Meeting our future Victorian Public Service workforce needs

The Hon. Monica Gould MP
President
Legislative Council
Parliament House
Melbourne

The Hon. Judy Maddigan MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance audit report on *Meeting our future Victorian Public Service workforce needs.*

Yours faithfully

JW CAMERON
Auditor-General

2 December 2004

Foreword

The sustainability of workforces is one of the major challenges facing most organisations in the Western world.

The size and composition of workforces of the future will be affected by the ageing of the general population, a potential decline in the size of the total workforce and increased competition for knowledge workers. These issues, combined with factors such as changing employee attitudes to work/life balance and the demand for more flexible working conditions, will affect workforce capacity and the capabilities required by organisations to achieve their strategic priorities.

This report examines strategic workforce planning in the Victorian Public Service. The Victorian Public Service faces significant challenges. Its workforce is considerably older than the general Australian workforce, and is also older than the Australian Public Service workforce. The Victorian Public Service also has a high demand for knowledge workers but it cannot compete financially with the private sector on recruitment.

This changing environment and planning for future workforce requirements presents governments with a challenge. The adequacy of the Victorian Public Service's response to workforce sustainability will affect its capacity to meet the government's policy and service delivery outcomes. It is apparent that more flexible and creative workforce practices will need to be implemented in the workplace.

Some of the better practice organisations studied as part of this audit, from both the public and private sectors, provide valuable insights in planning to meet the Victorian Public Service workforce capacity and capability requirements of the future.

JW CAMERON
Auditor-General

2 December 2004

Contents

♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦

1. Executive summary

♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦

1.1   Introduction

The core Victorian Public Service (VPS) comprises 10 departments of state. These range from central agencies such as the Department of Premier and Cabinet to service delivery agencies such as the Department of Human Services. These departments employ approximately 31 000 staff, the majority on a permanent basis.

This audit assessed strategic workforce planning across the VPS. Strategic workforce planning involves an organisation determining its workforce's capacity and capability and shaping it to achieve its goals and directions. The audit examined the Office for Workforce Development (OWD) within the Department of Premier and Cabinet as well as the Departments of Treasury and Finance, Infrastructure and Human Services.

During the audit, the government announced its intention to establish the State Services Authority (SSA) as part of the Public Administration Bill which is due to be presented in the spring 2004 session of parliament. It is expected that this new authority will assume a broader responsibility for workforce planning across the whole of the VPS, and subsume the Office for Workforce Development.

1.2   Issues affecting the VPS workforce

There are significant issues confronting the sustainability of workforces throughout the world from which the VPS will not be immune. These include the rapid ageing of the workforce, likely reductions in the overall future size of the workforce, increased competition for knowledge workers, and changing employee attitudes to issues such as work/life balance. From a workforce planning point of view, these significant factors need to be taken into account in planning to meet future workforce needs.

There are also some specific issues relevant to the VPS that need to be considered. The VPS workforce is:

- significantly older than most other workforces with 43 per cent of its ongoing workforce over 45 years of age
- highly knowledge-based with a significantly higher proportion of tertiary qualified employees than the Australian workforce
- more feminised than the Australian workforce, increasing the pressures to introduce more flexible working conditions
- less mobile than the Australian workforce.

The above issues provide strong imperatives for undertaking strategic workforce planning across the whole of the VPS, as well as in individual agencies. There is a critical leadership role to be undertaken by a central agency in leading and coordinating workforce matters across the VPS. These matters should include significant legislative, policy and program changes, such as amendments to superannuation to increase the participation rate of older workers.

The challenge for a central agency is to ensure that its leadership, in responding to whole of VPS workforce issues (such as coordinating the introduction of the new VPS Career Structure Framework), does not encroach upon the responsibilities of agencies for managing their own workforces. Consequently, any work undertaken at the centre should be carried out in partnership with agencies.

At the same time, each agency needs to undertake its own workforce planning in order to have a workforce with the necessary capacity and capabilities to meet departmental objectives.

1.3   Better practice in workforce planning

In preparing for this audit, we conducted a study of 7 public and private sector organisations[1] demonstrating better practice in strategic workforce planning. From this study, a set of better practice elements were established, summarised as follows:

- the purpose of the business and its strategic directions are widely communicated and understood
- organisational values and cultures are defined, modelled and embedded into practices and systems
- strategic workforce planning occurs at the highest level and is a critical part of business strategy
- the external environment is scanned for issues impacting on the business and its workforce
- the organisation collects and analyses internal workforce information to assess its capacity to meet current and future business needs
- capability frameworks for the workforce, including critical job roles, are developed and incorporated into organisational systems
- investment in initiatives to attract, recruit, develop and retain employees is pivotal, and is made to address workforce planning issues
- comprehensive data is used to measure the impact of workforce strategies on business performance.

---

[1] The organisations were the ANZ Banking Group, Australia Post, Australian Bureau of Statistics, Australian Customs Service, Coles Myer Ltd, IAG Insurance Australia Group Ltd and Southern Health.

From these elements, criteria for auditing both the central agency (OWD) and the 3 departments were developed, providing a basis for reaching audit conclusions arising at a central and individual agency level.

1.4 Workforce planning at the centre

We audited the work of OWD in the Department of Premier and Cabinet. Neither OWD, nor any other central agency, has a mandate for VPS-wide workforce planning of the kind outlined in this report. Consequently, no central agency has assumed responsibility for advising the government on whether the VPS workforce, as a whole, has the capacity and capability to delivery the government's strategic directions now, and into the future.

OWD has made improvements in areas such as workforce data collection and analysis, and in coordinating collaborative arrangements with agencies to facilitate debate and decision-making on workforce issues. These are important achievements in terms of meeting OWD's strategic priorities. However, the scale of sustainability issues facing the VPS workforce suggests that a stronger central agency role is needed in planning for the VPS workforce as a whole, and responding promptly to significant capacity and capability issues.

Specifically, a central agency needs to:

- assume a leadership role in facilitating improvements in the overall standard and quality of strategic workforce planning throughout the VPS
- design, and put into action, arrangements for discussions with agencies that involve sharing of information and collaborative decision-making around workforce issues
- develop a robust approach to strategic workforce planning, based on better practice, including:
  - developing a clear understanding of the workforce implications of achieving future government outcomes
  - focusing on key workforce segments and roles needed to deliver these outcomes
  - defining capabilities, values and behaviours for these workforce segments and roles
  - upgrading data collection and analysis, for monitoring trends in the workforce, measuring the impact of workforce strategies and forecasting future capacity and capability gaps.

Recommendations

1. That a central agency be assigned leadership and clear accountability for advising government on the needs of the VPS as a whole, and for standards and quality of VPS strategic workforce planning.

2. That a central agency designs and implements collaborative processes that facilitate regular and ongoing discussions with VPS agencies to address a range of common workforce issues.

3. That a central agency develops a sound knowledge of the impact of the government's strategic directions on the capability of the VPS workforce and applies it to whole-of-VPS workforce planning.

4. That a central agency works in partnership with line agencies to:
   * identify and define the workforce segments essential for achieving the government's strategic directions
   * develop capability frameworks for the key VPS workforce segments to identify workforce attributes needed to meet the government's strategic directions.

5. That a central agency, in partnership with line agencies:
   * develops a standard VPS workforce dataset of quantitative and qualitative data that is drawn from internal and external sources
   * scans and analyses national and international sources for current and emerging labour market and industry sector issues, including barriers to meeting long-term workforce requirements - on behalf of the VPS
   * conducts better practice research into how to effectively address concerns about workforce capacity and capability.

6. That a central agency, in partnership with line agencies, actively responds to significant issues in order to shape the type of VPS workforce needed to deliver the government's outcomes now and in the future.

1.5   Workforce planning in departments

We assessed the performance of the Departments of Treasury and Finance (DTF), the Department of Infrastructure (DOI) and the Department of Human Services (DHS) against criteria based on better practice elements. The audit concluded that each of the 3 departments has recently developed strategic approaches to workforce planning as a response to the challenges in attracting and retaining skilled resources for their core business.

Workforce planning in both the Department of Treasury and Finance and the Department of Infrastructure is meeting better practice in some aspects, such as a commitment by the secretary and executive to an integrated approach to workforce planning and the implementation of this at all levels of the organisation. DHS has been committed to strategic workforce planning for its direct service delivery workforces (such as Child Protection and Disability) for some time. DHS is meeting better practice in relation to its capability frameworks for executives and direct service delivery workforce segments, and in its analysis of industry sectors trends for these workforces. However, DHS has not yet had a similar focus on other critical workforce segments.

We concluded, for each of the departments, as follows.

Department of Treasury and Finance

DTF undertakes strategic workforce planning, although it does not use this term. The approach to planning the workforce is integrated and strategic. It is a part of DTF's business planning and is strongly supported by the senior executive. The approach reflects an understanding of the interconnectedness of all aspects of the business – people, money and systems. It also reflects an understanding of the contribution staff make in the achievement of DTF's business outcomes.

However, DTF needs to focus on the development of capability frameworks for its various professional and technical workforce segments. This would improve the assessment of its current workforce capability and provide a strategic focus for determining training and development strategies, as well as recruitment priorities.

DTF should also continue to improve its targeted data collection and analysis to ensure that the impact of its overall workforce planning approach and its individual strategies is measured effectively.

Overall, we considered that DTF is achieving better practice in some of the key aspects of workforce planning.

Department of Infrastructure

DOI is systematically addressing workforce planning. Senior management recognises the need to build the capability of its workforce and to realign it where appropriate. DOI is also focusing on recruiting from the external labour market, where development and realignment of its existing workforce is not possible.

DOI's *People Strategy 2004-2006,* with its analysis of the need for a more strategic approach to workforce planning, is comprehensive and seeks to identify shortfalls in its workforce capabilities and capacity. This is a sound basis for effective workforce planning in the future and reflects better practice in most areas.

However, in order to gain the full benefit from this strategy, DOI will need to significantly improve its data collection and analysis. If the data on the priority segments of the workforce was more comprehensive and strategically selected, then DOI would also be able to measure the impact of the workforce planning initiatives and strategies on business outcomes.

Overall, we considered that DOI has the potential to achieve better practice in most of the key aspects of workforce planning when its plans are fully implemented, and if it is able to improve its workforce data collection and analysis.

Department of Human Services

DHS correctly has a strong focus on its direct service delivery workforces. It could expand this focus to include an understanding of the impact of its administrative VPS workforce on its overall business and direct service delivery workforces.

DHS has strategic workforce planning expertise within its Workforce Service and Planning Branch, demonstrated by the workforce projects it has undertaken on the Child Protection and Disability workforces. This expertise could be extended to specific and priority segments of the VPS workforce that need attention because of their impact on service delivery.

Overall, there also is a need to establish a strategic agenda for planning for all segments of the VPS workforce, and to integrate this with the workforce planning already undertaken in the direct service delivery workforces. One obvious reason for this is that senior staff are frequently drawn from the direct service workforce to work in policy and program management roles within DHS. This interconnectedness of the various workforces supports the need for the integration of planning for all workforce segments in such a large organisation as DHS.

Recommendations

7.   **That the executive of all departments commit to strategic workforce planning as integral to their long-term business strategy.**

8.   **That all departments improve their analysis of external industry and labour market trends in order to assess their likely impact on agency performance.**

9.   **That all departments collect and analyse internal workforce information and use this to assist in identifying the organisation's key workforce segments and roles.**

10. **That all departments develop capability frameworks, including critical job roles, to underpin the integration of human resource strategies and other processes that support workforce planning.**

11. That all departments need to continue to invest in initiatives that are pivotal in addressing workforce planning issues now and in the future.

12. That all departments develop robust and meaningful measures to monitor and report on the impact of workforce strategies on their business performance.

RESPONSE provided by Secretary, Department of Premier and Cabinet

Workforce planning is a critical issue facing not just the public service but the wider Victorian public sector. Since its establishment in May 2002 the Office for Workforce Development (OWD) has had the task of stimulating and driving improved workforce planning by Departments, leveraging whole of government planning off Department needs and requirements. Department Secretaries are the employers of staff and are responsible for implementing workforce planning in Departments in order to deliver on the requirements of the Government. Whole of service workforce planning and reporting has been a partnership between OWD at the centre and Departments.

The Report acknowledges the appropriateness of this balance in the Victorian public service context, and that the work undertaken by OWD has commenced the process of addressing workforce planning issues. We agree that more needs to be done. The Government has acknowledged this in presenting the Public Administration Bill to the Parliament, which proposes the establishment of a State Services Authority with certain whole of service workforce management and development responsibilities. The passage of the legislation, and the establishment of the State Services Authority will represent implementation of Recommendation 1 of the Report.

Recommendations 2 to 6 are agreed in principle, however the State Services Authority will be required to consider and determine how it may be most effective in delivering on workforce planning requirements in conjunction with Departments. The Report is a valuable and timely resource that will inform the considerations of both Departments and the Authority in this regard.

RESPONSE provided by Secretary, Department of Treasury and Finance

The Department of Treasury and Finance (DTF) welcomes the opportunity for an independent review of its workforce capability planning. One of the Departments objectives is to ensure the capability of DTF and its people to serve the Government. To deliver on this objective, DTF has developed and is implementing its 2002 - 2004 HR Strategy which includes such elements as a behaviours framework, a tailored leadership development program, more targeted investment in training, and the implementation of flexible work practices.

DTF accepts the recommendation of the report that are directed towards the department and will continue to work hard at improving the capability of its workforce.

RESPONSE provided by Secretary, Department of Infrastructure

Having responsibility for delivering the Government's major infrastructure projects, the Department operates across diverse and competitive workforce markets. In this context, the DOI People Strategy 2004-06 reflects the unique challenges facing the Department in attracting and retaining the necessary high level skills and expertise, particularly in the areas of engineering, construction and building, commercial project management and information and communication technology.

The Department acknowledges the importance of integrated workforce planning to build and sustain business performance and agrees with each of the recommendations in the report. To this end, the Department is progressing the People Strategy, an overarching approach focused on key workforce issues within the organisation in line with broad VPS direction.

RESPONSE provided by Secretary, Department of Human Services

The report provides comprehensive comment on workforce initiatives in the Department of Human Services. I am pleased that it recognises in particular the extensive workforce initiatives undertaken for VPS staff in direct service delivery roles, and the Department's leadership development approach to identify, develop and retain high performing and emerging leaders. I am supportive of audit recommendations in respect of the Department and will endeavour to build on the extensive work already undertaken.

♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦

2. Strategic workforce planning

♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦

2.1   Purpose of the audit

The Victorian Public Service (VPS) faces considerable challenges in ensuring that its future workforce has the necessary capacity and capabilities to deliver government services and achieve government policy objectives. Public service departments and central agencies need to think strategically about their workforces if they are to meet the future expectations of the government and the public.

In particular, new and emerging skills and capabilities have to be developed in an environment where the workforce is ageing, staff mobility is increasing, attitudes to work and careers are changing, and demands for greater workplace flexibility are increasing. The capacity of the VPS will be tested as it competes with the private sector for highly capable staff, including adaptable knowledge workers and others with the capacity to respond to the challenges of new and changing working environments.

In June 2003, the Victorian public sector employed about 241 000 staff. These comprised:

- VPS staff employed in 10 departments (Premier and Cabinet, Treasury and Finance, Education and Training, Human Services, Justice, Innovation, Industry and Regional Development, Infrastructure, Primary Industries, Sustainability and Environment, and Victorian Communities) as well as public servants supporting the work of the parliament and courts
- non-VPS staff, consisting of teachers, technical and further education institute employees, Victoria Police employees, nurses, health and community service employees, prison officers and employees of all other agencies established by statute.

VPS staff are those who are directly employed by departments under the *Public Sector Management and Employment Act 1998*. At June 2003, there were 31 330 VPS staff, of whom 593 were executive officers. VPS staff have diverse occupations and skills and include lawyers, scientists, IT systems technicians, actuaries, statisticians, records managers and policy analysts.

The largest department (the Department of Human Services) employed 12 465 staff. This was over 2 and a half times more than the next largest department (the Department of Justice) which employed 4 706 people.

This audit looked only at strategic workforce planning for VPS staff.

2.1.1 Audit objective, criteria and scope

This audit assessed the effectiveness of the strategic approach adopted by the VPS to planning its future workforce requirements.

We determined the extent to which 3 departments (Human Services, Infrastructure and Treasury and Finance) and the relevant central agency (the Office for Workforce Development) had developed a strategic approach to workforce planning, and how their practices compared to better practice.

We developed the elements of better practice through researching 7 private and public sector organisations[1] whose approaches to strategic workforce planning are considered better practice. We used the elements of this better practice framework as audit criteria in examining the 3 government departments and the Office for Workforce Development.

Assistance to the audit team

Specialist assistance was provided to the audit team by:

- Beyond Services, which developed the elements of better practice and provided advice
- Professor David Brown, La Trobe University, who provided research and advice
- Andrew Marty, SACS Executive Solutions, who contributed as a member of the audit steering committee.

2.1.2 Strategic workforce planning

For the purposes of this audit, we have defined strategic workforce planning as determining and shaping the capacity and capability of the workforce that is needed to achieve an organisation's goals and directions. As part of workforce planning, human resource management strategies focus more on the workforce than on individuals, and are integrated with financial and corporate decision-making.

Strategic workforce planning helps managers to anticipate the changing workforce environment. It requires a sound understanding at every level of the organisation of the factors that affect the workforce's capacity and capability. Workforce planning requires an understanding of these factors at both a business and workforce level, as well as at the local, state, national and international labour market level.

---

[1] These organisations were the ANZ Banking Group. Australia Post, Australian Bureau of Statistics, Australian Customs Service, Coles Myer Ltd, IAG Insurance Group Ltd and Southern Health.

