

VICTORIA

Auditor General

Victoria

In good hands:
Smart recruiting
for a capable
public sector

*Ordered to be printed by Authority.
Government Printer for the State of Victoria*

ISBN 1 921060 09 3



AUDITOR GENERAL
VICTORIA

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

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

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance audit report on *In good hands: Smart recruiting for a capable public sector*.

Yours faithfully

JW CAMERON
Auditor-General

15 June 2005

Foreword

Recruiting the best people is an important task for any organisation. It is equally important in the public sector as the quality of the work of staff impacts directly on the community and a government's ability to deliver quality services.

The public sector's capacity to attract the right staff requires an assessment of its current workforce and needs an understanding of what attracts people to its agencies. Selecting the right staff is also an important skill. Responsibility for recruiting in the public sector lies with each agency head.

Little evaluation of recruitment strategies occurs in the public sector. Listening to managers on the success of recruitment activity is one key to assessing whether the right processes and strategies are in place.

This report examines recruitment in the Victorian public sector. It builds on my December 2004 report on strategic workforce planning. In the context of trends such as an ageing workforce and a predicted decline in the availability of qualified professionals, there is even more pressure now on the heads of public sector agencies to ensure that they recruit the best staff.

Recruitment is an important activity in its own right. In the Victorian Public Service the cost of replacing non-executive staff was estimated to be over \$50 million per year for the period 2001-2003.

However, in many agencies, recruitment continues to be seen as a single transaction, an operational activity, rather than a fundamental component of effective workforce planning directed towards achieving outcomes.

The establishment of the new State Services Authority provides an opportunity to provide leadership in public sector recruitment practices and ensure that agencies are able to use the most effective strategies for recruiting staff.



JW CAMERON
Auditor-General

15 June 2005

Contents

FOREWORD.....	v
1. EXECUTIVE SUMMARY	1
1.1 Public sector recruitment	3
1.2 Is recruitment linked to achieving agency outcomes?	4
1.3 Are recruitment processes and outcomes evaluated?.....	4
1.4 Is recruitment undertaken by staff skilled in recruiting?	5
1.5 Is a suitable range of strategies used to attract and select staff?	6
1.6 Is recruitment in line with public sector principles?.....	7
2. RECRUITMENT IN THE VICTORIAN PUBLIC SECTOR.....	13
2.1 Introduction.....	15
2.2 Recruitment in the Victorian public sector	16
2.3 Conduct of the audit	19
3. IS RECRUITMENT DESIGNED TO ACHIEVE AGENCY OUTCOMES?.....	23
3.1 Audit criteria	25
3.2 Recruitment is integrated with workforce planning	25
3.3 Recruitment policy provides guidance to managers.....	28
3.4 Recruitment policies and activities are evaluated	30
3.5 Conclusion	34
4. ARE RECRUITMENT ACTIVITIES ADEQUATE?	37
4.1 Audit criteria	39
4.2 The recruitment function is structured, resourced and undertaken by skilled staff.....	39
4.3 A suitable range of strategies is used to attract and select staff	43
4.4 Conclusion	52
5. IS RECRUITMENT IN LINE WITH PUBLIC SECTOR EMPLOYMENT PRINCIPLES?.....	55
5.1 Employment principles	57
5.2 Audit criteria	57
5.3 Attraction is based on the employment principles.....	58
5.4 Selection processes meet the employment principles	61
5.5 Employment principles are promoted	66
5.6 Conclusion	69



1. Executive summary



1.1 Public sector recruitment

Both the public and private sectors throughout the world are facing issues regarding the sustainability of their workforces. Issues such as the ageing of the workforce, reduction in the availability and supply of workers, increased competition for knowledge workers, changing employee attitudes to work and life balance, and the different needs of both older and younger workers, are all providing a significant challenge to the ways in which organisations recruit and manage their workforces.

A robust and dynamic recruitment strategy is therefore critical to ensuring that the public sector has a skilled and competent workforce to deliver the diverse range of services provided by government.

The financial costs of employing the wrong people, such as lost productivity, dealing with poor performance, turnover and replacement, have been estimated to range from 0.5 to 2.5 times the annual salary of each position.

In the period 2001 to 2003, the cost of replacing non-executive employees in the Victorian Public Service (VPS) was estimated to be over \$50 million per year. The number of staff employed in the VPS was approximately 30 000. If you then take into account the number of staff in the broader public sector, 230 000 employees in June 2004, then this cost is far greater.

Recruitment is therefore an important activity in its own right which needs to be planned, managed and evaluated, as does any other activity within an organisation involving the investment of significant time and dollars.

The audit examined whether a range of public sector agencies have a robust and dynamic recruitment strategy and how well they operate within the legislative framework guiding recruitment in the Victorian public sector.

The extent to which this occurs in the agencies varies considerably. Some agencies adopt the traditional public sector approach to the attraction and selection of staff, based on the assumption of a ready supply of potential staff. Other agencies are just starting to implement new approaches, based on their awareness of the changing demographics and reduced availability of potential staff in the future.

1.2 Is recruitment linked to achieving agency outcomes?

To assess whether recruitment is linked to achieving agency outcomes we examined whether it is a part of workforce planning or a stand-alone, operational and reactive activity.

In 2 of the agencies audited, recruitment is linked to workforce planning and is more strategic and focused on the longer-term needs of the organisation.

However, in the other agencies audited, the link between recruitment and workforce planning is tenuous or even non-existent. Recruitment is more reactive and focused on the process of filling vacancies rather than on addressing skill shortages and longer-term, strategic workforce issues. The link between recruitment processes and the actual outcomes was limited.

All agencies need to consider recruitment decisions within a broader workforce planning framework so that they will have workforces with the necessary capacity and capabilities to deliver outcomes effectively and efficiently, particularly in the longer term. Further, the benefits of their significant investment in attracting and selecting staff, may not be maximised without a considered workforce planning approach.

Recommendation

- 1. That public sector agencies integrate their recruitment function into workforce planning.**

1.3 Are recruitment processes and outcomes evaluated?

To assess whether recruitment processes and outcomes are evaluated, we examined how the agencies collect and analyse data in order to measure their performance in attracting and selecting staff.

It is critical that agencies understand the outcomes produced by their processes and decisions in order to determine future strategies and directions and to make their recruitment as effective as possible.

The collection, analysis and reporting of recruitment data in all agencies requires improvement, particularly data that would assist senior management to make strategic decisions on how recruitment could contribute better to agency outcomes.

The lack of data makes it difficult to assess effectiveness in attracting pools of applicants for positions and, subsequently, in making the right selections.

Most agencies do not have performance indicators for key aspects of recruitment, due in part to lack of data. The new Victorian Government e-Recruitment System should be able to assist agencies in collecting data on recruitment for their performance indicators.

A range of methods for evaluating recruitment outcomes is available including tracking career progress of applicants, feedback from newly appointed and exiting staff, surveys of managers' satisfaction with new staff, and analysis of performance assessment records. Agencies should choose the most appropriate evaluation methods for the aspects of recruitment that they have identified as critical.

Overall, the agencies do not know the cost of their recruitment. It is important that agencies collect information on the cost of recruitment as it allows them to measure the efficiency of their processes and to make resourcing decisions based on sound data.

Recommendations

2. **That recruitment activity is evaluated regularly to assess its success in meeting agency objectives.**
3. **That suitable tools and data sets are developed to enable the evaluation of recruitment activity, especially relating to the costs of recruitment.**

1.4 Is recruitment undertaken by staff skilled in recruiting?

To assess whether recruitment is undertaken by staff skilled in recruitment, we examined whether internal staff are trained in recruitment strategies and whether external expertise is used to enhance the recruitment of quality staff.

A decision to recruit a particular individual is one of the most important decisions a manager and an organisation will make. Poor recruitment decisions can have a major impact on productivity and can prove damaging both to the organisation and the employee.

In most agencies recruitment is undertaken by managers and staff with little training in best practice strategies for attracting and selecting staff. Where formal training and informal coaching of panel members does occur, it tends to be focused on the process and the need to meet the employment principles. It does not focus on using different selection techniques or in overcoming well-known biases in selection, such as the tendency to appoint like-minded people.

The low skill level of managers and staff involved in recruitment, and the lack of monitoring of their capability to undertake recruitment is of concern.

