- the budget and financial accountability reforms described above;
- the recruitment reforms described above,
- centralised bargaining;
- a single salary scale that facilitates greater mobility between departments; and
- the performance management reforms described below.

The resulting improvements in salary rates would restore more competitive salaries as a tool to recruit the desired employees.

Critics may also say that a single agreement would destroy the flexibility that individual agreements offer. This could easily be overcome by a common set of core conditions applicable to the whole APS, with agency specific requirements being dealt with in a set of attachments to the main body of the agreement.

### **Performance Management**

The APS has a myriad of performance management schemes developed and administered by each Department's Corporate Division. The common element is that most if not all are cumbersome and very time consuming. Supervisors with a large number of employees sink under the weight of administering these performance management agreements.

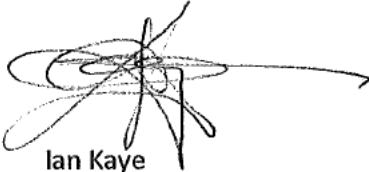
The APS should have one common performance management scheme developed and overseen by the Public Service Commission (PSC). Some improvements that could be considered by the PSC include:

- removal of all the behavioural requirements from performance agreements – these are covered by the APS code of conduct;
- performance agreements contain no more than 4 performance requirements that are linked to the key performance indicators of the relevant business plan;
- mid- year and year end reviews should only be required if person has been underperforming and has been counselled during the year about their performance – otherwise the person is deemed to have satisfactory performance; and
- satisfactory performance should be mandatory to receive pay increases included in the employment agreement, but individual performance pay should be scrapped.

The issues and suggestions for reform that are covered by this submission are reasonably simple and straight forward, yet their implementation would, in my estimation, result in over \$100m worth of financial savings and productivity improvements.

Submitted for your consideration.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Ian Kaye', with a long horizontal stroke extending to the right.

Ian Kaye

20 June 2018