The case for strategic workforce planning in the VPS

As part of their strategic workforce planning approach, all the better practice organisations we studied were devoting considerable time and attention to addressing the future capacity and capability of their workforces. Their reasons for doing so varied, but each organisation's commitment to workforce planning was in response to external labour market drivers as well as internal business demands.

The labour market challenges that confront the VPS are as significant as any that these organisations have faced. These include:

- the scale of potential departures from the VPS in the foreseeable future
- the likely increased competition for new employees, particularly at more senior levels
- the increasing rate of workplace change which creates a shortage of some capabilities and an oversupply of others
- the changing and diverse needs of different segments of the workforce, which may require a range of different managerial responses.

Set out below are some of the labour market factors that are expected to impact on workforces.

2.2   Labour market participation

The Australian labour market comprises all employed and unemployed people. "Unemployed" means those actively seeking work, and does not include retired people, students, people not actively seeking work or unavailable for work for other reasons.

In August 2004, there were an estimated 10.25 million people (4.58 million women and 5.67 million men) in the Australian labour force. The Victorian labour force was estimated to be about 2.55 million people (1.14 million women and 1.41 million men).

Slower-growing, older workforces are a worldwide phenomena. The OECD forecasts that the annual growth of the labour forces of its 30 member countries will slow from an average 1.3 per cent over the past 30 years to 0.3 per cent over the next 30 years[2]. It expects the trend to undermine the economic growth of many countries, unless it is counteracted.

---

[2] Australian Bureau of Statistics, *Measuring a Knowledge-based Economy and Society*, 2002.

2.2.1 Slowing growth

Along with other similar countries, the Australian labour force is expected to grow much more slowly than in the past. Between 1979-1998, the labour force grew by an average 1.9 per cent a year. Between 1998-2016, the rate of growth is projected to fall to 0.8 per cent a year and to only 0.4 per cent by 2016. This slowing growth trend is depicted in Figure 2A and is in line with projected slower population growth[3].

FIGURE 2A: AUSTRALIAN LABOUR FORCE PROJECTIONS, 1981 TO 2016
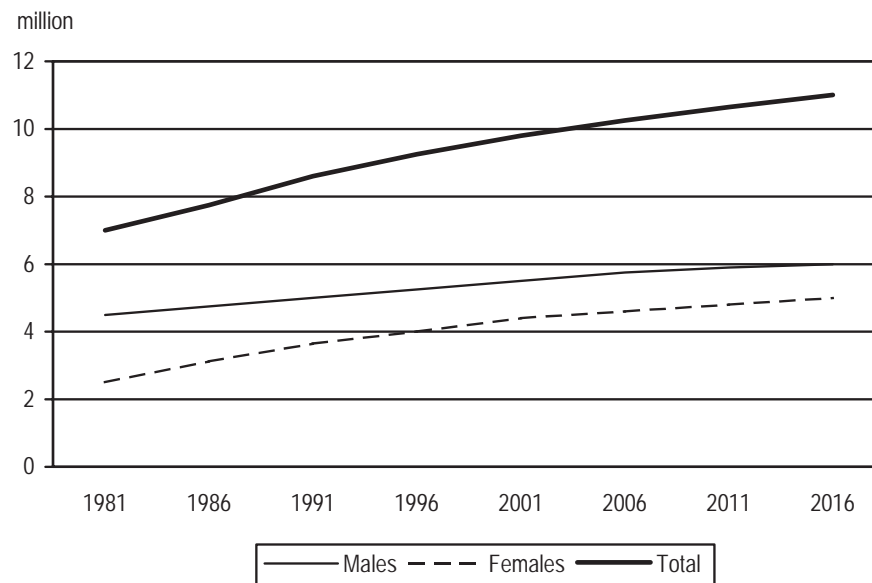
Note: Figure adapted from source below and data smoothed to illustrate general trend.

Source: Labour Force, Australia 2002, Labour Special Article – Labour force projections: 1999-2016 (Oct, 1999) ABS Cat.no. 6203.0).

Data sourced from Labour Force Projections Australia 1999-2016 (Cat.no. 6260.0).

If the trend for workers to retire between 55 and 60 continues, there is likely to be a shortage of labour to meet future workforce demands. This is expected to lead to increased competition by employers for a gradually tightening supply of employees.

2.2.2 Participation rates

The labour force participation rate is the number of people in the labour force, expressed as a percentage of the total working-age population. For the last 40 years, the participation rate has been in the low 60 per cents, rising modestly from around 60 per cent in the mid-1960s to around 64 per cent at present. In other words, almost 40 per cent of people of working age are not in the labour force.

---

[3] ABS, *Labour force, 2002, Labour special article: Labour force projections: 1999-2016*.

Participation by men and women

In the last 40 years, there has been a significant increase in female participation (from below 40 per cent in 1966 to almost 56 per cent in 2004). As Figure 2B shows, there was a corresponding decrease in male participation (from 84 per cent in 1966 to around 72 per cent in 2001).

FIGURE 2B: PARTICIPATION RATES BY GENDER, AUSTRALIA
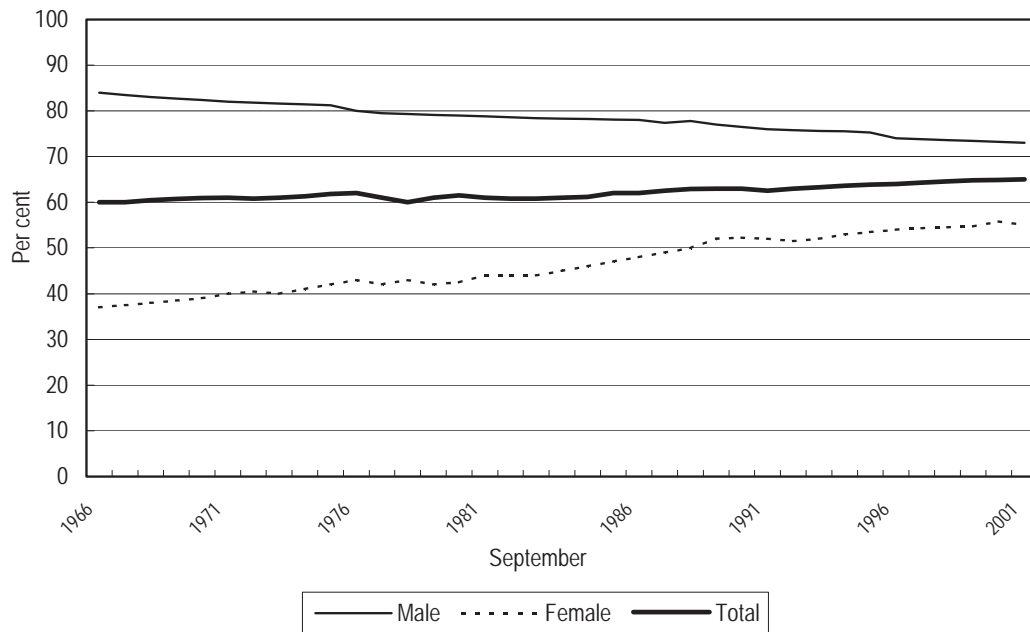
Note: Figure adapted from source below and data smoothed to illustrate general trend.
Source: ABS, *Labour Force, Australia, Preliminary Catalogue 6202.0*, March 2003.

Between 2004 and 2016, the male labour force is projected to grow by 0.6 per cent (by 336 300 to 5.93 million). The female labour force is projected to grow almost twice as fast, by 1.05 per cent (by 470 300 to 4.91 million).

Factors that influence women's participation in the labour force, such as the availability of part-time work and family-friendly policies, are expected to become increasingly more important as the percentage of females in the workforce increases.

Although there are substantially fewer women than men in the Australian labour force, the opposite is true for the VPS where 57 per cent of ongoing employees are female and 43 per cent are male. The projected increased participation by females is likely to heighten the feminisation of the VPS in the future.

2.2.3 The ageing workforce

The Australian labour force is ageing. In the 20 years to 2003, the percentage of people in the labour force aged 45-65 increased from 23 per cent to 31 per cent[4]. Much of this ageing is due to the large number of 'baby boomers' born between 1946 and 1960, combined with a slowdown in population growth.

Projections to 2016 suggest that there will be about one per cent fewer people aged 15-19 in the Australian workforce than in 1998. There are projected to be 6 per cent fewer men, and 6 per cent fewer women, aged 20-44.

Figure 2C shows the projected changes in age groups in the Australian labour force between 1998-2016. There will be about 5 per cent more people aged 55-64 in the labour force.

FIGURE 2C: PROJECTED CHANGES IN AGE GROUPS IN THE LABOUR FORCE, 1998-2016
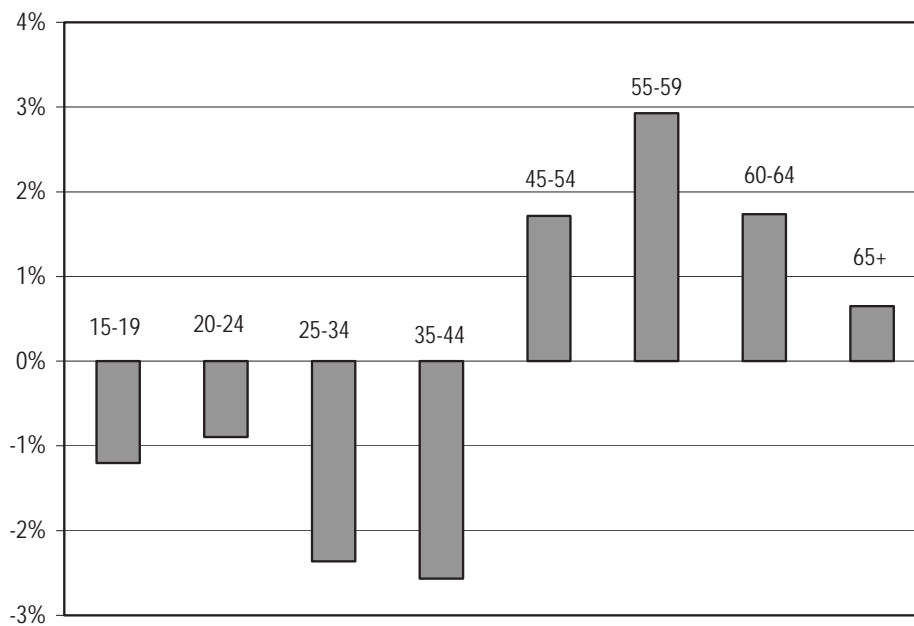
Source: ABS, *Labour Force Projections, Australia 1999-2016* Catalogue 6260.0.

2.2.4 Participation in the Victorian Public Service

The VPS workforce is an aged workforce. It is much older than the Australian workforce. Forty-three per cent of the ongoing VPS workforce is aged 45 or over, compared with 38 per cent of the Australian Public Service[5]. Nearly 20 per cent of the workforce has been working for 20 or more years within the VPS.

---

[4] ABS, *Labour force, 2002, Labour special article: Labour force projections: 1999-2016.*

[5] The type of work of both the state public services and the Australian Public Service is similar.

Figure 2D shows that state public services have a lower percentage of staff under 29 than both the Australian labour workforce and the Australian Public Service. The state public services have a much higher percentage over 39 than the Australian labour force.

FIGURE 2D: AGE PROFILE OF ONGOING VICTORIAN PUBLIC SECTOR, COMMONWEALTH AND SELECTED STATE PUBLIC SERVICE PERMANMENT EMPLOYEES[6]
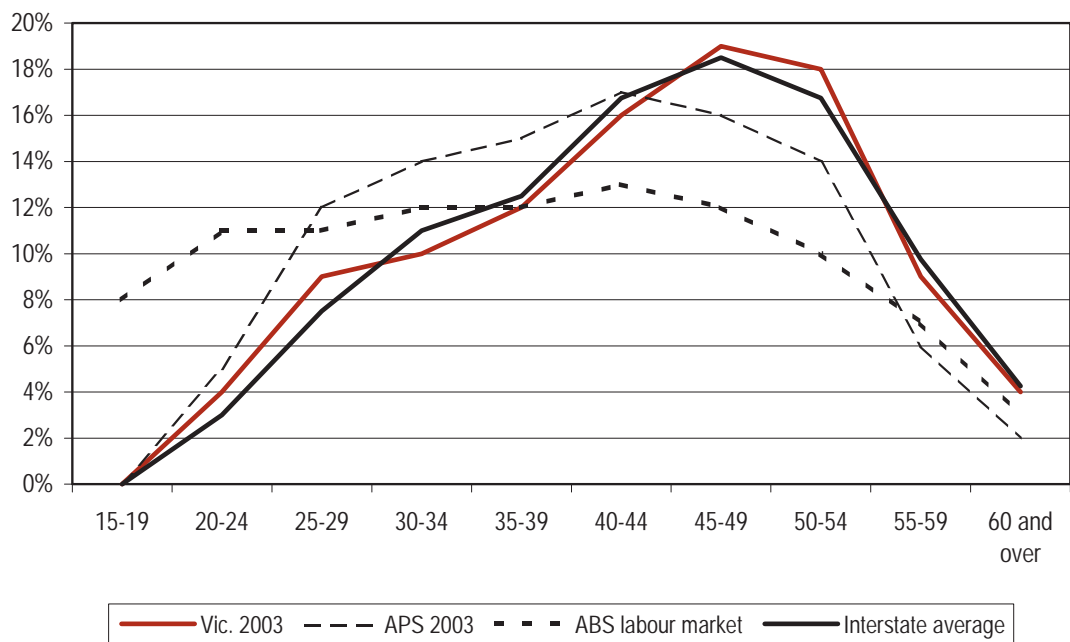
Source: Office for Workforce Development with data from ABS, Australian Labour Market Statistics, October 2003 Catalogue 6105.0, the Australian Public Service and other state bodies.

In 2004, 47 per cent of VPS executive officers were aged 50 or over, compared with 28 per cent in 1996. The feeder group to the executive officer level (VPS 5 officers[7]) also has an older age profile. At June 2003, nearly 60 per cent of the 2 298 ongoing VPS 5 officers were over 45, and one-third were over 50.

---

[6] The interstate average includes 4 state government administrations.

[7] This grade was the highest level in the non-executive stream, equivalent to VPS 5 – 6 since November 2003 when a new enterprise agreement was reached.

The VPS has a disproportionately large percentage of its workforce close to retirement age. Unless it can encourage its employees to delay retirement (for example by reviewing superannuation arrangements and offering incentives to remain in the workforce), it faces a permanent loss of knowledge and skill. This would have a major impact on the service's capability to deliver services and implement government policy.

The VPS may also need to increase training and retraining for older personnel and be prepared to offer, for example, health promotion programs to meet their particular needs[8] as well as flexible employment options to meet the family responsibilities of female staff, in particular.

2.3   Employment

2.3.1 Employment categories

In November 2001, 58 per cent of the Australian workforce had permanent employment, 20 per cent were self-identified casual workers and about 12 per cent were owner-managers[9].

As Figure 2E shows, the VPS had a substantially higher percentage of ongoing employees and a substantially lower percentage of casual employees. One would expect that the nature and type of work performed in the VPS to result in significantly lower levels of casualisation than the broader Australian labour market. As Figure 2E shows, this is the case.

FIGURE 2E: VPS EMPLOYMENT TYPE, BY GENDER

Category	Male		Female		Total	% of total employees
	Number	%	Number	%		
Ongoing *(a)*	10 813	43	14 280	57	25 093	80
Fixed term *(b)*	1 906	39	2 924	61	4 830	15
Casual	547	39	860	61	1 407	5
Total	13 266		18 064		31 330	

(a) Ongoing employees have no end date to their employment.

(b) Fixed term employees are employed for a finite period and included the 593 executive officers.

Source: Office for Workforce Development, June 2003.

[8] Auer, P & Fortuny, M 2000, Employment paper 2000-02: *Ageing of the Labour Force in OECD Countries: Economic and Social Consequences*, International Labour Organisation. At <http://www.ilo.org/public/english/employment/strat/publ/ep00-2.htm#7>

[9] ABS, *2004 Year Book Australia, Labour - Employed persons.*

2.3.2 Full-time, part-time

In the last quarter-century, there has been a big rise in the percentage of employees who work part-time[10]. Between 1978 and 2004, the percentage rose from 15 to 28 per cent.

The proportion of women working part-time increased from 34 per cent to 45 per cent, and of men from 5 per cent to 15 per cent[11]. Many women work part-time to balance work and family demands. Parents, particularly mothers with dependent children, are more likely to work part-time[12]. Figure 2F below shows the rise across the Australian workforce.

FIGURE 2F: PART-TIME EMPLOYMENT AS A PROPORTION OF TOTAL EMPLOYMENT, 1980 TO 2000
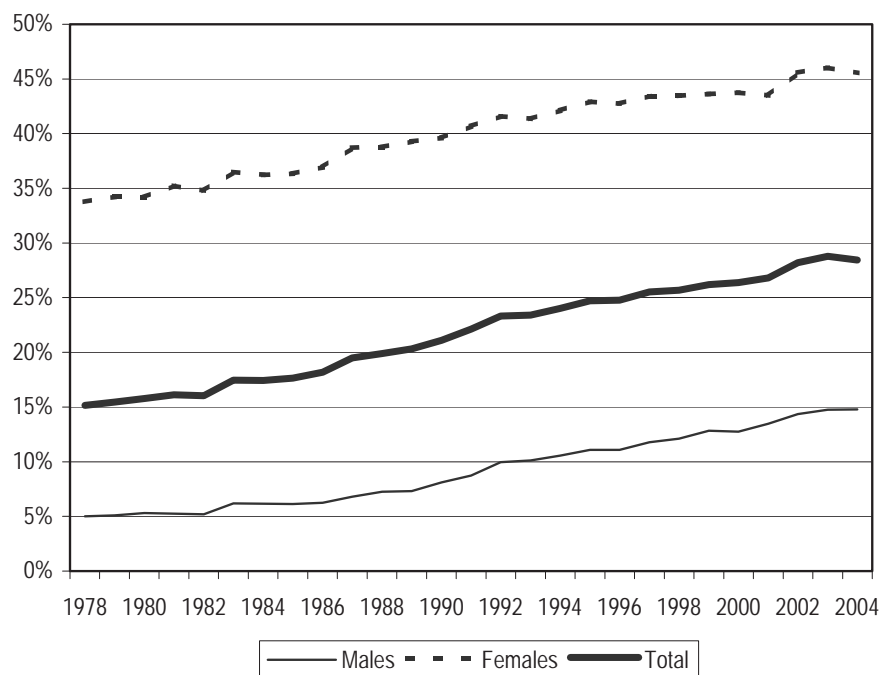
Source: ABS, 6202.0 Labour Force Australia, time series spreadsheets.