In some agencies external expertise is used but most often in the screening and short-listing of pools of applicants, but only occasionally in the selection decision itself.

All agencies need to consider improving the skills of both their managers and staff in attracting and selecting staff and in accessing external expertise if they are to feel confident that the best people are being selected.

Recommendation

- 4. That public sector agencies develop strategies to improve the capability of managers in selecting the best people for positions.**

1.5 Is a suitable range of strategies used to attract and select staff?

To assess whether the recruitment activities of the agencies are adequate, we examined whether a range of traditional and innovative strategies are used to attract and select staff.

In the context of an ageing and contracting workforce, the need to adopt new strategies for attracting and selecting staff is critical. Traditional methods of advertising are still being used by agencies. Most pay little attention to building a pool of applicants, to developing a reputation as an attractive employer or to the issue of the cultural fit of applicants.

New and varied methods of assessing the suitability of applicants for different positions are also needed to ensure that the applicants selected have not only the required skills and experience, but also the values and behaviours desired by the organisation.

Some agencies have used different recruitment methods on some occasions, but have not gone on to assess their impact and build them into ongoing practices for recruitment. These agencies have the opportunity to build on their experience to enhance their overall selection of staff.

Overall, the approach taken to recruitment by the agencies audited is not dynamic and based on best practice.

The agencies which have tried different recruitment methods need to develop and embed these into ongoing policies and practices if recruitment is to be more effective and efficient.

The achievements of several of the agencies in implementing strategies to meet their special and unique business need to be further developed and embedded into ongoing policies and practices if recruitment is to be more effective and efficient.

Recommendations

5. **That public sector agencies develop strategies to attract applicants, through developing employee value propositions and other forms of promotion.**
6. **That public sector agencies develop more diverse and flexible methods of selecting staff.**

1.6 Is recruitment in line with public sector principles?

1.6.1 Application

To assess whether recruitment policies and practices of agencies we audited are in line with public sector employment principles, we examined whether the agencies apply the principles in their recruitment.

The agencies understand and apply the general employment principles relating to recruitment of staff and apply the minimum standards for selecting on merit.

Agencies need to reconsider their approach to advertising for new staff. It is possible to advertise internally within the agency and still meet the merit principle.

The agencies need to recognise and address the implications of advertising internally in terms of any significant impact on the productivity of business units and the organisation as a whole. Likewise, they need to consider the impact of always advertising externally on the career development opportunities and morale of their staff, as well as their longer term workforce needs.

In complying with the employment principles, agencies have tended to focus on the *processes* of attracting and selecting staff. This has resulted in a “one size fits all” approach to recruitment and a tendency for the process to be a higher priority than the recruitment of quality staff. The same process is also applied to all non-executive level positions, with some slight variations.

Agencies need to be encouraged to broaden their understanding of how to comply with the employment principles in general, and selecting on merit in particular. The new State Services Authority (SSA) could play an important role in promoting a broader understanding of how these principles can be applied.

Recommendations

7. **That public sector agencies broaden their understanding of the merit principle to develop a broader and more flexible range of recruitment approaches to achieve the best possible outcomes.**
8. **That public sector agencies develop guidelines for the documentation that needs to be maintained in recruitment files.**

1.6.2 Promotion

To assess whether the recruitment policies and practices are in line with public sector employment principles, we assessed whether the principles were applied and whether the Office of Public Employment (OPE) successfully promoted the principles across the public sector.

Overall, the OPE was improving the quality of the information it collected and was meeting its reporting requirements to parliament on the application of the principles. However, it could have supported agency practices better by:

- improving its promotion of the merit principle and supporting agency understanding of applying the merit principles in recruitment
- strengthening the quality and reliability of information it collected on agency policies and processes on applying the merit principle in recruitment.

While the audit was conducted on the activities of the now superseded Office of Public Employment, our conclusions and recommendations, are made in the context of the future operations of the State Services Authority.

The Public Sector Standards Commissioner and the SSA have an important legislative role in promoting merit and reporting on its application to parliament.

The SSA also has a leadership role in promoting workforce planning across the sector and encouraging sector bodies to move towards better practice in recruitment of staff.

Future activity undertaken by the Authority should explicitly identify its strategic priorities, outcomes and measures in influencing the application of the principles.

Recommendation

9. **That the State Services Authority provide leadership in strengthening the work of public sector bodies to:**
 - **link recruitment activities to broader organisational strategies, particularly workforce planning**
 - **better support managers' understanding of and skill in applying recruitment methods**
 - **improve monitoring of the quality of recruitment processes and outcomes.**

RESPONSE provided by Secretary, Department of Innovation, Industry and Regional Development

The department welcomes the comprehensive analysis of recruitment strategies and activities provided in the report. I am pleased that it recognises that the department has a strong policy framework for recruitment and that some of its policy directions are seen as better practice. I am supportive of the audit's recommendations and will endeavour to build on the extensive work already undertaken within the department to attract, select, induct and retain staff as part of the department's People Framework and People Strategy. I also look forward to working with the State Services Authority to further enhance the linkages between effective recruitment activities and broader organisational strategies, particularly workforce planning.

*RESPONSE provided by Acting Solicitor for Public Prosecutions,
Office of Public Prosecutions*

I have noted your observations and conclusions with interest and advise that in general terms we accept your recommendations.

I would also like to make the following comments.

The OPP rated very well in terms of detailed data on all staff, including cessations, commencements, turnover data, temporary appointments and promotions. However, it is stated that there was no evidence of any analysis or reporting of this data. I would like to point out that the OPP employment data is reported to management on a monthly basis and is used extensively by the management group to analyse and track its workforce and schedule recruitment.

The OPP has little difficulty in attracting junior staff. There have been problems in attracting more experienced staff, because of the specialised nature of the jurisdiction and the lower salaries offered in comparison with salaries offered in private practice. However, we believe that the additional funding recently provided by the government and the introduction of a new classification structure for legal officers will assist us to attract and retain staff at a higher level.

RESPONSE provided by Chief Executive, Parks Victoria

Parks Victoria welcomes the opportunity for an independent review of its recruitment and selection activities. The report acknowledges some of Parks Victoria's key recruitment initiatives, such as the seasonal ranger program, the exchange program with Parks Canada, and Parks Victoria's success in the implementation of the Wur-cum barra program.

Parks Victoria operates a dispersed organisation in a range of locations. Staff are required to be skilled in a number of disciplines across natural values management, cultural values management and visitor service, and be able to work autonomously, often in remote locations. Consequently, we invest extensively in our staff, both in formal training and on-the-job development. As a result, we would expect to generally find the best applicants for vacancies already within the organisation, and that is why our enterprise agreement commits us to offer positions internally before going to the external market.

Parks Victoria accepts the recommendations of the report that are directed towards this agency, and has already commenced work to implement these recommendations. Parks Victoria is currently developing a human resources strategy which will provide essential linkages between organisational strategy and recruitment and selection activity.

RESPONSE provided by Chief Executive Officer and Commissioner of State Revenue, State Revenue Office

Although the SRO is acknowledged as having, for the most part, very good recruitment practices, the report does offer areas for improvement which we shall consider in our Organisation Development business plan.

RESPONSE provided by the Chief Executive, VicRoads

The report provides comprehensive comment on the 2 important phases of recruitment (attraction and selection) and, as identified in the report, VicRoads has integrated the recruitment function into workforce planning as a major part of the Human Resource strategy - Great People Smart Services. We will continue to build on this work by embracing recommendations contained in the report.

VicRoads will continue to appoint internal applicants who meet the selection criteria of vacant positions in preference to an equally suitable external applicant. Our policy provides for internal candidates to be assessed against key selection criteria prior to consideration of external candidates. This is consistent with our industrial obligations and assists with building the technical capability of our workforce and provides career options for VicRoads staff.

RESPONSE provided by Chief Operating Officer, State Services Authority

The State Services Authority agrees that an effective recruitment process is critical to ensuring the Victorian public sector is capable of delivering the diverse range of services it provides on behalf of government.

The State Services Authority is created under the Public Administration Act 2004 (PAA) and came into operation on 4 April 2005. Two of the Authority's 5 roles are directly relevant to the subject matter of the report. Under role 2, the Public Sector Standards Commissioner, who is a member of the Authority, must promote the application of merit, which is one of the public sector employment principles (as prescribed in s.8 of the PAA). Under role 3, the Authority has functions that include providing leadership in workforce management. At the same time, the Act clearly leaves the accountability for employment-related decisions and actions with public sector body heads. The recommendations of the report also reflect that locus of accountability.

The report is a timely and valuable resource that will inform the Authority's consideration of how it carries out its statutory mandate.



2. Recruitment in the Victorian public sector



2.1 Introduction

Both the public and private sectors throughout the world are facing issues regarding the sustainability of their workforces. Issues such as the ageing of the workforce, reduction in the availability and supply of workers, increased competition for knowledge workers, changing employee attitudes to work and life balance, and the different needs of both older and younger workers, are all providing a significant challenge to the ways in which organisations recruit and manage their workforces.

A robust and dynamic recruitment strategy is therefore critical to ensuring that the public sector has a skilled and competent workforce to deliver the diverse range of services provided by government.

In the period 2001 to 2003, the cost of replacing employees in the Victorian Public Service (VPS) was estimated to be over \$50 million per year. The number of staff employed in the VPS was approximately 30 000. If you then take into account the number of staff in the broader public sector, 230 000 employees in June 2004, then this cost is far greater.

The financial costs of employing the wrong people, such as lost productivity, dealing with poor performance, turnover and replacement, have been estimated to range from 0.5 to 2.5 times the annual salary of each position.

Recruitment is therefore an important activity in its own right which needs to be planned, managed and evaluated, as does any other activity within an organisation involving the investment of significant time and dollars.

The audit examined whether a range of public sector agencies have a robust and dynamic recruitment strategy and how well they operate within the legislative framework.

This report is also based on an understanding of recruitment as having 2 important phases:

- the *attraction* of staff - the process of generating a pool of capable people to apply for employment in an organisation
- the *selection* of staff - the process of assessing the capability and suitability of applicants.

2.2 Recruitment in the Victorian public sector

2.2.1 Legislation

Until December 2004, the *Public Sector Management and Employment Act 1998* provided the legislative framework for employment in public sector agencies. It was superseded by a new act, the *Public Administration Act 2004*, which established a State Services Authority as an independent statutory authority. The new Authority's commissioners are responsible for the oversight of the public sector workforce. They report to the Premier on these matters.

The new Public Sector Standards Commissioner has functions broadly equivalent to those exercised by the previous Commissioner for Public Employment. The commissioner has the responsibility for promoting high standards of integrity and conduct in the public sector. Of significance to this report, the new commissioner also has the ability to issue standards relating to the application of employment principles (including merit) that are binding on all public sector bodies.

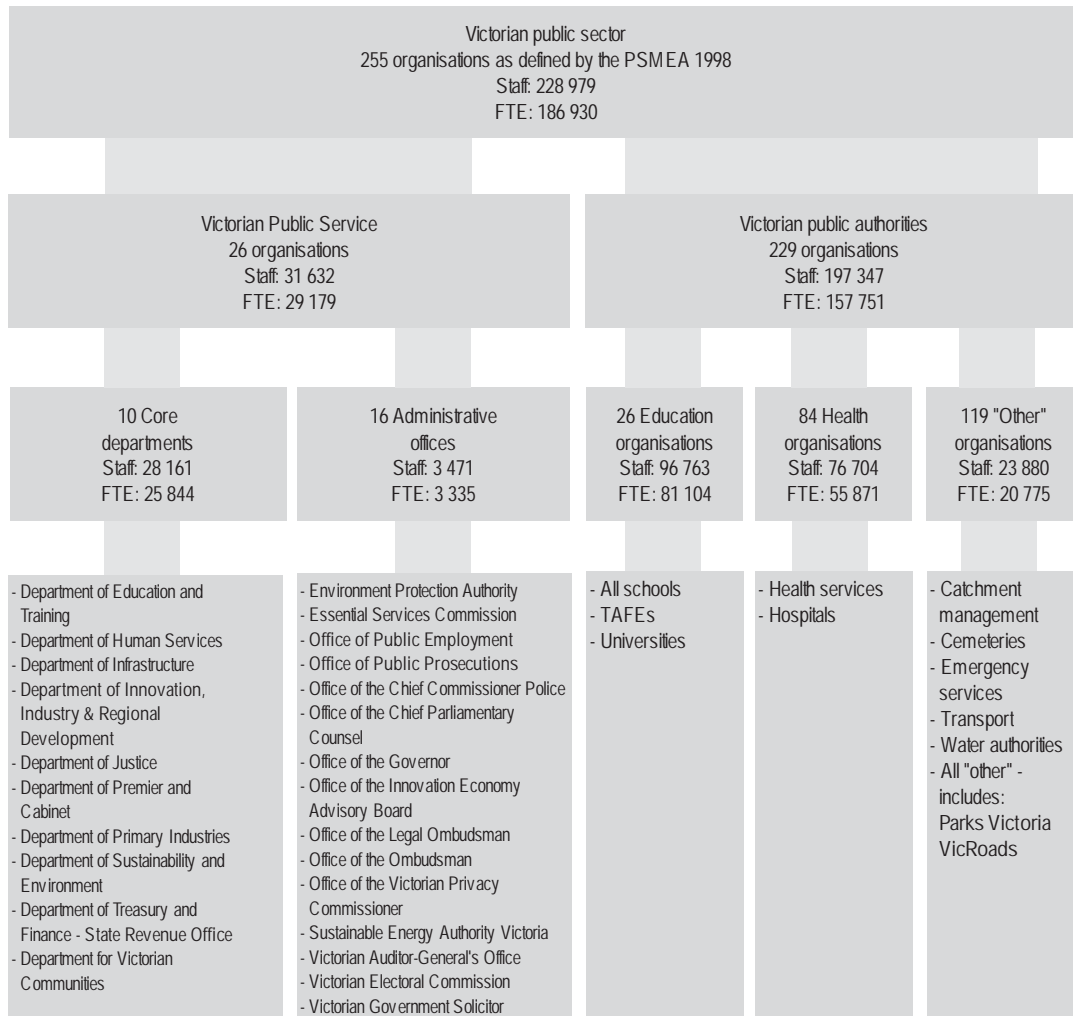
However, primary responsibility in employment matters, under both the previous and the new legislation, remains with the heads of those public sector bodies.

It should be noted that the majority of employees in the broader public sector are employed under separate legislation (e.g. teachers), or in accordance with general industrial legal frameworks.

2.2.2 Victorian public sector

Figure 2A sets out those public sector organisations and the numbers of their employees at 30 June 2004 (as then defined by the *Public Sector Management and Employment Act 1998*).

FIGURE 2A: VICTORIAN PUBLIC SECTOR



Source: Victorian Auditor-General's Office, based on Commissioner for Public Employment, *Annual Report 2004*, State of Victoria, 2004, p. 12.

The new *Public Administration Act 2004* revised the definition of the public sector. The main changes were to exempt universities and to include a range of state-owned corporations.

The bodies and entities that make up the public sector are very diverse; they differ markedly in:

- size and complexity – from large departments such as the Department of Human Services to small trusts and advisory bodies
- function and type of service - such as schools, hospitals, water authorities, public service departments, superannuation management offices, registration boards, cemetery and other trusts, and ministerial advisory bodies.

2.2.3 Public sector employment principles

The Public Sector Management and Employment Act sets out 4 employment principles which have been retained in the new Act. The employment principles are:

- employment decisions are based on merit
- public sector employees are treated fairly and reasonably
- equal employment opportunity is provided
- public sector employees have a reasonable avenue of redress against unfair or unreasonable treatment.

An additional principle, “fostering the development of a career public service”, has been adopted under the new legislation.

These employment principles apply throughout the Victorian public sector.

Under the previous legislation, the Office of Public Employment (OPE) supported the Commissioner for Public Employment in promoting the employment and conduct principles, and monitoring their application in the Victorian public sector.

The former Commissioner for Public Employment issued directions on the application of these principles which set minimum standards for agencies. These standards which were a safety net rather than a better practice model, were binding on the heads of public service departments, and intended to guide the development of local policies and practices in the broader public sector.

The Commissioner also had the power to require information from agency and public authority heads on the application of the principles in their organisations and on compliance with the directions.