As Figure 2G shows, the VPS has a low percentage (19 per cent) of part-time employees, compared to the Australian workforce (28.2 per cent). Only 9 per cent of the men in the VPS work part-time, compared to 27 per cent of women.

---

[10] Defined by the ABS as "employed persons who usually worked less than 35 hours a week (in all jobs)" Catalogue 6203.0 Labour Force, Australia.

[11] ABS, *2004 Year Book Australia, Labour - Employed persons.*

[12] *OECD Review of Family Friendly Policies*, (The Australian Context), 2002.

FIGURE 2G: VPS FULL TIME, PART-TIME WORK, BY GENDER

Category	Male			Female			Total	% of total employees
	Number	% of total	% of males	Number	% of total	% of females		
Full time	12 063	48	91	13 212	52	73	25 275	81
Part-time	1 202	20	9	4 853	80	27	6 055	19

Source: Office for Workforce Development, June 2003.

Part-time work has been a significant means by which women with family responsibilities, and young people with study commitments, have been able to gain the work/life balance and employment flexibility they need. There are indications that part-time work will allow older employees to manage issues such as carer's responsibilities and health issues.

2.3.3 Employment mobility

In the Australian workforce, the government administration and defence industry, (as defined as an industry in the ABS labour mobility data in Figure 2H) has one of the most stable workforces. In the 12 months to February 2002, 10.2 per cent of the workforce left the industry, and 10.8 per cent of the workforce entered the industry (compared to 12.4 and 14.8 respectively of the workforces of all industries). Figure 2H shows the stability of national workforces in all industries.

FIGURE 2H: PERCENTAGES OF AUSTRALIAN WORKFORCE ENTERING AND LEAVING INDUSTRIES, 12 MONTHS TO FEBRUARY 2002

□ % of workforce that left industry during 12 months   ■ % of workforce that entered industry during 12 months
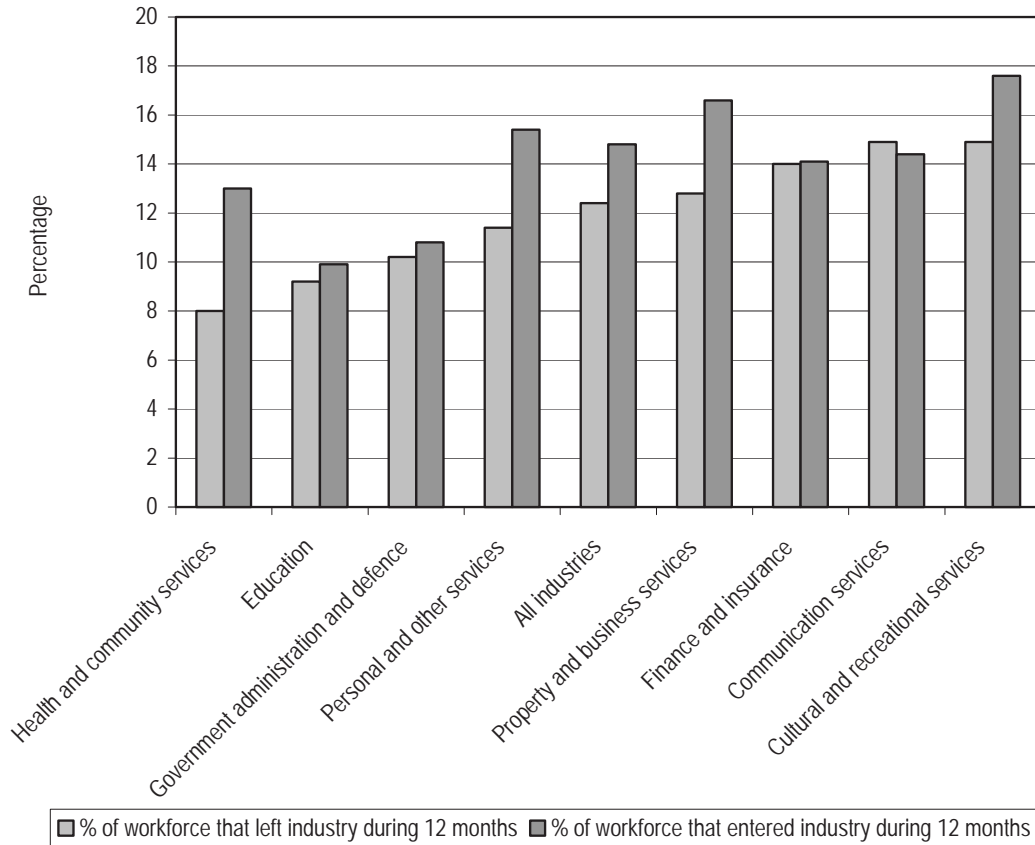
Source: ABS, Labour Mobility, Australia, February 2002 Catalogue 6209.0.

Figure 2I shows that in comparison to the Australian labour force[13], the VPS has lower percentages of its ongoing workforce that have worked within the service for 4 years or less, and higher percentages that have been worked between 5 and 18 years. Both the VPS and the Australian employers in total have about the same percentage of workers (8.6 per cent) who have more than 20 years service[14].

---

[13] The VPS pattern is similar if casual and temporary employees are included (except for higher percentages of employees who have been with the VPS for less than one year).

[14] These figures consider employees who have worked for different VPS agencies as working for the one employer, the VPS.

FIGURE 2I: LENGTH OF SERVICE WITH VPS AND WITH THE SAME AUSTRALIAN EMPLOYER
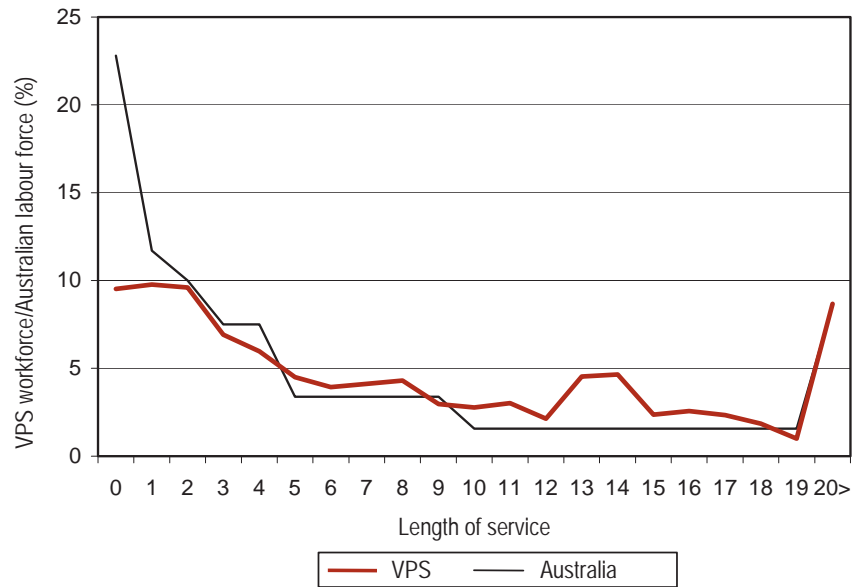
Note: Widespread differences between the spans of years used in the data collections on which this figure is based have required us to average between points for the Australian data.
Source: Office for Workforce Development; ABS *Labour mobility 6209.0,* February, 2004.

Figure 2J compares VPS ongoing recruits in 2002-03 with the percentages of people of different ages in the Australian labour force who changed employer or business in the 12 months to February 2004. It shows that the VPS recruited higher percentages of older staff than did all Australian employers. It also shows that while the highest percentages of ongoing VPS recruits were aged 20-34, the percentage of middle-aged recruits (35-54) was also quite high.

FIGURE 2J: AGE DISTRIBUTION OF VPS ONGOING RECRUITS IN 2002-03 COMPARED TO AUSTRALIAN LABOUR FORCE THAT CHANGED EMPLOYER OR BUSINESS IN 12 MONTHS TO FEBRUARY 2004
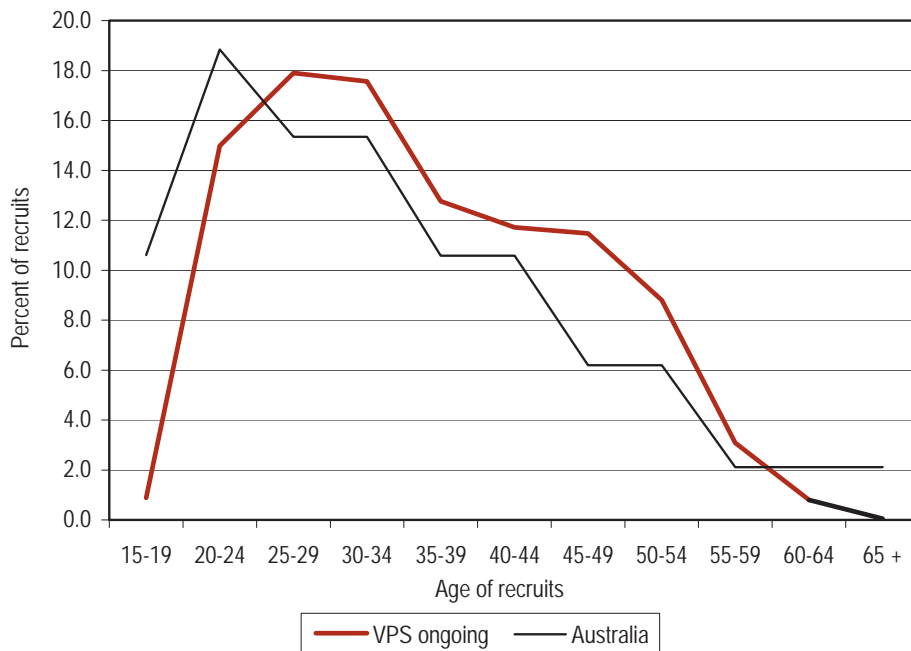

Note: Widespread differences between the spans of years used in the data collections on which this figure is based have required us to average between points for the Australian data.
Source: Office for Workforce Development, ABS *Labour mobility 6209.0*, February, 2004.

Figure 2K compares the percentages of employers who have left the Australian and VPS workforces[15]. People tend to change jobs less as they grow older. Overall, it appears that the separation rate from the VPS is much lower than for the whole Australian labour force. The percentages leaving at ages 55-64 are about the same, and the trend is reversed at age 64, when higher percentages of employees leave the VPS.

---

[15] The Australian labour force figures are for the 12 months to February 2004. The VPS figures are for the 12 months to June 2003. The meaning of the comparison is, for example, that 63 per cent of all full-time employed 15-19 year old Australians left their employer during the 12 months. Only 6 per cent of 15-19 year olds employed full-time in the VPS left during the 12 months.

FIGURE 2K: AUSTRALIAN LABOUR FORCE AND ONGOING VPS SEPARATION RATES, BY AGE
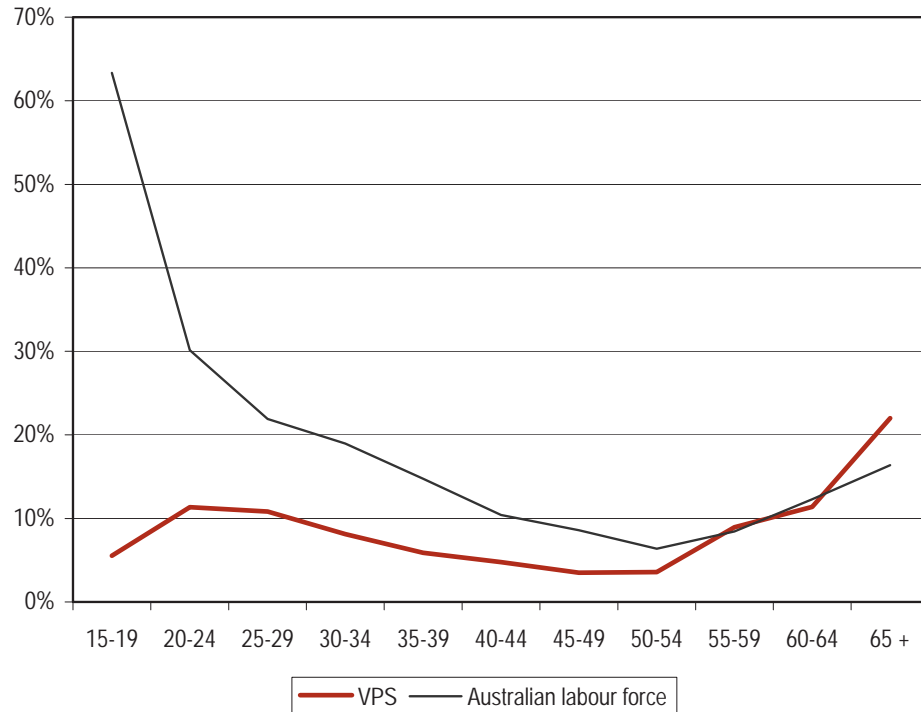
Source: Office for Workforce Development, ABS 6291.0.55.001 Labour Force, Australia, Detailed - Electronic Delivery, Monthly, other ABS-provided statistics.

2.3.4 Knowledge, skills and learning

Knowledge-based industries[16] need staff with qualifications. In the past 20 years, growth in knowledge-based industries has outpaced whole-economy growth in almost all OECD countries. Of all OECD countries, Australia's growth in knowledge-based industries has been among the highest[17].

Correspondingly, demand in recent years for knowledge workers[18] has been strong. Between 1997-2003, the percentage of knowledge workers as a proportion of all employed people nationally increased from 35.5 per cent to 38.3 per cent[19].

[16] This broadly-defined group, of which government administration is a part, also includes high- and medium-high-technology manufacturing industries and services such as finance, insurance and communications.

[17] *OECD Science, Technology and Industry Scoreboard*, 1999.

[18] Knowledge work is unique high value work which requires high levels of creativity as well as theoretical and contextual knowledge. Knowledge workers are defined by the ABS as those classified as managers and administrators, professionals and associate professionals in the Australian Standard Classifications of Occupations (ASCO).

[19] ABS 2004, *Measures of a knowledge-based economy and society, Australia. Human Capital Indicators. Knowledge workers as a proportion of employed persons.*

Governments employ high percentages of qualified workers. In 2003, 35 per cent of people employed in the 'government administration and defence' industry group nationally had a qualification. This was the fourth-highest proportion of any industry, after education (61 per cent[20]), health and community services (38 per cent) and property and business services (36 per cent).

As Figure 2L shows, the VPS employed an even higher percentage of people with qualifications (79.1 per cent).

FIGURE 2L: HIGHEST QUALIFICATION, AUSTRALIANS AGED 15-64, AND VPS WORKFORCE

	Australians 15-64		VPS
	1993 (%)	2003 (%)	2004 (%)
Bachelor degree or above	10.1	18.1	53.9
Advanced diploma/diploma or below	28.9	30.2	25.2

Source: ABS 2004, *Measures of a knowledge-based economy and society, Australia. Human Capital Indicators*; Victorian Public Sector Census, 2004.

While we have seen that a large percentage of VPS employees have formal qualifications, 42 per cent were gained at least 15 years ago. In 2004, 16 per cent of the VPS workforce was doing some form of formal study. As Figure 2M shows, approximately a quarter of VPS employees completed qualifications in the last 5 years.

FIGURE 2M: YEAR VPS EMPLOYEES COMPLETED QUALIFICATION

Time period	%
Prior to 1980	21.8
1980-1989	20.4
1990-1999	34.5
After 1999	23.3

Source: Victorian Public Sector Census 2004.

On the other hand, around a quarter of the VPS workforce had not done any learning or development activities in the previous year, although this does not include on the job learning and informal training. In an environment of ongoing global technological, economic, institutional and social change, there remains the question whether the workforce is engaging in sufficient continuous learning to enable it to meet the future needs of government.

2.3.5 Work/life balance

The key workforce statistics examined so far in this chapter provide the labour market and employment indicators of change.

---

[20] ABS, *6227.0 Education and Work, Australia, May 2003*.

Another group of indicators reflect changing attitudes and values about work. It is generally recognised that the debate about balancing work and family has its roots in the increasing number of women, and particularly mothers with young children, joining the labour force. It will gain further impetus as workers age and their partners and elderly relatives increasingly require care.

Some other factors identified by a 2000 national study[21] that contribute to increasing demands for work/life balance include:

- the erosion of the standard 40 hours working week, resulting in the likelihood of longer working hours
- an increase in part-time and casual jobs
- job insecurity as a result of downsizing, contracting out and relocation
- increased demands to travel or to be available 24 hours a day.

Flexible work options

While employers cannot significantly influence demographic change, they can identify and respond to employees' work/life balance issues. They can improve working conditions for their employees through family-friendly policies. 'Employer of choice' strategies aim to do this, and are thus an important response to the challenges of demographic change.

Studies have been conducted comparing major private sector employers in Australia and the USA. These show that, while the availability of flexible work options in Australia is broadly comparable, Australia falls significantly behind in offering compressed working weeks and flexible hours (as Figure 2N shows).

---

[21] *Work and Family; Current Thinking, Research and Practice* (Russell and Bowman, 2000).