2.3 Conduct of the audit

2.3.1 Audit objective

The audit assessed the effectiveness and efficiency of attraction and selection practices in the Victorian public sector. It examined whether agencies were successful in attracting a suitable pool of applicants for vacancies and in achieving positive outcomes from the selection process.

The audit also examined aspects of the operations of the OPE in promoting the employment principles, and selection on merit in particular, across the Victorian public sector.

Our examination of recruitment focused on non-executive staff in the agencies.

2.3.2 Agencies audited

We examined recruitment policies and practices in the following agencies:

- Department of Innovation, Industry and Regional Development
- Office of Public Prosecutions
- Parks Victoria
- State Revenue Office
- VicRoads.

Department of Innovation, Industry and Regional Development

The Department of Innovation, Industry and Regional Development (DIIRD) is the Victorian Government's lead agency for economic and regional development. It was formed in March 2002 to reflect the increasing emphasis that the government places on innovation as a key driver of future economic success.

DIIRD works across a number of portfolios including innovation, state and regional development, small business, tourism, industrial relations, financial services industry, manufacturing and export.

DIIRD delivers its services through its metropolitan, regional and international offices. In June 2004, DIIRD employed 673 staff. In the same year, the department undertook recruitment activities to fill 188 vacancies.

Office of Public Prosecutions

The Office of Public Prosecutions (OPP) is an independent statutory authority within the Justice portfolio. The OPP supports the Director of Public Prosecutions to carry out his statutory functions by preparing and conducting court proceedings. The OPP's primary objective is to prosecute criminal matters and ensure a professional, efficient and effective prosecution service in Victoria.

The OPP employs mainly legal staff including solicitors, legal executives, paralegals and legal support staff. It had 190 staff in June 2004 and undertook recruitment activities to fill 37 vacancies.

Parks Victoria

Parks Victoria is responsible for the management of parks, reserves and other land under the control of the state.

Parks Victoria employs staff across a wide range of roles, including parks and heritage management, marketing, engineering, customer service and information technology.

In June 2004, its workforce included 1 041 employees, made up of 905 ongoing staff and the remainder fixed-term or casual staff. In addition, Parks Victoria recruits temporary employees to meet seasonal demands.

Approximately 70 per cent of Parks Victoria's staff are professionals with formal qualifications in park and reserve management, environmental management and recreation.

It has 120 work centres with the majority (75 per cent) of these located in regional Victoria.

During 2004, Parks Victoria carried out recruitment for 230 ongoing and fixed-term positions. During this period, 224 temporary vacancies were also filled to meet seasonal demands. The majority (74 per cent) of Parks Victoria's ongoing and fixed-term roles are filled internally.

State Revenue Office

The State Revenue Office (SRO) is an independent service agency within the Department of Treasury and Finance. It administers Victoria's taxation legislation and collects a range of taxes, duties and levies. The SRO deals with policy and technical issues, administers document-based duties, and operates a call centre.

The SRO workforce was made up of 416 staff in June 2004. It employs a range of professionals, including customer service officers, legislation technical officers, compliance investigators, information technology specialists and management positions across 2 locations in Victoria.

During 2004, the SRO undertook recruitment activities to fill 236 vacancies.

VicRoads

VicRoads is a statutory authority within the Department of Infrastructure. VicRoads is responsible for managing the Victorian road network and its use as an integral part of Victoria's overall transport system.

VicRoads provides services to the Victorian community through a state-wide network of offices and agencies consisting of 7 regional offices, 2 of which are in metropolitan Melbourne and 5 located in rural areas, 38 customer service centres, 7 project offices, 2 telephone call centres and a traffic management centre.

Most of VicRoads' 2 384 staff in June 2004 were employed in engineering, professional, and administrative roles. Field services, technical staff and executive officers are the other key professions within VicRoads.

During 2004, VicRoads recruited to fill 453 vacancies.

Office of Public Employment

The Office of Public Employment (OPE) was established to support the Commissioner for Public Employment in promoting employment and conduct principles, and monitoring their application in the Victorian public sector.

In June 2004 the OPE employed 21 staff.

The resources of the Office of Public Employment are now included in the State Services Authority.

2.3.3 Assistance to the audit

Specialist assistance was provided to the audit team by:

- Andrew Marty, SACS Executive Solutions
 - John Kearney, Kearney Business Solutions
 - Ros Harris, Wordsworth Effective Communications Pty Ltd.
-



3. Is recruitment
designed to
achieve agency
outcomes?



3.1 Audit criteria

Recruitment should support both the immediate needs of business units and also the longer-term, strategic needs of the whole organisation.

In determining whether recruitment is designed to achieve agency outcomes, we examined whether:

- recruitment is integrated with workforce planning
- recruitment policy provides guidance to managers
- recruitment policies and activities are evaluated.

3.2 Recruitment is integrated with workforce planning

The agencies we audited demonstrated a range of approaches to the integration of recruitment with workforce planning. In some agencies, decisions were based on filling traditional staffing establishment figures. In others, decisions were made within the context of workforce needs and skill gaps identified strategically at the highest organisational level.

VicRoads

In VicRoads, workforce planning is a major part of its human resource strategy, *Great People – Smart Services*¹, which sets out its workforce planning goals:

- to ensure that VicRoads has the appropriate knowledge, skills and abilities to address its current and future business needs
- to identify where VicRoads is currently in terms of capabilities and where it wants to be positioned in the future
- to position VicRoads as an employer of choice to ensure that it attracts and retains the appropriate capabilities.

The organisational need for each recruitment action is analysed within the context of workforce needs and skill gaps identified at the organisational level. Attraction of staff is highlighted as a major issue and the need to recruit in areas of current and future skill shortages has been clearly identified.

¹ VicRoads, *Great People – Smart Services: 2002- 2004*, State of Victoria, Victoria, 2002.

For example, as a result of its workforce planning approach, VicRoads identified that it was facing a current and future shortage of engineers. This was due to a national shortage in this area and the higher salary paid by the private sector. The need to focus on recruiting such staff was identified as an organisational priority.

Senior management decided that rather than relying on the existing practice of placing all aspects of recruitment in the hands of managers, an organisation-wide approach to attracting these staff was needed. As a result, the Workforce Planning Unit within the human resources area now works in partnership with managers in recruiting external staff. This demonstrates a strategic approach to recruitment – supporting the needs of the agency.

State Revenue Office

In the State Revenue Office (SRO), recruitment operates within the human resources area and implements workforce planning decisions made at a strategic level.

The SRO's workforce planning approach is based on resourcing considerations and the analysis of the workforce needs and trends across the organisation. It identifies establishment levels – the numbers of staff required within each business unit and the organisation as a whole – using a process that is linked clearly to agency outcomes. This staffing profile provides the basis for decisions regarding the filling of vacancies as they arise.

The SRO has recently developed a workforce directions paper, based on an analysis of staffing issues and requirements, which provides an overview of future planning in each division. These workforce directions provide the guidance for recruitment decisions as they arise. For example, the Legal Branch has identified the lack of a real career path for lawyers and, subsequently, it has adopted the strategy of advertising internally, where appropriate, in order to provide the possibility for career progression.

Parks Victoria

In Parks Victoria, recruitment is not formally integrated into a workforce planning approach. A staffing committee consisting of senior management meets to sign-off ongoing recruitment requests from managers.

Guidelines for the strategic allocation of labour resources were developed in 2005 to provide the basis for recruitment decisions. However, these guidelines are focused on rules for the filling of certain types of positions across the organisation. This approach has elements of workforce planning but tends to focus on immediate workforce needs rather than longer term needs.

Parks Victoria has implemented a number of initiatives, such as a seasonal ranger recruitment campaign and an exchange program with Parks Canada, to address its need for a regular seasonal workforce. Its implementation of the Wur-cum barra program (a Victorian Government indigenous employment program) is an example of a workforce initiative reflecting the business needs of the organisation. The core business of Parks Victoria is strongly linked to the indigenous community and it is highly strategic to recruit indigenous employees. Parks Victoria is one of the most successful agencies in meeting their targets under the Wur-cum barra program.



Parks Victoria's seasonal ranger (far right) at work.

Department of Innovation, Industry and Regional Development

Recruitment in the Department of Innovation, Industry and Regional Development (DIIRD) is located within the human resources branch and is a service to support divisional managers in the recruitment of immediate staffing requirements. It is not undertaken within a broader workforce planning context.