FIGURE 2N: FLEXIBLE WORK OPTIONS OFFERED BY SELECTED LARGE PRIVATE SECTOR EMPLOYERS, AUSTRALIA AND USA
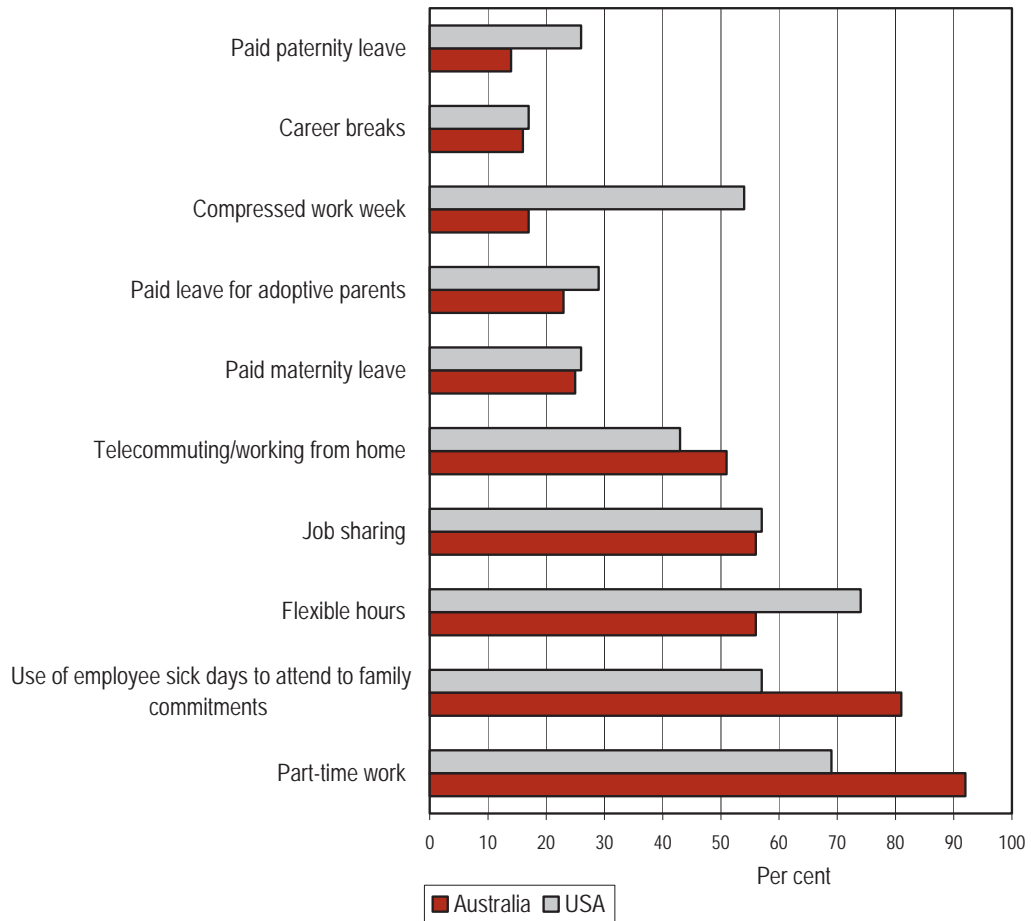
Source: Work and Family; Current Thinking, Research and Practice (Russell and Bowman, 2000).

Also, as Figure 2O shows, a much smaller percentage of major Australian private sector employers offer childcare facilities and provide information and referral services regarding child or elderly care.

FIGURE 2O: DEPENDANT CARE ARRANGEMENTS OFFERED BY SELECTED LARGE PRIVATE SECTOR EMPLOYERS, AUSTRALIA AND USA
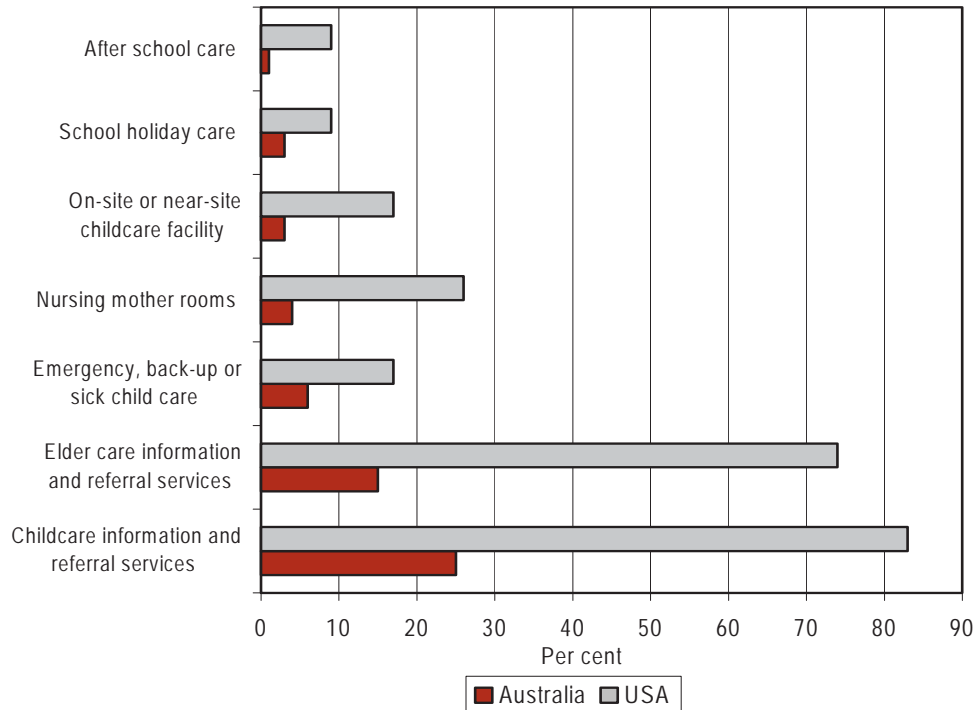
Source: Work and Family; Current Thinking, Research and Practice (Russell and Bowman, 2000).

Strategies in the VPS for flexible work options

In 2004, a VPS census reported that 40 per cent of respondents had caring responsibilities, primarily for school-aged children (26 per cent). Respondents also cared for a partner or spouse (9 per cent), preschool children (8 per cent) and elderly relatives (6 per cent).

The major reason that employees seek a better work/life balance is to carry out their responsibilities for caring for family members or others. Figure 2P shows how these employees manage their caring responsibilities. Figure 2Q shows how employees enhance their work/life balance.

The figures show that the most common ways of enhancing work/life balance are to reduce hours of work or to find a more satisfying job, which presumably means a job that allows for such balance. The most common way of meeting caring responsibilities, apart from taking recreation, annual or carers' leave, is to use sick leave. Time management strategies such as the use of flexitime, time in lieu, and to a lesser extent rostered days off, are also used.

As Figure 2Q shows, it is also common to seek support from a manager and a work group to maintain a balance between work and life demands.

FIGURE 2P: HOW VPS EMPLOYEES MANAGE CARING RESPONSIBILITIES (PERCENTAGE OF RESPONDENTS FOR EACH OPTION)
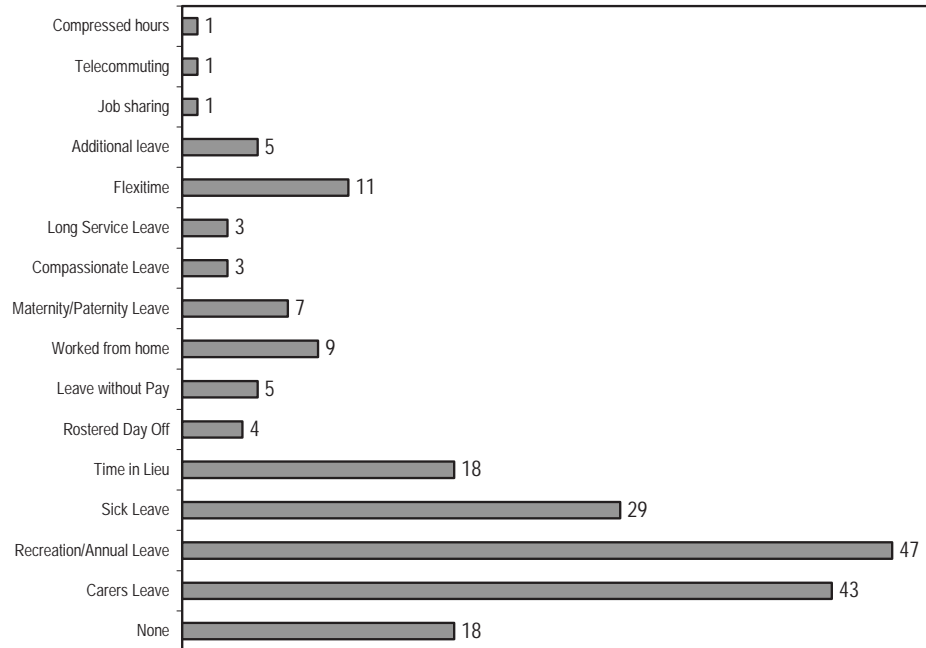
Source: Victorian Public Sector Census 2004.

FIGURE 2Q: HOW VPS EMPLOYEES ENHANCE THEIR WORK/LIFE BALANCE (PERCENTAGE OF RESPONDENTS FOR EACH OPTION)
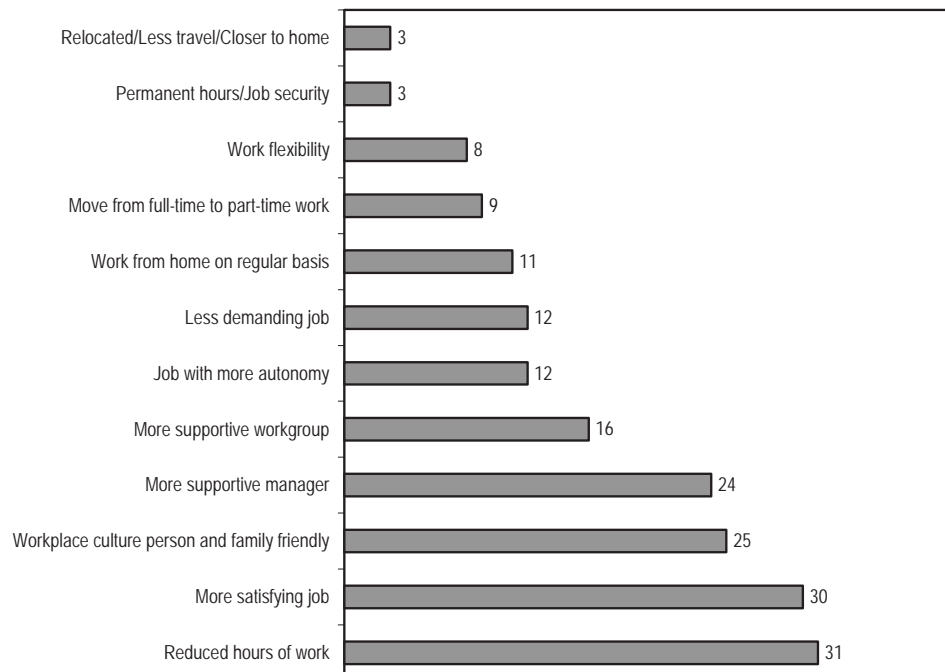
Source: Victorian Public Sector Census 2004.

The conclusion formed from the available data is that VPS employees tend to rely on longstanding arrangements which were not primarily intended as family-friendly initiatives (such as sick leave) and informal arrangements (such as supportive managers and colleagues). They appear to have access to a fairly limited range of flexible work options, and they make little or no mention of support from their employer in relation to caring responsibilities.

The VPS would appear to lag behind overseas best practice and may need to expand flexible work options and support in order to be an 'employer of choice'[22].

2.4   Summary of key features of the VPS workforce

In summary, the key features of the VPS workforce are that it has:

- a significant proportion of its workforce over 45[23]
- a higher proportion of women in the workforce than the Australian workforce, with the percentage expected to increase as the workforce ages
- a less mobile workforce than the Australian labour force
- a significant proportion of employees with tertiary qualifications.

The implications of these features on the future capability of the VPS need to be addressed. From a central agency perspective, it will be important to be able to provide advice to the government on the following questions.

- To what extent will the ageing workforce and competition for talent impact on the future VPS workforce?
- What segments of the VPS workforce will be the most affected?
- What will be the impact of the increased feminisation on these segments?
- Will the VPS have the required capabilities to deliver key government strategic directions?
- What are the best ways to address the major issues facing the future VPS workforce?

---

[22] Some options are canvassed in ABS 2003, *Information Paper: ABS Labour Market Statistics, Australia*. http://www.abs.gov.au/Ausstats/abs@.nsf/0/7d9977796bed1de4ca256cc3007a7735?OpenDocument.

[23] Other state public services have similarly ageing workforces.

♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦

3. What is better practice?

♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦

3.1   Introduction

As part of the audit, we conducted research into better practice in strategic workforce planning in 7 private and public sector organisations with reputations for excellence in this area[1]. The results of the research are summarised in this part of the report and represented diagrammatically in Figure 3A at the conclusion of this chapter.

Each of the organisations examined was at a different point along the journey to achieving better practice in workforce planning. The length of time each organisation had been on this journey varied, from 1 to 10 years.

3.2   Triggers for better practice strategic workforce planning

All organisations indicated that there were a small number of important triggers that had put their organisation on the journey to better practice workforce planning. Any one of these may have been the catalyst, and they were often interconnected. These conditions are summarised below.

3.2.1 A burning platform

One trigger can be described as "a burning platform": an important and unavoidable business imperative that stings the organisation into action. Examples of such business imperatives include:

- a recognition that a quarter of executive leaders would leave within 5 years
- a royal commission report recommending a shift in workforce values
- the need to build a competitive business into a sustainable business
- increased business risks due to the absence of a significant human resource function to assess workforce implications of future business directions.

3.2.2 A paradigm shift

Another trigger is a fundamental change in thinking about what is important to drive organisational performance. Senior leaders understood the need to bring about a paradigm shift within the organisation. The most common beliefs and values found in the study were:

- a recognition that sustained business performance is dependent on adequate workforce capability

---

[1] The organisations were the ANZ Banking Group, Australia Post, Australian Bureau of Statistics, Australian Customs Service, Coles Myer Ltd, IAG Insurance Australia Group Ltd and Southern Health.

- a recognition that the organisation is a fluid body with interconnected functions and parts
- a recognition that an organisation's culture drives its performance
- that performance improvement requires a mind-set shift and thoughtful creativity, not only financial investment
- that sustained realignment requires a change from shorter-term to longer-term thinking and commitment with results likely to improve only progressively over time.

The unique feature observed during the research was the commitment to intellectual rigour and thoughtfulness, applied to all aspects of strategic business and workforce planning. There was continual acknowledgement of the organisation as a complex system and of the significant length of time needed to establish a successful and effective workforce planning approach.

3.2.3 A place to start

The willingness of senior management to commit to a major strategic initiative is another trigger that frequently commences the journey to achieving measurable progress in organisational change.

The initiatives described as catalysts for workforce planning reflected the particular challenges facing each organisation at a particular point in time. The focus of these initiatives ranged from a specific succession planning strategy, to cultural change initiatives, to a business and people strategy and to implementing a strategic human resource information system.

3.2.4 The right person

The appointment of a person to drive strategic workforce planning across the organisation is a further trigger. This person needs to understand the business, have a strong systems orientation, a high level of intellectual ability and be comfortable with complexity.

Additional features associated with the work of these key workforce planners include having:

- responsibility for the organisation's human resource function, often with a law, finance or business background
- an understanding of strategic workforce planning, even though they may not be human resource specialists
- an appreciation of the importance and impact of culture on strategic business and workforce planning
- a determination to build interest in, and to facilitate the understanding of, the interconnected aspects of the business across the organisation

- access to key decision makers through a chair at the strategic table or reporting to the executive team.

3.3   Eight elements of better practice

As a result of the research, we identified 8 elements of strategic workforce planning. These elements are integral to an organisation's strategic planning, and are measured and analysed as part of business operations and performance management.

Most strategic workforce planning is based on these elements. However, high-performing organisations take typical practice to a better practice level. We have differentiated these 2 levels in the text that follows.

3.3.1 The purpose of the business and its strategic directions are widely communicated and understood

Typical practice
- The business purpose and strategic directions are clearly described and widely accessible through many different sources and forms.
- The organisation's purpose and directions are clearly understood by employees, who also understand how they can contribute.

What makes better practice?
- The organisation has inspiring, committed and thoughtful leaders who continually refine its purpose and directions.
- The strategic planning and operational practices reflect the complexity of the organisation and are multi-dimensional.
- There is clear recognition of medium-term and long-term time frames and strong commitment to them.

3.3.2 Organisational values and cultures are defined, modelled and embedded into practices and systems

Typical practice
- The organisation's values and culture are described and the level of staff support is measured.
- The organisation's business systems and processes are designed to reinforce its desired values and behaviours.

What makes better practice?

- Cultural transformation is thoughtful, deliberate and planned.
- The personal and professional behaviours of the chief executive officer and executives support and reinforce the organisation's desired values and culture.
- The chief executive officer is highly visible in influencing cultural change in symbolic and meaningful ways.
- Initiatives to change the organisation's culture are adequately resourced.
- Values and culture are measured at intervals of 12 -18 months, with pulse checks at regular intervals.
- All staff are recognised and rewarded for behaviours that reflect the organisation's values and culture, and sanctions are applied for non-compliant behaviours.
- Staff are recruited and promoted against values, culture and leadership filters, using robust and transparent methods.

3.3.3 Strategic workforce planning occurs at the highest level and is seen as a critical part of business strategy

Typical practice

- Strategic workforce planning is championed at the highest level and is taken into account in all strategic decisions.
- Strategic workforce planning is cascaded throughout all levels of business planning.