DIIRD adopts a divisional approach to establishing staffing needs due to the diversity of its business units. Divisions within DIIRD estimate their staffing requirements annually and are then funded on the basis of these figures. When divisions recruit, they are required to keep to their nominated staffing budget. The business unit manager and the human resource account manager assess the role and need for the position before recruitment occurs, and confirm that it is within budget. This is very much a business planning, operational approach, and not a longer-term workforce planning approach.

DIIRD has acknowledged the need to develop a more strategic approach to planning its workforce by creating a workforce planning role within the human resources branch.

Office of Public Prosecutions

Recruitment in the Office of Public Prosecutions (OPP) is also a stand-alone, operational process and not formally integrated into a workforce planning approach. The OPP's board of management approves recruitment on the basis of available funding, rather than through a systematic analysis of business need.

However, the OPP has commissioned several reviews over recent years which have focused on its workforce needs. For example, one of these identified that its proportion of relatively inexperienced staff was increasing². This is a significant issue for the OPP and one that needs to be addressed within a broader workforce planning strategy.

3.3 Recruitment policy provides guidance to managers

The policies relating to the attraction and selection of staff within the audited agencies ranged from comprehensive statements of the purpose of recruitment, with detailed policy guidelines, to sets of procedures for undertaking the recruitment process.

² Smart Consulting & Research, *Review of the Office of Public Prosecutions Revisited*, February 2003.

The SRO's recruitment policy is detailed and clearly linked to the business and informs planning at all levels within the organisation. Its policy also identifies the risks to the organisation of not being able to attract sufficient and suitably qualified staff. One risk identified in its workforce directions paper is the potential erosion of technical expertise due to retirements and resignations. As a result, retention strategies have been implemented to manage this risk.

DIIRD has a solid policy basis for recruitment, emphasising the need for a robust recruitment strategy. Its recruitment policies are comprehensive and focused on assisting managers with the recruitment process. Its recruitment toolkit for managers, *Better Selection Practices*, includes a rationale for effective recruitment along with strategies for attracting and selecting staff.

One of DIIRD's policy directions is to be an employer of choice, as shown in Figure 3A.

FIGURE 3A: DIIRD'S POLICY DIRECTION AS EMPLOYER OF CHOICE

From the minute an advertisement is placed, an impression of the Department is being formed in candidates' minds. Our treatment of candidates sends a strong message about the Department. Therefore, it is important to remember that it is not only the advertisement that will sell the Department as an employer of choice. How all participating parties act throughout the recruitment process, (conducting an efficient, credible recruitment process) is equally important. Remember that the candidate is assessing the Department at the same time as you are assessing them.

Source: Department of Innovation, Industry and Regional Development, *Better Selection Practices: Recruitment Toolkit for Managers*, 2002.

In VicRoads, comprehensive policy documents are supplemented by expert advice from its Workforce Planning Unit. Managers are provided with guidance on policy and strategies to:

- attract a suitable pool of candidates
- select staff who can contribute to the delivery of agency outcomes.

Recruitment policies of Parks Victoria and the OPP are not as comprehensive. The documentation is more focused on procedures for recruiting rather than on providing a business basis for recruitment practices.

3.4 Recruitment policies and activities are evaluated

3.4.1 Performance indicators

Two of the audited agencies had performance indicators established for recruitment.

The SRO has established the following indicators for its recruitment processes:

- actual staffing levels compared with establishment levels contained in the workforce plan (target of a minimum staffing level of 93 per cent and a maximum of 102 per cent)
- average time taken to fill a vacancy from the date of request to the acceptance of offer (target of 8 weeks).

The SRO reports performance against these indicators in its monthly balanced scorecard.

VicRoads has indicators for some aspects of recruitment such as the time taken to fill vacancies, but does not have any targets.

None of the agencies audited had performance indicators that measured the success of those aspects of recruitment that were identified as key issues for the organisation. Performance measures linking recruitment to agency outcomes did not exist.

3.4.2 Data collection and analysis

The amount and quality of the data collected on recruitment varied across agencies.

All agencies collect some form of recruitment data. For example, all were able to provide lists of recruitment actions over a period of time, whether positions were advertised internally or externally, the type of employment and the dates of the various stages of each recruitment action.

Not all agencies were able to identify the number of applicants for positions, the numbers interviewed and the time taken to fill positions. In some agencies, this information could only be obtained from individual recruitment files.

Only 2 agencies, the OPP and the SRO, consistently maintain records of the total number of applicants per position. This means that agencies are not identifying potentially valuable information, such as the number and source of applicants. Analysis of this information could assist in determining the effectiveness of specific attraction strategies.

The OPP was also able to provide detailed data on all staff, including cessations, commencements, turnover data, temporary appointments and promotions. However, there was no evidence of any analysis or reporting using this data.

Several of the agencies produce reports on recruitment that tend to be snapshots of recruitment activity. Few report on the data to senior management and conduct any analysis to identify trends to assist in implementing changes and improving performance.

There is potential for the new VPS e-Recruitment System to assist agencies with a range of data to enable them to identify aspects of recruitment that need improvement.

There was little evidence of changes being implemented as a result of issues identified in data. One exception is VicRoads, where an analysis of the vacancy rate and skill shortages led to external recruitment being centralised to meet time targets.

None of the agencies reported to senior management to enable strategic decisions to be made on whether recruitment could contribute better to agency outcomes.

3.4.3 Selecting the right people

The agencies do not effectively evaluate the outcomes of recruitment, in terms of whether the right people are selected.

All agencies have performance management programs and probation systems through which the performance of all staff is monitored. However, none actively collect this information or undertake any systematic analysis of the performance of new staff.

Both of these programs provide opportunities for monitoring the performance of new staff – if they are implemented seriously and information is fed back into the evaluation of recruitment.

VicRoads has recently undertaken a survey of new employees to evaluate their recruitment processes. This approach could be extended to survey managers on a regular basis as a means of evaluating their satisfaction with new staff and the overall recruitment process.

The absence of processes and tools for evaluating the success or otherwise of recruitment activity reinforces our observations that recruitment activity is focused more on filling existing vacancies than on addressing skill shortages and longer-term, strategic workforce issues.

3.4.4 Cost of recruitment

Agencies were able to provide data on the cost of advertising and the use of external recruitment companies. However, they do not systematically collect or analyse and report this information or other recruitment cost data. Generally, data is not collected on:

- time of managers and other staff on recruitment - time away from normal duties is a significant cost, estimated in 2004 to be just over 70 hours³.
- turnover costs - these can be considerable, both in terms of lost productivity and training costs for new staff, estimated to range from 0.5 to 2.5 times the annual salary of the job in question. Replacement costs are also considerable: over \$50 million per annum for VPS 1-5 positions for the period 2001-2003⁴. Taking into account the number of staff in the broader public sector, 230 000 employees in June 2004, then this cost is far greater.

³ Office of Workforce Development, *Consolidated business case for the acquisition and implementation of an effective e-Recruitment System*, July 2004, p. 38.

⁴ Based on research by Cascio (1991) and used in the Office of Workforce Development's *Separation of Staff in the Victorian Public Service*, May 2004, p. 7. Cascio defines separation costs as those incurred in exit processes, vacancy, replacement and training costs, and loss of productivity and corporate knowledge.

- cost of poor selection - selecting an inappropriate person, either in terms of skills or cultural fit, may result in loss of productivity and lower staff morale. Lost productivity and replacement costs are estimated to be just over \$100 000 per position⁵.

The SRO has acknowledged the need to measure staff time in the selection process. It has developed a table within its selection report for panel members to record the time taken for the various stages of the process. Unfortunately, this information is not consistently provided by managers and a potentially useful source of data is therefore not available.

FIGURE 3B: EXAMPLE OF STATE REVENUE OFFICE TIME RECORDING TABLE

Time spent by panel	Hours
Short listing/reviewing applications for interview	
Organising interviews and interviewing candidates	
Reference checking	
Writing selection report	
Total time	

Source: Victorian Auditor-General's Office based on information provided by the SRO.

After VicRoads established the Workforce Planning Unit as an option for centralised recruitment, the Unit analysed its external recruitment costs and negotiated new fixed price contracts with 9 recruitment companies at a projected annual saving of \$450 527.