What makes better practice?

- The mandate for strategic workforce planning comes from the highest possible level within the organisation, i.e. board and chief executive officer, and is actively supported by the executive team.
- There is a clear and recognisable business imperative driving strategic workforce planning.
- For executives and managers, strategic workforce planning is equally important to the more-common business drivers, such as product or service quality and the requirement to meet budgets.
- The inter-relationships between workforce considerations and other key aspects of the business, such as information technology and finance, are considered as part of business planning.
- Funding the "people" aspects of the business is seen as an investment rather than a cost.

- Staff responsible for strategic workforce planning participate in or influence organisational decision-making. For example, the strategic human resources director may be a member of the executive team or report to the chief executive officer, or the senior workforce planner may report to an executive team member.
- There is a close formal or informal relationship between the chief financial officer and the strategic human resources director.
- Managers at all levels are held accountable for the outcomes of the workforce planning process as part of their business planning.

3.3.4 The external environment is scanned for issues impacting on the organisation and its workforce

Typical practice
- General workforce and industry sector trends are analysed and assessed for their impact on the business and its workforce.
- External labour markets for specific job families and workforce segments are analysed.

What makes better practice?
- A planned and strategic approach is taken to scanning external data relevant to all aspects of the business.
- Senior leaders are committed to looking outside and recognising the inter-connectedness of the organisation and the broader community.
- There is a comprehensive understanding and analysis of the drivers connecting workforce motivation and business productivity issues.
- Extensive data collection and analysis informs workforce decisions.
- There is a commitment to organisation-wide dialogue about significant issues and trends and their impact on the organisation.

3.3.5 The organisation collects and analyses internal workforce information to assess its capacity to meet current and future business needs

Typical practice
- Critical roles and strategic workforce segments are identified.
- The workforce is analysed in terms of capability, size, mix and flexibility.
- Processes for continually identifying talent and capability are in place.

What makes better practice?

- Comprehensive data is collected about the most important roles and strategic workforce groupings.
- Data is analysed and used for both workforce and general business planning.
- Data is analysed and used at the highest level - by the board or chief executive officer.
- Various sources and types of quantitative and qualitative data are collected and used.

3.3.6 Capability frameworks for the workforce, including critical job roles, are developed and incorporated into organisational systems

Typical practice

- The workforce capabilities needed to deliver business outcomes, now and in the future, are clearly defined.
- Capability frameworks needed to deliver business outcomes are understood and used throughout the organisation.
- Capability frameworks are used in workforce planning to encourage an integrated human resource response in relation to recruitment, learning and development, performance management and succession planning programs.

What makes better practice?

- The organisation has a thoughtful and rigorous process of understanding the linkages and interdependencies between business drivers and workforce capabilities.
- The organisation's most important job families and roles are identified, and performance expectations for these are clearly defined.
- Capabilities, which include generic and technical skills, knowledge, experience and behaviours required by the organisation, are clearly identified and measured.
- Capability measures and performance expectations provide the basis for the appointment of employees to suitable job roles and their development in these roles.
- The capability of individuals and the workforce is continually assessed through a talent review process that is supported by performance data.

3.3.7 Investment in initiatives to attract, recruit, develop and retain employees is pivotal and is made to address workforce planning issues

Typical practice

- There is a clear and demonstrated long-term commitment by management to investing in all aspects of workforce sustainability – attraction, retention, development and realignment.

What makes better practice?

- Issues identified by workforce planning are given critical attention at the highest level within the organisation.
- There is a demonstrated commitment to align the workforce with the workforce capabilities required to deliver on business strategy.
- Investment in solutions to critical workforce issues is designed to address both the short and longer term.
- Investment is designed to achieve cost-effective and creative solutions and does not necessarily involve significant costs.
- There is a focus on the contribution of the workforce to the delivery of business results, rather than managing the workforce by head count.
- There is a strong commitment to talent attraction and management within the organisation through the application of robust performance data.

3.3.8 Comprehensive data is used to measure the impact of workforce strategies on business performance

Typical practice

- A range of performance measures are established for workforce strategies at the outset and used to assess their impact on business performance.
- Regular reporting of progress on workforce strategies and their impact on the business is provided to all levels of the organisation.
- Strategies are reviewed and adjusted and actions taken to improve performance.

What makes better practice?

- The organisation uses a range of data when analysing business performance, and this data is diverse enough to reflect the unique requirements of each division.

- Reporting processes at the divisional or unit level combine workforce planning data with finance and operational data. Processes are continually refined so that the measurement of day-to-day operations is progressively simplified, accessible to all and easy to use. All better practice organisations were able to provide a short summary of divisional performance combining workforce planning data with finance and operational data.
- The organisation's practices are regularly benchmarked against better practice organisations within and outside the sector.
- Considerable effort is undertaken to ensure knowledge management systems and processes support workforce planning.
- Managers are provided with workforce planning information and tools to support business decision-making and evaluation.

3.4   Concluding comments

The elements of better practice were developed from an organisational management perspective. These elements outlined approaches adopted by better practice organisations to achieve their current and future business goals, to ensure that they have in place a workforce with the necessary capacity and capabilities.

Each organisation had made a long-term commitment to strategic workforce planning. Each was at different stages in the journey to better practice and no one organisation was meeting all the elements of better practice.

We used these better practice elements as audit criteria. They provided a basis for measuring the level of effectiveness of strategic workforce planning at a central and individual agency level, as well as ascertaining where each organisation stood in relation to better practice.

The results of this analysis are outlined in the following chapters.

FIGURE 3A: SUMMARY OF RESEARCH RESULTS

EXTERNAL FORCES
AND TRENDS

CRITICAL
INTERNAL DRIVERS

Objectives
Vision
Culture - Values

STRATEGIC BUSINESS AND

WORKFORCE PLANNING

People

Systems

Money

People
- Commitment to align workforce capability with business outcomes.
- Focus on culture and values.
- Investment in attraction, recruitment, development and retention.

Systems
- Workforce planning is critical to business planning.
- Organisation is measured as a fluid and complete system.
- Comprehensive data thoughtfully collected, analysed and shared.
- Data drives fact based decision-making at all levels.

Money
- Short and long-term financial planning.
- Investment in people applied interdependently with finance and systems.
- Expenditure in people is an investment not a cost.

Eight elements of better practice

- Clear strategy and business drivers
- Defined and embedded values and culture
- High level champion
- Investment in attraction and retention

- External trend analysis
- Internal workforce information collected
- Core workforce capability identified
- WFP information drives business performance

High workforce
capability

Better business
outcomes

STRATEGIC WORKFORCE PLANNING FRAMEWORK

Source: Victorian Auditor-General's Office.

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆

4. Is strategic workforce planning at the centre effective?

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆

4.1 Organisational context

4.1.1 Office for Workforce Development

The Office for Workforce Development (OWD) was established in 2002 within the Department of Premier and Cabinet (DPC). It currently has about 15 staff. The office is responsible for:

- providing leadership in Victorian Public Service (VPS) employment issues
- improving the quality and accuracy of workforce data to improve decision-making.

Since its inception, most of OWD's work has involved the introduction of the new VPS Career Structure[1] as part of the Victorian Public Service Agreement 2004. It also:

- coordinates the Australian and New Zealand School of Government Program for emerging public sector leaders
- coordinates the VPS learning and development network
- administers executive officer employment, terms and conditions
- manages the VPS Graduate Recruitment Program
- develops and administers the web-based electronic jobs board <www.jobs.vic.gov.au>.

4.1.2 Office of Public Employment

The Office of Public Employment (OPE) was established to support the independent statutory office of Commissioner for Public Employment. It is responsible for monitoring the application of public sector conduct and employment principles contained in the *Public Sector Management and Employment Act 1998.*

We did not audit OPE as it does not have direct accountability for workforce planning. However, we know that its data collection and analysis activities have some relevance to strategic workforce planning.

---

[1] This new 6-grade, non-executive classification structure came into effect on 1 November 2003. It enables staff to move between value ranges within each grade after a job sizing review. An employee progresses within a value range if, at their annual performance review, they meet the progression criteria agreed at the beginning of each progression cycle.

4.1.3 State Services Authority

During the audit, the government announced its intention to establish a new statutory body, the State Services Authority (SSA). We understand that it is the government's intention to introduce a Public Administration Bill to parliament in spring 2004 to establish the authority. We further understand that the Public Administration Ac*t* will replace the *Public Sector Management and Employment Act 1998.*

It is the intention of government that the SSA will subsume both OWD and OPE. Based on documentation provided to departmental secretaries, the SSA will have wide-ranging roles and responsibilities, including promoting high standards of:

- integrity and conduct in the public sector
- governance, accountability and performance of public entities.

It is proposed that one of the key roles of the SSA is to strengthen the professionalism and adaptability of the public sector in a continually changing environment. This is consistent with the broad purpose of strategic workforce planning at a central agency level.

This documentation also indicates that the SSA will have a number of key functions that support workforce planning, including providing leadership on workforce management and maintaining databases relevant to workforce development.

4.2   VPS-wide workforce planning

In examining the effectiveness of VPS workforce planning, we expected that there would be an essential role undertaken by a central agency to lead and coordinate significant workforce matters across the VPS. This central agency role is partly fulfilled by OWD.

The audit examined the performance of OWD against criteria based on the elements of better practice that are reported in Part 2 of this report. We adapted these for a central VPS context, as follows:

- Leadership and accountability for standards and quality of strategic workforce planning for the VPS is assigned to a central agency.
- Collaborative processes are designed and implemented to facilitate regular and ongoing discussions with VPS agencies to address a range of common workforce issues.
- A sound knowledge of the government's strategic directions that impact on the capability of the VPS workforce to deliver government outcomes is applied.
- VPS workforce capabilities are developed and assigned to workforce segments that have been identified as essential to the delivery of the government's strategic directions.

- Critical internal and external data is collected and analysed to assess VPS workforce capacity to meet current and future business needs.
- Approaches to reshape the capacity of the workforce to deliver government outcomes now and in the future are designed and implemented.

Department of Human Services planning meeting.

4.2.1 Leadership and accountability

We expected that a central agency would have leadership and clear accountability for advising government on the needs of the VPS as a whole and for the standards and quality of strategic workforce planning in the VPS.

OWD has a leadership role in public service employment issues, such as managing the introduction of the new career structure within the recent industrial agreement for the VPS, and introducing VPS-wide initiatives such as electronic recruitment. However, it has not had a mandate, nor has it sought to take responsibility, for VPS-wide workforce planning of the kind outlined in this report. This has limited OWD's capacity to advise government on VPS workforce issues affecting the service's capacity to carry out government business.

Conclusion

Some better practice private sector organisations we studied operated under a head office/autonomous business unit model. The executive management within these organisations generally took responsibility for organisation-wide workforce planning, even though the various independent and separate business units directly employed the majority of staff.

This arrangement is analogous to the VPS where, under a highly devolved model, agencies are the direct employers of staff and have responsibility for ensuring that their workforces have the necessary capacity and capability to meet legislative, policy and program priorities.

This head office/autonomous business unit model also allows the head office executive to bring workforce issues, requiring policy change or significant investment, to the attention of their board – or to continue the VPS analogy, to the attention of government.

A central agency could play a similar leadership role to the executive of a large and diverse corporation. It could advise government on major VPS-wide workforce matters such as legislative or policy change about superannuation, or the need for significant investment to recruit younger staff.

A central agency also could play a leadership role improving the standard and quality of VPS-wide workforce planning by:

- researching better practice in workforce planning
- raising significant or emerging workforce issues with agencies
- providing strategic advice and guidance
- developing workforce planning tools
- providing technical training for various levels of practitioners.

In undertaking this role, it would be essential for a central agency to work collaboratively with agencies and to seek regular feedback from them on this work.

Recommendation

1. **That a central agency be assigned leadership and clear accountability for advising government on the needs of the VPS as a whole, and for standards and quality of VPS strategic workforce planning.**

4.2.2 Collaborative processes

We expected that a central agency would have collaborative processes that facilitate regular and ongoing discussions with VPS agencies to address a range of common workforce issues.

OWD coordinates monthly forums of the Human Resource Directors' Network and the Deputy Secretaries' Workforce Development Reference Group to discuss issues and exchange information with agencies. OWD also has convened ad-hoc forums with VPS executive officers.

Agency support for these efforts is demonstrated by the attendance of most departments at these forums. A number of agencies expressed their appreciation of OWD's efforts in maintaining these lines of communication.

Although these forums regularly discuss workforce planning issues, most items for discussion are sponsored by OWD. Agencies need to take advantage of the opportunities presented by these forums to raise and discuss workforce planning issues. The establishment of a standing workforce planning agenda item may encourage this.

Agencies emphasised their need for a central agency to work in partnership with them and add value to their work, especially through being accessible when they needed information and by focusing on the VPS-wide issues of strategic importance.

Conclusion

OWD has performed well within its limited strategic workforce planning role, particularly in providing a foundation for collaborative arrangements with agencies. This work should be of considerable benefit in any changed central agency arrangements, in ensuring VPS-wide workforce planning is undertaken in partnership with agencies.

Such a partnership approach could involve:

- designing a whole-of-VPS workforce planning approach to support and complement the workforce planning efforts of agencies
- discussing whole-of-government initiatives at the earliest opportunity. to enable agencies to factor them into their business planning.

Recommendation

2. **That a central agency designs and implements collaborative processes that facilitate regular and ongoing discussions with VPS agencies to address a range of common workforce issues.**

4.2.3 Government's strategic directions

We expected that a central agency would have a sound knowledge of the impact of government's strategic directions on the capability of the VPS workforce.

There is no central unit responsible for assessing the extent to which the whole of the VPS is able to deliver the government's outcomes. One reason for this is that the VPS has not been considered as a whole workforce and that each agency has operated autonomously.

The consequences of this are that no one agency is in a position to advise the government on whether the whole of the VPS workforce has the capacity and capability to carry out its policy priorities.

Conclusion

Strategic workforce planning across the VPS requires a shared understanding, between the centre and agencies, of the type of VPS workforce needed in the future to meet the needs and expectations of government.

This includes an understanding of factors such as:

- the government's ongoing agenda regarding its key directions and priorities
- the key services that will be required in the future
- barriers inhibiting the VPS from having an appropriately skilled workforce.

A central agency should be assigned responsibility for working with agencies to assess the workforce implications of the government's strategic directions and core functions – as an integral component of VPS strategic workforce planning.

These implications need to be continually reviewed and updated in the light of changes in government directions and priorities.

Recommendation

> **3.   That a central agency develops a sound knowledge of the impact of the government's strategic directions on the capability of the VPS workforce, and applies it to whole-of-VPS workforce planning.**

4.2.4 Key VPS workforce segments and capabilities

We expected that VPS workforce capabilities would be developed, and assigned to workforce segments that have been identified as essential to the delivery of the Government's strategic directions.

Strategic workforce planning requires some segmentation of the workforce, so that planners can concentrate on the workforce segments that are the most important for achieving the government's objectives. The size and diversity of the VPS workforce demands a significant degree of segmentation to aid analysis and planning.

Segmentation should occur within individual agencies under a common service-wide definition standard, and should include some generic segments (such as contract and project management, financial modeling or statistical analysis and forecasting roles) and some specific to an agency (such as construction project management within the Department of Infrastructure).

The segments on which a central agency should concentrate its workforce planning activity should include those key generic segments that are common to most agencies, rather than those that are agency specific. Where workforce segments primarily reside in one agency, principal responsibility for that segment should fall to that agency. In such a circumstance, the central agency might be expected to play a supporting role.

Within OWD, planning and analysis is conducted on some segments of the workforce, such as graduates[2] and, to a lesser extent, executives. However, OWD has not analysed the VPS workforce into other critical segments, primarily due to data limitations.

A critical feature of strategic workforce planning is the importance attached to the development of capability frameworks for workforce segments. These frameworks outline the skills, knowledge and attributes required to achieve business outcomes. Typical capabilities might include skills in financial management or knowledge of government regulations.

Increasingly, capability frameworks include a set of behaviours that are closely aligned to the organisation's values and culture. Examples of desired behaviours are an ability to work collaboratively or to be open to new ideas.

Some agencies have developed capability frameworks for their particular workforces, however, this has not been undertaken at a central agency level. This is due to some extent to the lack of a standard for segmentation across the whole VPS workforce and, consequently, the inability to identify segments for strategic intervention.

The centre could have a broad monitoring and support role in relation to the development of capabilities for agency-specific workforce segments. It should have a more significant role for developing capabilities for those generic workforce segments that are common to most agencies. However, agencies should be able to provide variations for their local perspective.

OWD recently initiated a project to support its e-recruitment initiative. This project aims to identify a common framework of attributes and capabilities to be applied when recruiting into the VPS. This project has particular relevance to this element of better practice workforce planning (i.e. identification of workforce segments and capabilities).

In addition, the *Code of Conduct for the Victorian Public Sector*, published in 2003 by the Commissioner for Public Employment, includes 4 principles: impartiality; integrity; accountability; and responsive service; and could be considered as VPS-wide values and behaviours. These could form the basis for the development of values and behaviours in VPS-wide capability frameworks.

Conclusion

It will be important to clearly define the most important roles and to apply these definitions consistently across the VPS. This will improve the accuracy of the qualitative and quantitative data collected, and hence inform strategic workforce planning.

---

[2] The Department of Premier and Cabinet is responsible for the whole-of-government coordination of the Graduate Recruitment Scheme on behalf of agencies.

In order to identify and define the most important capabilities of the future VPS, a central agency should consider segmenting the VPS workforce according to:

- a limited number of key generic roles, within the core functions of the VPS workforce, that are indispensable to the government's strategic directions and the future functioning of the VPS
- the strategic workforce groupings that are critical to the development and leadership of the VPS and, therefore, should be more intensively planned and managed. Examples include graduates, younger and mature age employees and executives.

A central agency should do this work in conjunction with agencies, utilising their knowledge of their respective workforces so that the crucial segments of the workforce are more easily identified and agreed.

The subsequent development of capability frameworks for these agreed key workforce segments would assist in shaping the type of workforce needed to deliver the government's outcomes. The descriptors that define the grade and value ranges in the new VPS Career Structure Framework could contribute to developing such capability frameworks.

Recommendation

4.   **That a central agency works in partnership with line agencies to:**
   - **identify and define the workforce segments essential for achieving the government's strategic directions**
   - **develop capability frameworks for the key VPS workforce segments to identify workforce attributes needed to meet the government's strategic directions.**

4.2.5 Data identification, collection and analysis

One of OWD's main responsibilities has been to improve the quality and accuracy of workforce data. It collects and analyses this data so that it can:

- identify current VPS-wide workforce issues
- provide collated information to agencies to assist them to address workforce issues.

OWD collects VPS profile data that provides a snapshot of 24 aspects of the workforce, such as workers' job classification, base salary, gender, employment status, age, length of service and separation. Most of its data is collected from agency payroll systems through the Workforce Analysis and Comparison Application[3].

---

[3] The Workforce Analysis and Comparison Application (WACA) was jointly developed by the Office of Public Employment (which was then responsible for VPS workforce data collection) and the Queensland Public Service. WACA has subsequently been adopted by the New South Wales, South Australian and Tasmanian public services.

However, the data collected by OWD does not readily allow for the tracking of trends over time beyond the general workforce level. This type of trend analysis is dependent on a common definition of workforce segments against which data can be collected, and the ability to track relevant workforce details for each employee over time.

Although OWD has improved the quality of data over time, there remain concerns over its accuracy and completeness. For example, agency payroll systems do not collect information on employee qualifications. This type of information is particularly relevant for workforce planning.

Although OWD does not systematically record and analyse the extent of these deficiencies, it is aware of the major areas of concern due to its oversight of the workforce data collection process.

A data reference group consisting of agency and OWD representatives has been established to address data quality issues. However, ongoing attention is needed to further improve the quality of existing workforce data.

Conclusion

Reliable and accurate workforce data provides the basis for effectively monitoring significant workforce issues such as the rate of separations for various workforce segments. It also measures the impact of workforce initiatives and provides an evidential base to justify government expenditure on new workforce policies and programs.

Workforce data collection should be tightly focused. Better practice organisations only collect data that is considered vital to planning, monitoring and measuring areas of organisational priority.

The data currently collected by OWD needs to be reviewed so that it can be used by agencies to make informed decisions and measure the effectiveness of workforce planning strategies and initiatives.

In addition to addressing existing data deficiencies, 3 important areas of workforce data that should be further developed are:
- quantitative trend data
- additional sources of internal VPS information
- industry and labour market trends and drivers.

Quantitative trend data

The collection and analysis of trend data enables organisations to undertake projections of workforce capacity and to identify and respond to potential shortfalls. The collection of this information within defined workforce segments is important. Different workforce segments require differing responses to issues such as permanency, career progression, mobility and flexible working conditions.

Better practice organisations also use quantitative trend data to measure performance in terms of meeting organisational objectives. A central agency should give priority to collating accurate trend data within key workforce segments and across the whole VPS workforce.

This data should include relevant employment details for each public servant. The objective of Multimedia Victoria's Project Rosetta[4] is to link the directories of all VPS agencies to a whole-of-government directory. The project has provision for the allocation of a unique identifier to each public servant, allowing the recording of employment details against this identifier.

This would greatly improve the accuracy of workforce information collected, as employee details could be more accurately tracked as they progress through their VPS career. The integrity of VPS-wide data would also be improved, as a unique identifier would ensure that employment history details were attributed to the correct individual. In the interests of workforce planning, this project should be supported.

Additional sources of internal VPS information

Strategic workforce planning for the VPS should draw on broader sources of information than just workforce data supplied by agencies. It should also collate and analyse qualitative data, such as employee attitudes, that can help give additional insights when interpreting quantitative data.

The "54/11"[5] issue is an example of an instance where planners would need to be aware of employee attitudes to understand its full implications. Attitudes can change quickly, and unless changes are recognised and taken into account, forecasts based on historical trends may be inaccurate.

---

[4] Managed by Multimedia Victoria, this project covers all people who work in agencies, including contractors and consultants. The project is due for completion by the end of 2005.

[5] "54/11" refers to one month before an employees 55th birthday. Employees who are members of the VPS Revised Benefits Superannuation Scheme can obtain an additional financial benefit by resigning before the minimum retirement age of 55.

OPE currently collects data about the attitudes, beliefs and intentions of Victorian public servants through the Retirement, Resignation and Retention survey of employees aged 50 and over. The results of this survey suggest that "54/11" may not be as significant as first thought. This is consistent with other information sources. The Government Superannuation Office information shows a slowing in the take-up of this option under the VPS Revised Benefits Scheme.

This example is illustrative of the usefulness of using diverse sources of information when analysing workforce trends to improve the accuracy of forecasts. It will be important that both quantitative and qualitative workforce data is available centrally.

Industry and labour market trends and drivers

The better practice organisations that we researched were active in identifying and analysing major international and Australian labour market and industry sector trends. These organisations also had examined how other better practice organisations had responded to the issue of workforce sustainability.

The issues that face the VPS workforce are similar to those facing the private and public sector both nationally and internationally. Foremost among these is the dramatic ageing of the workforce, with a huge increase in the over-45 workforce, and slowing labour market growth. The lessons learnt from Australian and international better practice should be analysed and considered in a VPS context.

It would be considerably more efficient to undertake environmental scanning and research at a central level on behalf of individual agencies. However, this should be done in partnership with agencies to ensure any outcomes are relevant to their needs.

Recommendations

5. **That a central agency, in partnership with line agencies:**
    - **develops a standard VPS workforce dataset of quantitative and qualitative data that is drawn from internal and external sources**
    - **scans and analyses national and international sources for current and emerging labour market and industry sector issues, including barriers to meeting long-term workforce requirements - on behalf of the VPS**
    - **conducts better practice research into how to effectively address concerns about workforce capacity and capability.**

4.2.6 Design and implement approaches to reshape the VPS workforce

OWD has limited capacity, because of its mandate, to undertake strategic workforce planning and to develop strategies to address workforce issues. However, it has had an impact on the VPS workforce through its implementation of several major workforce initiatives, the most notable being the VPS Career Structure Framework in 2003.

Conclusion

The better practice organisations we researched were able to design and implement approaches to reshape their workforces in response to emerging trends identified through their workforce planning. Trends which have the potential to have a significant impact on the VPS workforce are described below.

More flexibility for younger workers

There is considerable research to suggest that people under 30 view work and careers in a very different light to that of older workers. It is predicted that younger workers will have multiple careers, will be more mobile and more willing to work interstate and overseas. The VPS will need to develop new policies and practices to accommodate this trend. For example, new forms of employment and leave arrangements may need to be developed in order make it easier for people to move in and out of the VPS workforce.

Importantly, any changes to employment arrangements to allow for increased flexibility, will need the active support of line managers if they are to be effective.

Improving incentives for older workers

The age profile of the current VPS workforce shows a steep decline in the number of employees over 55. This is in contrast to other OECD countries which have significantly higher participation rates of employees over 55. Current superannuation arrangements do not encourage older workers to remain in the workforce. For example, under the conditions of an early VPS superannuation scheme (the Revised Scheme), there is little financial incentive for some employees over 55 to remain in the workforce. While the Revised Scheme has been closed since 1988, a significant number of employees remain as members of it. Other significant disincentives for older employees to remain in the workforce may need to be reviewed.

Meeting the needs of younger executives

As part of a recent study[6], younger executives indicated that a higher priority should be given to career management and succession planning, mentoring, peer support and leadership development programs. While only 15 per cent of executives at levels 1 and 2 in the VPS were 44 years of age or younger as at November 2003, the proportion of executives within this age bracket is expected to increase significantly with the ageing of the workforce.

In documentation provided to agencies about the proposed State Services Authority, it is proposed that responsibility for executive development activities be carried out centrally.

Any central agency involvement in executive programs could include an emphasis on younger executives broadening their skills and experience within and outside the VPS, as part of a planned development program.

Influencing external environment to address capacity and capability gaps

The development of a strategic workforce planning approach at a central agency level would enable the establishment of a whole-of-VPS view about the type of workforce needed in the future to meet the government's strategic directions, and where gaps in capacity and capability are likely to arise.

To address this, a central agency could work with:

- universities to develop courses to address skill shortages
- private and public sector organisations to develop interchange programs in areas where the VPS needs particular capabilities.

Recommendation

6.   **That a central agency, in partnership with line agencies, actively responds to significant issues in order to shape the type of VPS workforce needed to deliver the government's outcomes now and in the future.**

---

[6] Miller Consulting Group, March 2004, *Younger executives in the VPS – attitudes and expectations*.

♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦

5. Do the 3 departments undertake strategic workforce planning?

♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦

5.1   Is departmental workforce planning meeting standards of better practice?

5.1.1 Audit criteria

We examined the workforce planning in the Departments of Treasury and Finance (DTF), the Department of Infrastructure (DOI) and the Department of Human Services (DHS) against better practice in strategic workforce planning[1] to establish whether:

- strategic workforce planning occurs at the highest level and is a critical part of business strategy
- the external environment is scanned for issues impacting on the organisation's performance and its workforce
- the organisation collects and analyses internal workforce information to assess its capacity to meet current and future needs
- capability frameworks for the workforce, including critical job roles, are developed and incorporated into organisational systems
- investment in initiatives to attract, recruit, develop and retain employees is pivotal and is made to address workforce planning issues
- comprehensive data is used to measure the impact of workforce strategies on organisational performance.

5.1.2 Summary and overall conclusions

Department of Treasury and Finance

The Department of Treasury and Finance (DTF) administers the *Financial Management Act 1994* and has a crucial role in providing policy advice to the Victorian Government on economic, financial and resource management. The work of DTF includes a number of disciplines, including economics, finance, accounting, business analysis, public policy, project management and administration.

Its staff numbered 510 in June 2004, made up of 58 per cent female with 42 per cent male. The DTF workforce is relatively young compared with the VPS as a whole, with the average age being 38. The largest group is the 25–35 age group, making up one-third of the total workforce. Its age profile means that the ageing workforce issue is not a significant factor in the short-term and DTF does not find it difficult to attract talented people. DTF has therefore focused on its internal workforce.

---

[1] These elements are set out in more detail in Part 2 of this report.

The workforce planning is driven by 2 major business imperatives. First, DTF recognises the need to develop the capability of its people to ensure that it can deliver its outputs to government as efficiently and effectively as possible. Second, analysis of workforce data has indicated that retention of staff within their first 2 years is a concern.

Overall conclusion

The Department of Treasury and Finance undertakes workforce planning, although it does not use this term. DTF's approach to planning its workforce is integrated and strategic. It is a part of the department's business planning and is strongly supported by the senior executive. The approach reflects an understanding of the interconnectedness of all aspects of the business – people, money and systems. It also reflects an understanding of the contribution staff make in the achievement of DTF's organisational outcomes.

However, DTF needs to focus on the development of capability frameworks for its various professional and technical workforce segments. This would improve the assessment of its current workforce capability and provide a strategic focus for determining training and development strategies, as well as recruitment priorities.

DTF should also continue to improve its targeted data collection and analysis to ensure that the impact of its overall workforce planning approach and its individual strategies is measured effectively.

Overall, we considered that DTF is achieving better practice in some of the key aspects of workforce planning.

Department of Infrastructure

The Department of Infrastructure (DOI) is the lead provider of essential infrastructure in Victoria, with responsibility for transport, ports, marine freight, information and communication technology, major development, energy and security. It has 8 divisions and supports 3 ministers.

DOI employed approximately 820 VPS staff in June 2004**.** Due to its core capability of project management, it also employs a significant contract workforce.

The permanent workforce is 55 per cent male and 45 per cent female. However, the staffing profile reflects the VPS-wide trend of the majority of females working at the lower grades (61 per cent), and fewer at the senior levels (22 per cent of executive officers).

The age profile of DOI staff is significant in the context of workforce planning. Most of the workforce is aged between 45–54 (30 per cent) and 35–44 (29 per cent). Employees aged 55 or over make up 12 per cent of the workforce. Another 29 per cent of the workforce is under 35, with most of this group being female, while employees over 45 are predominantly male.

Due to changes to the structure of Victorian Public Service departments in 2003, DOI lost some responsibilities and gained new ones such as energy and Multimedia Victoria. The department is currently embedding these changes and ensuring that there is consistency of approach to organisational policies and practices across all its divisions.

In order to deliver its outcomes to government, DOI needs strong capabilities in project management and commercial finance. It also has significant workforce segments, such as rail and construction, where there are shortages of potential employees with the required skills.

Major Projects Victoria staff on site.

Overall conclusion

The Department of Infrastructure is systematically addressing workforce planning. Senior management recognise the need to build the capability of its workforce and to realign it where appropriate. DOI is also focusing on recruiting from the external labour market, where development and realignment of its existing workforce is not possible.

DOI's *People Strategy 2004-2006,* with its analysis of the need for a more strategic approach to workforce planning, is comprehensive and seeks to identify shortfalls in its workforce capabilities and capacity. This is a sound basis for effective workforce planning in the future and reflects better practice in most areas.

However, in order to gain the full benefit from this strategy, DOI will need to significantly improve its data collection and analysis. If the data on the priority segments of the workforce were more strategically selected and comprehensive, then DOI would also be able to measure the impact of the workforce planning initiatives and strategies on business outcomes.

Overall, we considered that DOI has the potential to achieve better practice in most of the key aspects of workforce planning when its plans are fully implemented, and if its collection and analysis of data is improved.

Department of Human Services

The core business of the Department of Human Services (DHS) is delivering services in health, community services, aged care and housing.

The department's budget was approximately $9 billion in 2003-04, representing approximately 32 per cent of recurrent expenditure of the Victorian Government. Seventy-two per cent of the budget is spent on services provided by external service providers, mainly hospital boards, under service agreements.

The VPS workforce within DHS numbered 12 584 in June 2004. Employees in the direct service areas such as disability, housing and child protection officers, numbered 8 218, while staff in management and administrative roles, such as program advisors and planners, numbered 4 366. The workforce consisted of approximately 70 per cent female and 30 per cent male, with an average age of 41.7 years.

Through organisations such as hospitals and aged care facilities, ambulance services and community service agencies, a further 80 000 staff are employed. The directly employed staff are located across 8 divisions, with 78 per cent of staff located in the 8 regions that make up DHS.

Due to the department's focus on service delivery, the Secretary and senior executive have given priority to workforce planning for the direct service delivery workforce in the areas of Child Protection, Disability, Housing and Juvenile Justice. For example, the Child Protection and Disability workforce segments have been the subject of extensive workforce planning projects, addressing the current and future availability of skilled employees in these areas. The department has also focused on leadership development at the VPS Grade 6 and executive officer levels.

The direct service delivery and the VPS Grade 6 and executive officer workforce segments make up the majority of the department's VPS workforce. Workforce planning for the VPS 1-5 classifications is less of a strategic priority.

Human resource management in DHS is devolved across the organisation and tends to have a strong operational focus, again due to its diverse and complex workforce. There are instances of strategic workforce activities, such as the Leadership Development Approach, which could be extended for other segments of the workforce and integrated within an overall strategic approach.

The department has signalled that it intends to make the human resource function more focused on the business through a *Human Resources Business Excellence Project*. This indicates that there is an awareness of the need to make HR more integrated and to be more influential in driving business decisions.

Overall conclusion

The Department of Human Services correctly has a strong focus on its direct service delivery workforces. It could expand this focus to include an understanding of the impact of its administrative VPS workforce on its overall business and direct service delivery workforces.

The department has strategic workforce planning expertise within its Workforce Service and Planning Branch, demonstrated by the workforce projects it has undertaken on the Child Protection and Disability workforces. This expertise could be extended to specific and priority segments of the VPS workforce that need attention because of their impact on service delivery.

Overall, there also is a need to establish a strategic agenda for planning for all segments of the VPS workforce, and to integrate this with the workforce planning already undertaken in the direct service delivery workforces. One obvious reason for this is that staff are frequently drawn from the direct service workforce to work in policy and program management roles within DHS. This interconnectedness of the various workforce segments supports the need for the integration of planning for all workforce segments in such a large organisation as DHS.

5.2   Audit findings against each criteria of better practice

As mentioned previously, the 3 departments were audited against the criteria outlined in Section 5.1. Detailed findings and conclusions, for each of the 3 departments, are set out below.

5.2.1 Does strategic workforce planning occur at the highest level and is it seen as a critical part of business strategy?

In making our assessment, we examined whether:

- strategic workforce planning is championed at the highest level and is taken into account in all executive decisions
- strategic workforce planning is cascaded throughout all levels of business planning.

The results of our examination, for each of the 3 departments, follow.

Department of Treasury and Finance

Strategic workforce planning is a major priority within DTF. The secretary and the senior executive group are focused on "ensuring the capability of DTF and its people to serve government", including this as a major objective in the Corporate Plan, 2003-2006.

As in better practice organisations, DTF has identified 2 issues which are driving its workforce planning: the need to actively shape the workforce and to retain staff, in order to improve its capability to deliver outcomes to government.

At a strategic workshop in September 2004, the senior executive discussed where they would like the organisation to be over the next 3-5 years, in relation to leadership development and succession, alignment, and talent retention and development. These were reflected in the organisational priorities established for the next 2 years and include the need to continue building workforce capability.

This strong commitment to workforce planning, which is actively championed by the secretary and supported by the senior executive group, is illustrated by the new group planning process implemented in July 2004. Staff are placed into professional groups e.g. economists, lawyers or accountants. Group managers are responsible for identifying workforce issues and for managing and developing the staff within their groups. They are also expected to assess gaps in capability and capacity within their groups, and to identify longer-term workforce issues.