Parks Victoria is currently undertaking an analysis of the cost of its contract with its external recruitment company.

Using the estimates of recruitment costs used by the Office of Workforce Development in the e-Recruitment System business case, we calculated the approximate cost of recruitment for 2004 for the agencies we audited.

⁵ Estimates provided to the Victorian Auditor General's Office by Link Recruitment, May, 2005.

FIGURE 3C: ESTIMATED COST OF RECRUITMENT IN 2004 BY AUDITED AGENCY

Agency audited	Staff June 2004 (no.)	Vacancies 2004 (no.)	Estimated Cost Lower (\$)	Estimated Cost Upper (\$)
DIIRD	673	188	692 341	754 615
OPP	190	37	141 914	158 856
Parks Victoria	1 041	230	788 222	815 696
SRO	416	236	853 235	918 257
VicRoads	2 384	453	1 640 228	1 767 897
Total	4 704	1 144	4 115 940	4 415 321

Note: Based on the estimated cost of the percentage of internal and external recruitment for ongoing and fixed term vacancies in 2004.

The lower estimate includes costs for internal staff in recruitment activity, administrative costs and print advertising for externally advertised positions. The upper estimate includes these costs plus the use of recruitment agencies and relocation costs.

Source: Victorian Auditor-General's Office, based on figures in Office of Workforce Development, *Consolidated business case for the acquisition and implementation of an effective e-Recruitment System*, Melbourne, July 2004.

Although recruitment in the audited agencies involves significant expenditure in terms of staff time and dollars, there is a lack of disciplined collection of data on costs and the subsequent analysis and reporting of these costs to senior management.

3.5 Conclusion

In the agencies where recruitment is integrated with workforce planning, it is more strategic and more focused on the longer-term needs of the organisation. In organisations where the link between recruitment and workforce planning is tenuous or even non-existent, recruitment is more reactive and focused on the process of filling vacancies rather than on addressing skill shortages and longer-term, strategic workforce issues.

Overall, VicRoads and the SRO adopt a more strategic approach to recruitment. It is aligned with business needs, has a strategic focus and is an integral part of workforce planning. There are some instances in the other agencies where recruitment is considered within a broader workforce planning framework, but mostly recruitment is considered as a silo activity with tenuous connections to driving agency outcomes.

All agencies had well-documented policy or guidance statements for recruitment and these tended to reflect the degree to which recruitment was seen as an operational or a strategic activity.

Most of the agencies do not effectively evaluate the success of their recruitment activities in the context of agency outcomes. Consequently, it is difficult to assess their effectiveness in attracting pools of applicants for positions and, subsequently, in making the right selections.

The collection, analysis and reporting of recruitment data in all agencies requires improvement, particularly data that would assist senior management to make strategic decisions on how recruitment could contribute better to agency outcomes.

A range of methods for evaluating recruitment outcomes is available including tracking career progress of applicants, feedback from newly appointed and exiting staff, surveys of manager satisfaction with new staff, and analysis of performance assessment records. Agencies should choose the most appropriate evaluation methods for the aspects of recruitment that they have identified as critical.

In general, there is a need for agencies to set performance indicators for aspects of recruitment that are identified as key issues for the organisation. The new Victorian Government e-Recruitment System should be able to assist agencies in collecting data on recruitment for their performance indicators.

Overall, the agencies did not know the cost of their recruitment. It is important that agencies collect information on the cost as it allows them to measure the efficiency of their recruitment processes and to understand the real cost of recruitment.

Recommendations

- 1. That public sector agencies integrate their recruitment function into workforce planning.**
 - 2. That recruitment activity is evaluated regularly to assess its success in meeting agency objectives.**
 - 3. That suitable tools and data sets are developed to enable the evaluation of recruitment activity, especially relating to the costs of recruitment.**
-



4. Are recruitment activities adequate?



4.1 Audit criteria

In order to assess the adequacy of recruitment activities, we examined whether:

- the recruitment function is structured, resourced and undertaken by skilled staff
- a suitable range of strategies are used to attract and select staff.

4.2 The recruitment function is structured, resourced and undertaken by skilled staff

4.2.1 Structure of recruitment function

Each of the audited organisations has an approach to recruitment that reflects its organisational context, the nature of its business and the size of its workforce. In some cases, the approach to recruitment is deliberate, in others it is the way things have always been done.

Three of the agencies, the State Revenue Office (SRO), the Office of Public Prosecutions (OPP) and the Department of Industry, Innovation and Regional Development (DIIRD) have a highly centralised approach to all aspects of recruitment.

The SRO is a small organisation with a staff of 416 (June 2004) located on 2 sites. Its core business is clearly defined and is uniform across the organisation. Its centralised recruitment function supports its whole-of-organisation workforce planning strategy. The OPP is also a small organisation with a staff of 190 (June 2004), located in one office and with a clear core business.

The OPP's traditional centralised approach is efficient, because of the size of the organisation and the capacity of human resources staff to participate in the selection of all staff.

DIIRD, on the other hand, is not only a much larger organisation in terms of staff, but is also far more diverse. DIIRD has 673 (June 2004) staff working in 12 distinct businesses, across 30 different locations including metropolitan and regional offices, in Sydney and in 15 countries overseas.

Its centralised approach to recruitment is managed through designated staff in the human resources area providing support for different business units in all aspects of recruitment. This support varies from providing basic administrative support, to providing high level advice on the selection process, to participating on selection panels.

This structure attempts to deal with the diversity of the business units, varying from industrial relations to tourism, but can be constrained by the relative quality of human resources support and the traditional one-size-fits-all approach.



DIIRD's new recruitment banner showing the diverse business units.

Parks Victoria, with 1 041 staff (June 2004), has quite a different approach to recruitment, outsourcing this function to a specialist agency. An employee of the recruitment agency is located within the human resources branch of Parks Victoria and basically performs the same administrative role as the internal human resources staff in the other agencies with a centralised function.

Additionally, the agency advertises, short-lists, assesses and occasionally participates on selection panels for externally advertised positions.

Parks Victoria's arrangement with its agency focuses on operational support rather than more strategic advice on recruitment. As a consequence, Parks Victoria may not be getting full value-for-money from its decision to outsource the recruitment function. Parks Victoria has acknowledged this may be the case and is addressing this issue.

VicRoads is a diverse agency with 2 384 staff (June 2004) located in 55 metropolitan and regional locations. In order to meet the diverse and complex needs of these business units, the recruitment policy allows for 2 forms of recruitment:

- a centralised process through the Workforce Planning Unit which works in partnership with managers
- a devolved process undertaken by managers who manage all aspects of recruitment.

In both cases, local human resources staff support the managers in undertaking recruitment.

4.2.2 Staff skilled in recruitment

Managers were involved in selection of staff in all the audited agencies, whether those agencies adopted a centralised, outsourced or devolved structure for recruitment.

The role of human resources staff also varied in all agencies. Such variety included:

- managing the whole recruitment process in collaboration with managers
- providing high level advice to managers and selection panels
- participating on selection panels
- providing administrative support to managers.

The training provided to managers and staff on selection panels varied greatly and most tended to focus on the process, and the need to select on merit, rather than on methods of selection and how to assess applicants without bias.

VicRoads regards the training of selection panel members as important, but it varies across the organisation. For example, one region has undertaken training on behavioural interviewing techniques. A training program is being developed for delivery across all regions in the coming year. However, the focus of this program appears to be more on selection procedures than on skilling panel members to make sound selection decisions.

Parks Victoria has not provided any formal training to selection panel members in the last 3 years. Senior management believe that the skills of staff are reasonable, in that managers understand the process and how to structure a panel. However, the lack of necessary documentation in their recruitment files brings this statement into question.

The SRO tends to coach senior staff on a one-to-one basis so that they can recruit to the next position when it arises. They also ensure that someone with selection expertise is on each panel and provide coaching for individual selection panels if required. No formal training is offered, but there are plans to conduct training on behavioural interviewing.

DIIRD conducted training when the *Better Selection Practices* toolkit was launched in 2002. Since that time, human resources staff provide advice to managers on all aspects of recruitment and managers experienced in recruitment usually manage the process. DIIRD's policy that members of selection panels must be trained is not monitored.