The quality of this workforce analysis and assessment of capability varies across group plans. If the senior executive group is to gain an understanding of workforce issues across the department, then group managers should be given training and support to do this work more effectively.

As in the better practice organisations examined as part of this audit, group managers are accountable for this group planning through their performance plans. They are assessed against performance indicators for their personal output contribution, as well as for their group management responsibilities.

This group planning process is DTF's major workforce planning strategy. It aims to develop and maintain the capability of its staff and its overall capacity through a consistent and planned approach. Managers have found the process useful for structured thinking about immediate and longer-term group issues, and believe that it has improved their ability to deliver outputs.

DTF's senior executive group anticipates that it will be able to identify department-wide trends and issues on the basis of these plans. Strategies to address these will be then be developed at an organisational level. However, it is not possible to evaluate its effectiveness at this stage, as the new group planning process has only just been fully introduced.

Department of Infrastructure

DOI's management committee also considers the workforce to be central to the successful delivery of its outcomes. The secretary and the senior executives, as in better practice organisations, actively promote and support workforce planning and resource a range of workforce strategies.

The management committee has recognised the need to build DOI's capability in specific areas such as project management and commercial financial skill, and to ensure that approaches to a range of issues are consistent across divisions. These are the recognised business imperatives driving the focus on workforce planning.

Organisational capability building is, therefore, one of the intended outcomes of DOI's *Corporate Plan 2003-06*. The Corporate Resources Division has the lead role in building organisational capability. Its executive director is a member of DOI's management committee, thus having the opportunity to influence business decisions, as in better practice organisations. The division's business plan includes a range of strategies to strengthen workforce capability which are organised into a *People Strategy 2004-2006*.

All these plans include a range of actions to develop a workforce management framework for recruiting, developing, retaining and managing staff performance. The need to develop capability in contract and project management is also mentioned as a specific action.

The *People Strategy* is focused on developing knowledge of the workforce by understanding future work priorities, accessing and analysing a full range of workforce data and labour market trends, developing core capabilities, and identifying skill availability and gaps.

Managers at all levels are held accountable for addressing workforce issues in their business planning. DOI considers that workforce planning is only effective when business unit managers, human resource staff and executives work together. Workforce planning is, therefore, shared between the senior executive and line managers. For example, the senior executive is responsible for allocating people to projects, line managers are responsible for retention, and human resource staff for supporting managers.

DOI's executive directors are expected to actively promote workforce initiatives, and their performance plans include key performance indicators relating to these initiatives.

The extent to which workforce issues are addressed in divisional business plans varies across divisions. Some plans include comments only on the learning and development needs of staff, while others contain detailed analysis of current and future workforce needs. The standard of the workforce analysis in the divisional business plans needs to be raised if DOI is to benefit from this approach.

Consistent themes in these business plans are the need for succession planning and the need to attract and retain high-calibre staff, particularly in an industry where there are significant skill shortages, e.g. public transport specialists and rail freight planners.

Department of Human Services

There is a demonstrated and high-level commitment to planning for the direct service delivery workforce within DHS. Strategic workforce planning is frequently on the agenda of the management committee and various projects are resourced to ensure their effectiveness**.**

The *Strategic Directions Statement 2004-05* has "building an effective human services workforce" as a strategic priority. Planning for the current and future direct service delivery workforce segments such as the Child Protection, Disability, Housing and Juvenile Justice workforces is part of this strategic priority.

One of the projects to build the direct service delivery workforces within DHS is *Investing in a Quality Workforce*. Work undertaken so far by the Service and Workforce Planning Branch includes complex studies of supply and demand, and profiling to identify demographic and other factors which may affect the future workforce. The work of this branch is strategic, deliberate and based on sound workforce planning approaches and methods.

A Leadership Development Approach has been developed as a corporate workforce strategy and is fully supported by the senior executive. This program is aimed at VPS Grade 6 and executive officers from all segments of the DHS workforce and is aimed at improving and sustaining the quality of leadership development within the department.

The Human Resources Branch provides the usual range of human resource services and expert advice to managers, and supports human resource staff in regions and divisions. The major workforce planning strategy undertaken by the branch is the Leadership Development Approach and considerable resources are allocated to this program.

Due to significant demands on this branch, other workforce planning undertaken is more operational than strategic, e.g. coordinating a range of recruitment and centralised employment programs such as the Youth Employment Scheme and the Victorian Public Service Indigenous Employment Strategy, Wur Cum Barra.

In its current configuration, it is difficult for the branch to play a broader strategic role and to support the integration of workforce planning into business planning processes across the department.

The *Human Resources Business Excellence Project* is currently being developed which aims to establish "a future direction for a contemporary, effective, efficient and sustainable human resource function to improve the business effectiveness of the Department".[2] A flexible, responsive and sustainable human resources business model is seen as critical to the effective delivery of business outcomes.

The Human Resources Branch has emphasised the need to extend workforce planning to other segments of the workforce. The *Human Resources Business Excellence Project* should provide the opportunity for this to occur.

Conclusion

Strategic workforce planning in DTF is occurring at the highest level and is viewed as a critical part of the business strategy. DOI has commenced the journey of integrating workforce planning with its business planning, and has clearly signalled a strong commitment to this at the highest level within the department. DHS should consider addressing workforce planning for its administrative workforce at a strategic level, due to its impact on its direct service delivery workforces. It also needs to consider integrating its strategic workforce planning with its overall business planning.

Recommendation

> **7. That the executive of all departments commit to strategic workforce planning as integral to their long-term business strategy.**

---

[2] *DHS Workforce Plan, 2004-2006.*

5.2.2 Is the external environment scanned for issues impacting on the business and its workforce?

We examined whether:

- general workforce and industry sector trends are analysed and assessed for their impact on the business and its workforce
- external labour markets for specific job families and workforce segments are analysed.

The results of our examination, for each of the 3 departments, follow.

Department of Treasury and Finance

DTF's group planning process requires each group manager to identify factors that affect their operations and their workforce. The quality of the information on the external workforce and labour markets varies across groups and is somewhat limited. Some groups have addressed this in detail, while others have paid only cursory attention. Currently, members of the senior executive group assist group managers to undertake this environmental scanning. DTF may need to consider further ongoing support and skilling of managers to do this more effectively.

DTF does not see a need to analyse the labour market. Approximately 34 per cent of its workforce is aged between 25-35. It currently attracts talented graduates and does not appear to have difficulty attracting experienced staff when required, due to its role as a central agency close to government. However, in the context of the worldwide trends identified in Part 2 of this report, DTF may need to direct some attention to this and upgrade its environmental scanning.

Department of Infrastructure

DOI undertakes significant environment scanning as part of its corporate and business planning processes.

At the corporate level, DOI is aware that there is a shortage of rail personnel as a result of increased demand caused by the level of national rail infrastructure activity. This has reduced the availability of the technical staff needed by DOI to evaluate investment proposals and conduct large projects.

Its *People Strategy 2004-2006* is also based on scanning of the external environment and notes the privatisation of public services, the outsourcing of functions and increased public-private partnerships to develop infrastructure, as significant impacts on its workforce.

The next stage is for DOI to undertake more comprehensive scanning of labour markets for its critical workforce segments and roles. The department has commenced this process and engaged a senior workforce analyst to continue its work in this area.

DOI's executive management recognises that it must scan the external labour market and identify trends within its specialised workforce segments more comprehensively. If this occurs, and all its plans are translated into practice, then DOI could be considered to be undertaking better practice workforce planning in relation to this criterion.

Department of Human Services

DHS's *Department Plan 2004-05* reflects the significant external environmental scanning undertaken by the department. The plan identifies the issues affecting its direct service delivery workforce, e.g. the capacity of the workforce to meet changing departmental objectives, the validity of traditional career structures, the ageing human services workforce, and rural labour shortfalls. It notes that the potential need to replace large numbers of staff nearer retirement may result in a significant loss of expertise.

DHS's *Human Resources Business Excellence Framework Project* has also identified as key issues the ageing profile of its administrative VPS workforce, shortages of specific skills, and issues of workforce engagement and retention.

Significant workforce studies have been undertaken on direct service delivery workforce segments such as the Disability, Child Protection, Juvenile Justice and Public Mental Health officers. These studies involved comprehensive scanning and analysis of industry and labour market trends. An ongoing program of similar workforce studies is planned and DHS could consider undertaking a study of its administrative VPS workforce as a critical workforce segment.

Direct service delivery worker with client.

Conclusion

DTF needs to supplement its internal analysis of its workforce with a greater understanding of external labour markets for its critical workforce segments.

DOI 's plans for more comprehensive environmental scanning are sound, but these plans will take management commitment and time for them to produce a positive impact on the capability of its workforce.

DHS should apply its internal workforce planning expertise to understanding the trends in industry sectors and labour markets relating to its other workforce segments.

All departments need to improve the skills of specialised staff and/or managers to undertake effective scanning of labour markets.

Recommendation

8.   **That all departments improve their analysis of external industry and labour market trends in order to assess their likely impact on agency performance.**

5.2.3 Does the organisation collect and analyse internal workforce information to assess its capacity to meet current and future business needs?

We examined whether:

- critical roles and strategic workforce segments are identified
- the workforce is analysed in terms of capability, size, mix and flexibility.

The results of our examination, for each of the 3 departments, follow.

Department of Treasury and Finance

DTF's whole-of-workforce data is presented to the senior executive group each quarter. This includes profile data such as workforce numbers and distribution by gender and age, executive numbers, departures, retention and recruitment statistics, career path progression, number of secondments and rotations, and data on staff undertaking sponsored studies.

The data is analysed to show trends, some of which are benchmarked against VPS data. Some of the data is linked directly to workforce issues. For example, as the retention of new staff is a workforce planning priority, the data on this is comprehensive and measured against trends. However, trends for various workforce segments cannot be identified from the data. This prevents management from responding effectively to individual work group needs and does not allow the impact of workforce strategies on specific work groups to be assessed.

DTF recognises that it should make its data more strategic and needs to relate it more closely to its work groups established as part of its business model.

DTF's group planning process segments the workforce into professional and functional groups. This assists workforce planning by identifying the capability and capacity of workforce. Although this group planning approach has been implemented, reports to management have not been changed to provide data on these groups.

DTF also collects qualitative data on its executive workforce, considered a critical workforce segment in terms of achieving the department's outcomes. This data is derived from a variety of sources, including annual performance feedback to executives from managers, peers and staff. In 2003-04 this feedback indicated that executives needed to improve their skills in working collaboratively, in communicating with staff and in managing stakeholders. As a result of this analysis, development programs aimed at improving these skills were developed for executive level staff.

Another source of information used for workforce planning is the department's annual staff climate survey. *Our DTF Our Say* focuses on attitudes to leadership work and the organisational climate. Results in 2004 identified the need for staff to be clearer about their roles and responsibilities, for more effective leadership, and for better communication between managers and staff about these matters.

Survey results are presented at both the organisational level, where survey outcomes are providing input into the development of the Human Resource Strategy Plan for 2006, and at the group level, where each group is expected to develop an action plan to address the issues.

Department of Infrastructure

Currently, DOI only collects very limited workforce data. Its payroll system captures data on all employees, but only basic data such as age, gender and length of service. It does not collect data on the capabilities of specific workforce segments. DOI recognises, for example, that data on the contract workforce must be collected and analysed if a comprehensive overview of its total workforce is to be gained.

As a consequence, DOI is currently not able to fully assess the level of capability it requires for its future business needs. However, DOI has initiated a number of strategies to address this issue. For example, DOI is currently reviewing its recruitment policies and practices and is identifying the data that would be useful to measure the effectiveness and efficiency of its recruitment.

A major strategy to address data issues is the development of a detailed workforce plan for 2004 to 2006. The plan acknowledges the need for better data on all workforce segments, noting that current knowledge about strategic workforce segments is based on anecdotal information from key people, rather than on systematic data collection.

The workforce plan includes the need to assess the capability and capacity of its total workforce and of strategic workforce segments. This will include:

- developing its capability profile
- identifying high potential people
- determining its recruitment needs based on capability gaps
- determining how it can transfer knowledge from its contract workforce to its permanent employees.

A critical aspect of the plan is the development of capability frameworks which will provide essential information on the current status of the workforce and allow for more effective workforce planning.

In addition to looking at organisation-wide issues, DOI has commenced specific planning for its critical workforce segments which will improve the collection and analysis of workforce information. For example, projects have been established to:

- investigate all aspects of the rail and construction project workforces - both projects will determine capabilities and future project needs, assess the suitability of current people for future projects, determine gaps and identify potential recruits, through industry analysis
- investigate the use of contractors within DOI – to identify their current use and impact on DOI's performance, and to recommend future guidelines for their engagement.

However, given that these projects are yet to be completed, it is not possible to determine the extent to which these strategies will better inform DOI on the level of workforce capability it requires to deliver its business outcomes.

Better practice organisations regularly conduct regular staff surveys and use this information to inform its workforce planning. Although DOI does not conduct regular surveys of staff attitudes, data on staff attitudes was collected during consultations held with staff to develop the *People Strategy*.

The findings showed that staff were generally satisfied with working in DOI and wanted a continuation of the challenging and interesting work opportunities. However, they were concerned that, although the department had work/life balance policies, not a lot was actually happening to implement them. This data was used to develop the work/life initiatives and a rotation program, outlined in the department's workforce plan.

Department of Human Services

DHS collects comprehensive data on its direct service workforces and its executive level staff. Critical segments such as the disability and child protection workforces are analysed, staff movements tracked and competency profiles recorded. The executive workforce, as in DTF, is monitored and strategies developed to address identified needs. Data on other workforce segments is collected but is not as comprehensively analysed.

DHS also conducts an annual employee climate survey relating to employee engagement and perceptions. This survey collects information on attitudes to work, opportunities for growth, personal recognition and advancement, communication, leadership, decision-making processes, and the application of DHS values. Issues that staff rate as important, and where performance needs to improve, are addressed as priorities. In response to retention and leadership issues identified by the surveys, the senior executive has implemented a career development strategy.

The Human Resources Branch is responsible for the provision of workforce data for the department. It has developed a Performance Information Management System (PIMS), which provides managers with online access to workforce data. PIMS provides a range of profile data on the whole VPS workforce. However, it is unclear as to how much of this data is actually analysed and used for workforce planning decisions.

Conclusion

All 3 departments collect profile workforce data and some collect and analyse information about specific issues. On the other hand, better practice organisations collect data mainly in areas considered vital to planning, managing and monitoring priority areas, both for today and for the future. For example, DHS does this in relation to its direct service delivery workforce segments. Other departments should do likewise.

Recommendation

9. **That all departments collect and analyse internal workforce information and use this to assist in identifying the organisation's key workforce segments and roles.**

5.2.4 Are capability frameworks for the workforce, including critical job roles, developed and incorporated into organisational systems?

We examined whether capability frameworks are used within a workforce planning context to determine the skills, knowledge, experience and behaviours the organisation requires from its people, now and in the future.

The results of our examination, for each of the 3 departments, follow.

Department of Treasury and Finance

DTF's has developed a Behavioural Accountabilities Framework to underpin its workforce planning, performance assessment, and training and development activities. The framework is also an integral part of the recruitment process, with the behaviours used to assess the suitability of applicants at interview. The framework is also included in executive performance plans which include both behavioural and output objectives. The framework is illustrated in Figure 5A.

FIGURE 5A: DEPARTMENT OF TREASURY AND FINANCE - DESIRED BEHAVIOURS
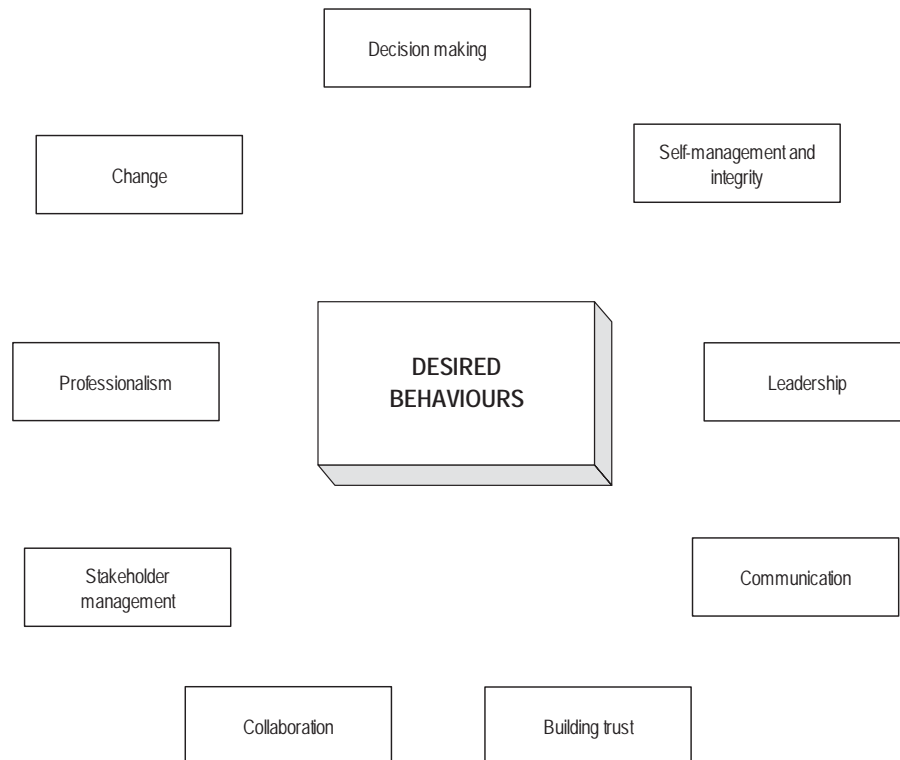
Source: Department of Treasury and Finance.

While DTF has a behavioural framework for all staff, it has not developed job-specific or technical capability frameworks required by work groups. Group managers, however, are expected to identify any gaps in capability now and in the future, but DTF lacks the capability frameworks to assist them in this task.

DTF needs to develop capability sets for its various workforce segments to support its group planning process if it is to gain maximum benefit from this approach.

Department of Infrastructure

DOI has a capability framework based on national public service standards to support the new VPS Career Structure Framework. Its Learning and Development Career Pathways Matrix is based on this framework, and matches job expectations and capabilities with learning and development options.

One division in DOI has defined the common and job-specific capabilities required for all jobs in the division. It also defines the core skills required for particular types of projects. This framework enables gaps to be identified between existing and required capabilities. Learning and development activities required to address these gaps can also be identified more effectively.

This framework is currently being reviewed, before other divisions assess its appropriateness for their work. DOI also intends to develop frameworks for other workforce segments and roles. For example, a department-wide capabilities framework for contract management is to be developed by June 2005.

Once these frameworks are in place, DOI should capture information on the capabilities of its employees. This would allow the identification of existing capability gaps and new capabilities required in the future. The new workforce analyst position is expected to address this shortcoming.

Department of Human Services

Capability frameworks for staff in the Disability, Housing, Child Protection, and Drug and Alcohol workforces have been developed and staff competency profiles are used for workforce planning purposes. DHS is also a registered training organisation and its training is therefore, where possible, competency-based and accredited.

DHS has a capability framework for its executive officers and managers. The executive capabilities are outlined in the Figure 5B.

FIGURE 5B: THE DEPARTMENT OF HUMAN SERVICES EXECUTIVE CAPABILITY FRAMEWORK

SHAPE
VISION/FUTURE
- Visioning
- Strategic thinking
- Innovation
- Change management

ENSURE SERVICE QUALITY
AND DELIVER RESULTS
- Operational planning
- Financial management
- Service delivery
- Policy development
- Research and analysis
- Systems management
- Project management

BUILD
RELATIONSHIPS
- Relationship skills
- Influencing skills
- Persuasion skills
- Political acumen

MANAGE PEOPLE
AND SELF
- Interpersonal skills
- Self-management
- Developing people and self
- Performance management
- Culture building

Source: Department of Human Services.

This capability framework was developed in 2002 when it was realised that 33 per cent of its executives would be eligible to retire within 6 years, and that new recruits would need strong guidance about DHS' values and culture. In 2002, 47 per cent of DHS executives were recruited externally.

The executive capability framework and the *Enhancing People Management* capability framework for managers are used for recruitment, self-assessment and identification of development needs. The performance management and development plans of all DHS executives address these capabilities.

While DHS has developed frameworks for some direct service workforce segments and for its executives and managers, it should consider the development of capabilities for other segments of its workforce that impact significantly on its direct service delivery workforces.

Conclusion

All departments have identified some form of capability framework and are using it to underpin the development of workforces. DHS is more advanced in the developed of capability frameworks for specific workforce segments. However, all departments need to develop their understanding of how capability frameworks can be used to strengthen their overall workforce planning.

Recommendation

10.   **That all departments develop capability frameworks, including critical job roles, to underpin the integration of human resource strategies and other processes that support workforce planning.**

5.2.5 Is investment in initiatives to attract, recruit, develop and retain employees pivotal and made to address workforce planning issues?

We examined whether there was a clear and demonstrated long-term commitment by management to investing in all aspects of workforce sustainability – attraction, retention, development and realignment.

The results of our examination, for each of the 3 departments, follow.

Department of Treasury and Finance

DTF is investing in the sustainability of its workforce through its integrated people and business planning strategies. In 2002, the senior executive made a significant long-term commitment to increasing the focus on people management as a key strategy for delivering its outcomes to government.

In order to build the overall capability of the organisation, a *Reaching our Potential* program was developed to ensure that the many talented staff within DTF reach their potential. An integrated set of improvement strategies was packaged to address a range of organisational priorities, and a long-term commitment to its resourcing was made. The following diagram illustrates the structure and range of the program.

FIGURE 5C: DEPARTMENT OF TREASURY AND FINANCE - REACHING OUR POTENTIAL PROGRAM

Leading DTF
Leadership presentations (SFF)
SEG's new role

Output business plan
Group HR planning
Establishment groups
New cost centres
New delegations matrix
New planning and reporting
  technology
Output contribution recording
  (Rover)
OM presentations to SEG

People assist
Behavioural accountabilities
  framework
Management essentials program
Attraction and selection manual
DTF employment branding strategy

Agility

Leadership

HR Strategy

Business model

Customer

Easy to do business with

Innovation

Knowledge management

Relationship sponsors
Stakeholder
  management training

Innovation facilitators
Innovation projects
Innovation workshops
  for leaders
Short training courses
Innovation posters

Professional service

DTF policies and procedures
Quickplaces
Staff directory (with photos)
MAD database
Glossary of terms
Subscriptions process
EDRMS
DTF Portal
KM Framework
Communities of practice

Source: DTF *Reaching our Potential* Newsletter.

The existing 3 year strategic human resource plan was incorporated into the program. The plan included the development of the Behavioural Accountabilities Framework, improved leadership and management activities and more strategic learning and development programs. Investment in training expenditure increased by 32 per cent over the 3 year period.

DTF has invested in developing the capability of its leaders as a priority. Its flagship leadership development program, *Leading DTF*, was initially provided for all executives and is now also being offered to VPS Grades 5 and 6 staff. DTF considers the program also helps in retaining its staff, and this view is supported by improved staff retention rates.

The senior executive group regularly discusses high performing/high potential staff and endeavours to develop their careers by moving them to new areas or projects. This is viewed as both a development opportunity for staff, and as a succession planning strategy to ensure that there is a cohort of staff able to take on more senior roles.

DTF's learning and development focus has shifted from a focus on the needs of individuals to a more strategic focus on the needs of the department, as in better practice organisations. A range of development programs has been implemented to address organisational needs, such as improving policy capability, project management and team work. All programs have evaluation strategies established at the outset.

Staff retention within DTF has been a business driver for the range of integrated strategies to build capability. As mentioned earlier, workforce data in 2002 indicated that the turnover rate of staff was a concern, and as a result, a range of strategies was put in place to address this issue.

These strategies ranged from increasing the flexibility of both working conditions and work opportunities within DTF, to placing a greater emphasis on ensuring that new staff are the "right cultural fit" for the organisation. New recruitment policies and processes were developed to ensure that a consistent approach is implemented across the department.

DTF also has an employment brand strategy that presents it as a preferred employer to potential employees in the public and private sectors, to tertiary graduates and to career counsellors at universities and TAFE colleges.

Department of Infrastructure

Under its *People Strategy 2004-2006,* DOI is developing a workforce management framework for recruitment, development, retention and performance. The management committee, as mentioned earlier, has committed to several major workforce projects and a range of integrated human resource strategies as part of the implementation of this framework.

Business plans at all levels of DOI indicate that succession planning is needed to address the probable wave of retirement of staff in their 50s, and to ensure that leadership talent is developed across the department. Although the performance plans of all DOI's executive directors require them to identify their successor, there is no formal process for identifying high-potential people for succession planning purposes. This needs to be addressed as a priority. DOI's focus on succession planning needs to be more formally integrated with other workforce strategies if it is to have maximum impact on sustaining workforce capability.

DOI also provides learning and development programs in generic skills such as project, contract, commercial, financial and risk management, and priority technical skills such as transport analysis and planning, rail system management security policy and emergency management.

As part of its investment in the development of its staff, DOI is in the initial stages of planning for the introduction of a manager development program and a policy skills development project, in conjunction with a tertiary institution.

DOI's *People Strategy* includes as a retention strategy "motivating people to achieve within the department". Its planned People Rotation Scheme is designed to improve staff mobility and increase the flexibility of its workforce.

DOI regards work/life balance initiatives as supporting retention. Executive directors are required to publicly promote the importance of work/life balance policies and flexible working conditions, and implement work/life initiatives. In the context of the ageing workforce within DOI, the future development of these strategies has the potential to address the need for flexibility and for life/work balance for older workers, as mentioned in Part 2 of this report.

Department of Human Services

Recruitment projects focusing on the disability, child protection and housing service workforce segments have been undertaken to improve the quality and sustainability of recruitment. Recruitment tools and strategies have been developed to ensure that the right people are recruited and that they remain in the department for a reasonable period of time. Competency based development also has been undertaken to support retention and to professionalise these workforce segments.

In relation to other workforce segments, various development strategies are in place, but these have not been integrated as part of an overall strategic workforce planning approach. Although these individual strategies are sound, they tend to be developed by the separate functional groups. This lessens their overall impact in improving the capability of the workforce and may result in less efficient use of resources. We understand that the current *Human Resources Business Excellence Project* is attempting to address this issue.

DHS invests in the development of its VPS 6 and executive officers. It recognises that leadership development and retention are important, due to possible retirements and the fact that 53 per cent of its executives are appointed from the internal workforce. DHS considers it critical that talented employees are prepared for future leadership positions.

DHS has developed a *Leadership Development Approach* which includes a Leadership Bank, a career development program for level 3 executive officers and VPS Grade 6 staff. The strategy is also seen as helping to retain high-performing staff by providing challenging development activities. The first Leadership Bank program will end in late 2004 and will be evaluated against performance measures established at the outset.

All executive officers participate in manager, peer and staff feedback processes, and in coaching and development programs. The usual range of development programs for all levels of staff are also provided within DHS and include programs such as project management, business skills training and performance management training.

DHS also invests in the development of its staff by providing opportunities to undertake short-term executive assignments as executive officers. Management can assess the ability of staff to work at the executive level, while staff have an opportunity to demonstrate their skills at a higher level. In the first 18 months of the program, there were 134 applications for 33 positions and 42 per cent of appointments were from outside the immediate work area.

Although this is a formal policy, with a selection process, the effectiveness of this program, and its longer-term impact on the capability of the individuals and the executive group, needs to be evaluated to maximise the benefits of DHS's investment.

The need to retain high performing staff at all levels is recognised. One strategy to retain staff is to encourage suitably qualified staff in the direct service delivery workforce to apply for positions in other areas of DHS. This link between the workforce segments is significant as direct service delivery staff bring with them an understanding of the business which is of considerable benefit when performing administrative roles.

The workforce studies of the Disability and Child Protection areas have included tracking of staff within these workforce segments to ensure that there is an understanding of these workforces and their needs. It would be useful for DHS to track the movements of staff between workforce segments in order to identify the contributing factors for such moves. This would allow DHS to consider the workforce in an overall organisational context and to identify the relationships between its different workforce segments.

DHS also recognises that it needs to offer flexible work options as a retention strategy. Currently, approximately 70 per cent of staff are female and almost half of the total workforce participate in a range of employment options such as working part-time, purchasing extra leave and taking recreation leave on half pay. These options provide flexibility that assists in retaining staff.

DHS is also implementing an employment branding project which involves creating an employee value proposition, i.e. what DHS will offer to get the skills it needs and what employees will give DHS. The department recognises that there is a need to sell DHS as an employer and to identify the levers and motivators for people wanting to work in government as a whole, and within DHS in particular.

Conclusion

DTF is investing in the sustainability of its workforce through its integrated people and business planning strategies, while DOI has plans in place to do this. However, DOI needs to develop an evaluation strategy for its overall workforce planning approach and for its individual strategies. DHS has an extensive range of strategies but these need to be integrated and refocused within a workforce planning context and applied to other critical workforce segments.

Recommendation

11.   **That all departments need to continue to invest in initiatives that are pivotal in addressing workforce planning issues now and in the future.**

5.2.6 Is comprehensive data used to measure the impact of workforce strategies on business performance?

We examined whether:

- a range of performance measures is established for workforce strategies at the outset and used to assess their impact on business performance
- strategies are reviewed and adjusted and actions taken to improve performance.

The results of our examination, for each of the 3 departments, follow.

Department of Treasury and Finance

DTF measures the impact of its integrated workforce strategies. It has established performance indicators in its group plans measuring the quantity, quality and timeliness of its initiatives. However, further improvements in performance measurement will be dependent on improvements in the availability of relevant workforce data.

The *2003-2004 Human Resource Strategy* also states outcomes and indicators for each strategy. For example, the indicator for the Behavioural Accountabilities Framework is a percentage increase in staff survey results. DTF's major strategies have performance measures. A good example of DTF's better practice approach to evaluating the impact of a major organisational strategy, which includes workforce planning initiatives, is the *Reaching our Potential* program. This program commenced in 2002 and an extensive set of performance measures were established at the outset, designed to assess the changes in departmental capability resulting from the program.

A comprehensive evaluation of the impact of the program was conducted in 2004. The findings were that the initiatives had been successful in achieving specific, targeted gains among particular groups of employees and that these initiatives should continue to be implemented. However, at the organisational level, there was a need to shift the focus to the ways in which people interact and operate on a daily basis. The report suggested that initiatives needed to be targeted towards the organisational climate and work practices in the future.

DTF has responded to these recommendations and is implementing a new approach. The Human Resource Strategy has been refocused to address the issue of imbedding the appropriate culture to support people management and workforce planning. DTF has appointed a new Director of People, Culture and Innovation to continue the work of the *Reaching our Potential* program in a new form and to oversee the human resource strategy.

Department of Infrastructure

DOI also has performance indicators in its corporate plan, divisional business plans and the *People Strategy* to measure impact of strategies. However, these are not robust performance measures, but are measures of timeliness only, e.g. completion dates for particular workforce planning activities. The indicators do not measure the impact of strategies, but only state the products and services to be delivered. The expected impact of the workforce planning initiatives in building organisational capability is not stated.

DOI's various plans do not contain a framework for using data to assess the impact of workforce planning or to evaluate the impact of specific strategies on the organisation's performance. This needs to be addressed if the department is to gain the maximum benefit from its workforce planning.

Department of Human Services

The workforce studies mentioned earlier in this report included appropriate performance measures to refine and develop workforce planning strategies. For example, measures in the Child Protection study included:

• increase in the number of applicants for vacancies who have previously worked within the program

- increased percentage of males in the permanent Child Protection workforce
- increased number of part time or job share positions.

DHS's strategies to build the capability of other workforce segments do not have similar performance measures for evaluating their impact on the business, although, the Leadership Bank is an exception. It has performance measures to evaluate the impact of the strategy including the length of time working in DHS, progression within the VPS and improved job performance.

Conclusion

Whilst DTF needs to develop additional sources of data, it has made considerable progress in measuring the impact of workforce strategies on business performance. In relation to the other departments, work is needed to develop robust and meaningful performance measures for strategic workforce planning.

It is critical that all departments establish measures (and improve their data collection and analysis) to evaluate whether their workforce strategies are effective.

Recommendation

12. **That all departments develop robust and meaningful measures to monitor and report on the impact of workforce strategies on their business performance.**

PERFORMANCE AUDIT REPORTS
of the Auditor-General
issued since 2000

Report title	Date issued
Represented persons: Under State Trustees' administration	May 2000
Building control in Victoria: Setting sound foundations	May 2000
Reducing landfill: Waste management by municipal councils	May 2000
Non-metropolitan urban water authorities: Enhancing performance and accountability	November 2000
Services for people with an intellectual disability	November 2000
Grants to non-government organisations: Improving accountability	November 2000
Implementing Local Priority Policing in Victoria	May 2001
Teaching equipment in the Technical and Further Education sector	May 2001
Managing Victoria's growing salinity problem	June 2001
Post-acute care planning (a)	June 2001
Management of major injury claims by the Transport Accident Commission	October 2001
Teacher work force planning	November 2001
Management of injury claims by the Victorian WorkCover Authority	November 2001
Departmental performance management and reporting	November 2001
International students in Victorian universities	April 2002
Nurse work force planning	May 2002
Investment attraction and facilitation in Victoria	May 2002
Management of roads by local government	June 2002
Managing Victoria's air quality	June 2002
Mental health services for people in crisis	October 2002
Management of food safety in Victoria	October 2002
Community dental health services	October 2002
Managing risk across the public sector	March 2003
Drug education in government schools	March 2003
Managing medical equipment in public hospitals	March 2003
Performance management and reporting: Progress report and a case study	April 2003
Fire prevention and preparedness	May 2003
Electronic procurement in the Victorian government	June 2003
Improving literacy standards in government schools	October 2003
Managing logging in State forests	October 2003
Addressing the needs of Victorian prisoners	November 2003
Beating the bugs: Protecting Victoria's economically significant crops from pests and diseases	April 2004
Delivery of home and community care services by local government	May 2004
Budget development and management within departments	May 2004
Managing emergency demand in public hospitals	May 2004
Maintaining public housing stock	June 2004
Measuring the success of the Our Forests, Our Future policy	October 2004

(a)   This report is included in Part 3.2, Human Services section of the *Report on Ministerial Portfolios*, June 2001.

The Victorian Auditor-General's Office website at <www.audit.vic.gov.au> contains a more comprehensive list of all reports issued by the Office. The full text of the reports issued over the past 10 years is available at the website. The website also features a "search this site" facility which enables users to quickly identify issues of interest which have been commented on by the Auditor-General.

AUDITOR GENERAL
VICTORIA

Availability of reports

Copies of all reports issued by the Victorian Auditor-General's Office are available from:

- Victorian Auditor-General's Office
  Level 34, 140 William Street
  Melbourne   Vic.   3000
  AUSTRALIA

  Phone: (03) 8601 7000
  Fax: (03) 8601 7010
  Email: <comments@audit.vic.gov.au>
  Website: <www.audit.vic.gov.au>

- Information Victoria Bookshop
  356 Collins Street
  Melbourne   Vic.   3000
  AUSTRALIA

  Phone: 1300 366 356 (local call cost)
  Fax: (03) 9603 9920