Use of recruitment specialists

The use of external experts differs considerably across the agencies. Two agencies access external specialists on a regular basis, while the other agencies rarely use such resources.

The SRO is one agency which manages its own recruitment as a general rule, but will use a recruitment company on rare occasions for non-executive staff. Recently, the SRO contracted an agency to recruit a manager at the VPS Grade 6 level as this position was considered critical to the success of a major human resources program.

As stated earlier, Parks Victoria has outsourced its external recruitment to an agency which manages the process for positions advertised. A major aspect of this arrangement is the provision of administrative support for recruitment. All external applications are processed by the agency which also conducts assessment centres for Parks Victoria when required. Its consultants are also used on selection panels from time to time.

Due to the sole provider agreement and the long-term commitment, the agency has formed solid working relationships with Parks Victoria. It has developed an understanding of the business which aids in both the preparation of advertisements and the screening of applicants.

External advice is also provided to selection panels in Parks Victoria through the use of assessment centres for some external positions. However, it is unclear as to how well these assessments are integrated into the selection decision. The traditional interview is still seen as the primary tool in making selection decisions.

There is an opportunity for Parks Victoria to extend its arrangement with its recruitment agency to access more strategic advice on recruitment.

Parks Victoria also uses other recruitment companies on occasions when staff with specialist skills are required, such as legal officers.

VicRoads is the other agency which regularly uses external expertise. Its centralised recruitment process uses 9 recruitment companies to attract applicants and conduct initial screening of applicants. This approach was adopted in order to maximise access to the labour market, particularly in areas of skill shortage. Each company is asked to provide a field of applicants for the positions and to process and screen applications in response to advertisements.

4.3 A suitable range of strategies is used to attract and select staff

4.3.1 Traditional approaches

The traditional approach to selection in the public sector includes the following elements:

- internal selection panel
- short-listing of applicants based on assessment of application
- formal interview
- referee checks.

In recent times, some form of pre-employment checks, such as police checks, are carried out.

All the agencies followed this traditional approach to the recruitment of employees, with some variations.

Appropriate selection criteria

All the audited agencies have selection criteria for positions. The quality and number of these criteria varies across agencies and within work areas. Some agencies have up to 12 criteria – which leads to a lot of work on the part of both applicants and panel members. Some sets of criteria are very general with the usual requirements for teamwork, communication and interpersonal skills, while others are very specific with technical knowledge or expertise highlighted.

Selection criteria provide the basis for assessing and comparing applicants. However, the nature and number of selection criteria is not clearly evaluated in any of the agencies. The value of the responses of applicants to the criteria in making the selection decisions is also not evaluated. For example, are the selection criteria actually useful in selecting staff?

Most policies include a recommendation that selection criteria be reviewed when a vacancy is about to be advertised. VicRoad's electronic recruitment process requires managers to sign-off on having reviewed criteria for positions. Although this step is also built into procedural guidelines in the other agencies, it is not effectively monitored.

Internal selection panels

All the agencies use traditional internal panels as their major selection method. Managers usually chair panels, which include representatives from the immediate work unit and other work areas.

The guidelines for selection panels at VicRoads are typical of all the agencies in ensuring that selection is fair. They state that a panel should be mixed in gender and include staff with a range of skills, abilities and backgrounds reflective of a thorough knowledge of the work area as well as other parts of the organisation.

Selection panels manage the short-listing process in most of the agencies. This is a labour-intensive process when there are large numbers of applicants. Parks Victoria and VicRoads both use recruitment companies to do the initial screening and short-listing of applicants for externally advertised positions.

Appropriate use of interviews

All agencies audited use the formal panel interview as the predominant element of the selection process. These interviews can range in length from 20 minutes to one hour. There does not appear to be any rationale for the length of these interviews, for example, longer interviews with applicants for more senior positions.

VicRoads' policy statements emphasise that the interview is only one aspect of the selection process and that the actual work performance, referee assessment and suitability for the position should be assessed in order to make a sound selection decision.

VicRoads, DIIRD and the SRO, and more recently Parks Victoria, promote behavioural interviewing in their policy statements, but none monitors whether selection panels implement this policy. Further, their recruitment files do not consistently contain the questions asked at interviews.

Appropriate checks

Research indicates that past performance is one of the best indicators of future performance. Consequently, contact with a range of previous work colleagues is an important source of information when making selection decisions.

All agencies contact nominated referees of preferred applicants in order to confirm their assessments and to gain additional information about the past performance of applicants. There appears to be very limited use of other forms of employment checks, such as verification of employment history, background checks with previous employers, and inquiries to customer or other client groups.

Some agencies state that only nominated referees can be contacted. For example, DIIRD advises that privacy legislation prevents selection panels from contacting people not nominated by the applicant for reference purposes. This advice fails to take account of the capacity for selection panels to seek permission from applicants to carry out further checks on their employment history.

Three of the agencies - the OPP, DIIRD and VicRoads - conduct police checks. All agencies conduct qualification checks, but some do not occur until after the applicant has been advised of their success in gaining the position.

An internal audit within the SRO recommended that qualification checks should be conducted prior to appointment.

4.3.2 Innovative and flexible approaches

Attracting applicants

Most of the agencies rely on attracting graduates as a means of supplementing their workforces and attracting professional staff. However, we found little evidence of other means of attracting applicants such as the development of employee value propositions¹ or building a larger “pool” of temporary or seasonal staff from which to recruit permanently.

VicRoads has developed strategies to be an employer of choice for graduates, recruiting up to 60 graduates each year and placing them on an 18-month program of job rotations. Around 1 300 applicants are attracted each year. The retention rate of graduates is over 70 per cent and the program has received recognition as one of Australia’s Top 50 graduate employers in 2004.

VicRoads is aware of the need to attract staff in a competitive environment and uses promotional material both within Australia and overseas to attract people to work in VicRoads, particularly in its regional locations. It has successfully recruited several overseas professional staff as a result of its promotional work.

The OPP employs up to 6 articulated clerks on an annual basis as a strategy for attracting young graduates to supplement its workforce, although this is not its primary purpose. Although the OPP retains most of these staff after the completion of the program, its major need is for more experienced solicitors.

¹ Employee value propositions (EVP) are designed to bring scarce talent through the doors, and keep them there – just as a company carefully shapes its value proposition to customers, it should also deliberately craft the value proposition to its people. The EVP answers the question, “Why would a talented person want to work here?”



VicRoads' 2005 graduate intake – pictured with VicRoads' Chief Executive, David Anderson (front left).

DIIRD participates in the VPS Graduate Recruitment Scheme, recruiting up to 5 graduates each year, while the SRO commenced a pilot graduate program in 2004 to recruit technical staff due to its need for taxation specialists.

In terms of general recruitment, DIIRD recognises the need to present itself as an attractive employer, offering challenging work, varied experiences, good working conditions and career opportunities. It suggests that the key marketable features of each role should be included in advertisements. However, we found no evidence that this was occurring.

Attraction of applicants is not a major problem for Parks Victoria as most positions are advertised internally. When positions are advertised externally, there is usually no shortage of applicants as many in the community perceive the nature of its work as highly desirable. As a result, Parks Victoria is often faced with the challenge of screening large pools of applicants.

Developing better position descriptions

Apart from DIIRD and VicRoads, position documentation is traditional in style with duty statements and specific selection criteria usually written in bureaucratic language. However, DIIRD and VicRoads recognise the importance of position documentation in attracting applicants and place emphasis on developing better position descriptions.

DIIRD defines recruitment as gathering information about jobs and about people and then attempting to obtain a match. It places considerable emphasis on the first stage of recruitment – defining or completing the job description. In defining the job, DIIRD covers

- context - the key functions of the immediate work unit
- duties - what the person in the role needs to do
- key selection criteria - the skills, experience and knowledge the person needs to have to perform in the job.

These 3 components are seen to be important in marketing the vacancy as favourably as possible. However, DIIRD has not conducted any evaluation of the effectiveness of their job descriptions in attracting applicants.

Using tests for selection

While there was some evidence that agencies are supplementing formal interviews by using other methods to select staff, there is enormous potential for agencies to expand their repertoire of strategies.

The SRO uses practical testing where appropriate and is currently reviewing a range of other testing. The Investigations Group within the SRO recently conducted testing as an additional selection method. Applicants were tested for their understanding of the position, their motivational fit and their written skills. Second interviews were also conducted for some of the more senior positions.

VicRoads emphasises the need for additional methods to assist selection decisions. VicRoads advises managers that their methods need to be relevant to the job, rather than generic, and could include practical exercises, case studies or presentations. They have adopted additional testing tools to use in the process of selecting a range of staff, including customer service officers.

The VicRoads Graduate Recruitment Program also uses different additional selection techniques, including the use of psychometric testing. There is an opportunity for VicRoads to apply elements of the graduate selection methodology to other positions to enhance its overall selection of staff.

Public sector agencies are familiar with other methods for selecting staff through the VPS Graduate Recruitment Scheme. This scheme uses a recruitment company to manage the whole process. An extensive process is used including a range of assessment exercises, psychometric testing and interviews.

Using assessment centres

Parks Victoria uses assessment centres through its recruitment agency to assess the suitability of external applicants for more senior positions or for group recruitment. In 2004, approximately 25 internal and 310 external applicants went through the assessment centre process.

This process consists of activities that assess a range of capabilities. It includes role plays, practical testing, psychometric testing for ability, personality and motivation, group activity measuring competencies, one-on-one workplace simulation, and behavioural interviews.

However, Parks Victoria does not maximise the use of this information and it is not clear – either from its policy statements or from its recruitment files – the extent to which the assessment centre report is valued and used in the final selection decision. Parks Victoria would benefit from increasing the confidence of managers in the assessment centre approach, and in how these reports can be used to make the selection decision more robust.

Recruiting for cultural fit

The agencies we audited did not emphasise cultural fit i.e. the need to attract applicants with not only the skills and experience to undertake the positions, but with the values and desired behaviours to suit the organisation.

The need to recruit for cultural fit is emerging as equally important to technical qualifications, skills and experience, particularly in the private sector.

Cultural fit can be used to differentiate between applicants with similar skills, experience and qualifications, but different working styles, thus achieving a better fit with the way the agency works.

While all agencies identified their values and behaviours, they did not integrate these into selection criteria, and selection methods were not explicitly designed to assess cultural fit.

Parks Victoria has a clear statement of its values and desired behaviours, but its position descriptions are constructed in a traditional format and do not refer explicitly to these values and behaviours. The assessment centres used by Parks Victoria for some of its recruitment could be expanded to focus on assessing these values and behaviours.

DIIRD's position descriptions tend to contain traditional selection criteria, with little reference to the values and behaviours which are clearly stated in other documents. The integration of these values and behaviours into the selection process would make DIIRD's recruitment and selection more strategic and more clearly linked to achieving agency outcomes.

The SRO has a set of values to ensure that all staff interact in a positive and integrated manner and are working towards a common goal. These values include quality customer service, quality leadership, honest communication, ethical behaviour and working together professionally. However, these values are not used explicitly in the recruitment process to either attract or select staff.

VicRoads has a capability framework which includes values and behaviours. Although the cultural fit of applicants for the graduate program is assessed, this is not applied to the selection of other staff.

Most of the audited agencies do not write their selection criteria in terms of capabilities or values and desired behaviours. At best, there is an implied link only between the capabilities, values and behaviours and the selection criteria. For example, although the inclusion of teamwork as a criterion may be seen as addressing an organisational value, the link is not clearly stated.

Developing flexible approaches

Most of the audited agencies undertake recruitment on a position-by-position basis. This is a time consuming and resource intensive approach and may not result in the attraction of a viable field of applicants on each occasion.

All the agencies have conducted group recruitment campaigns at times when there has been a need for a large number of new staff. For example, Parks Victoria and VicRoads have undertaken group recruitment as a strategy for meeting urgent workforce needs and have also developed other approaches to recruitment.

Parks Victoria's seasonal workforce

Parks Victoria has developed a strategic approach to attracting its seasonal workforce. Due to the nature of its work, it has a need to increase its workforce during summer and employ more park rangers and fire fighters.



Victorian firefighters mopping up after a fire.

Apart from using this approach for its seasonal staff each year, Parks Victoria also recruited 50 new ranger positions across regional Victoria in 2003 in one large exercise. Its contracted recruitment agency played a significant role in this with its links into regional Victoria. Within this group recruitment process, 10 positions were allocated to Aboriginal and Torres Strait Islander employees, approximately 20 were made fixed term appointments and the rest were ongoing positions. This represented a strategic approach to ensuring that its workforce had representation from diverse groups and was flexible in terms of recruiting a mix of ongoing and contract positions.

Parks Victoria management have stated that this group recruitment produces better outcomes in terms of quality staff, due to:

- the expertise of the selection panels established
- the consistent approach to selection taken by the panels
- the ownership by a senior manager driving the process.

Although the group recruitment of seasonal staff each year is effective, the need to undertake the process each year is a significant cost to the organisation. Parks Victoria, therefore, is considering alternative strategies such as establishing a regular pool of seasonal staff and employing them for a longer period of time each year to undertake a wider set of tasks. This may increase the number of staff interested in these positions due to the longer term of employment, and reduce the costs associated with recruiting and training new staff each year.

Parks Victoria is also initiating an exchange program with Canada so that seasonal staff can work 6 months in Australia and 6 months in Canada. The first exchange program commenced in June 2004. This program has the potential to meet the staffing needs of the organisation and of the individuals for continuing employment. However, the extent of participation in such a scheme may be limited.

VicRoads' regional workforce

As a result of a significant, long-term vacancy rate in some regions, VicRoads undertook a group recruitment exercise on the request of senior management in 2003-04. Initially, management identified a need for 35 new staff, to be followed by a further 50 staff. The human resources branch was asked to undertake a group recruitment campaign to fill these vacancies across the organisation. This was successful in recruiting 78 new staff within a very short timeline. On the basis of this success, the Workforce Planning Unit has continued to undertake external recruitment on request from managers.

VicRoads has also developed its own employment brand for their graduate program and for the organisation as a whole. It has undertaken extensive marketing campaigns to attract experienced staff. For example, VicRoads participated in an "Opportunities Australia Expo" in London to attract overseas staff. This involved working with both public and private companies in promoting Victoria to overseas professionals.



Careers fair at RMIT University promoting the VicRoads' graduate program.

4.4 Conclusion

The agencies all tend to follow the traditional public sector approach to recruitment. They need to focus more on the outcome of recruitment rather than the process, adopting a more flexible approach and more diverse recruiting methods in order to ensure the best people are recruited.

Overall, internal selection panels are well constituted, and consist of sufficient people to provide a diversity of views. In some cases the panel members' level of skill in selection is an issue and the lack of monitoring of this skill is of concern. All agencies need to consider including credible experts in staff selection, either internal human resources staff or external specialists.

Agencies also need to train managers more effectively in both the attraction and selection of staff. The current emphasis of both formal training and informal coaching tends to focus on understanding the process and the need to select on merit. Very little training is provided in using different selection techniques or in overcoming well-known biases in selection, such as the tendency to appoint like-minded people.

On the whole, the recruitment methods adopted by the agencies that we audited are based on traditional processes rather than focused on selecting the best people. For example, agencies continue to focus on the interview as the major selection tool and background and referee checks are limited. Further, the selection criteria and position descriptions used as the basis for assessment are often not focussed on the particular capabilities needed to undertake the work required.

Overall, the agencies pay little attention to building a pool of applicants, to developing a reputation as an attractive employer or to the issue of the cultural fit of applicants.

Some agencies have adopted different methods on some occasions, but evaluation of these methods is rarely undertaken. Nevertheless, each of the agencies has the opportunity to build on its experience to enhance the recruitment of staff.

Specifically:

- DIIRD could develop an implementation strategy for the sound policy and practices outlined in its Better Selection Practice Toolkit for managers, and monitor the use of elements such as behavioural interviewing.

- The OPP could consider developing a strategy to attract staff – what it can offer in terms of experience, promotion, flexible working conditions and focus on retaining staff for longer periods of time.
- Parks Victoria’s group recruitment strategy could be expanded into other parts of its workforce. It could also take the opportunity to redefine the role that its contracted recruitment company could play in providing expert recruitment advice, not simply administrative support.
- The SRO could continue to expand on the use of practical testing to support its selection of staff.
- VicRoads could apply elements of its approach to attracting and selecting graduates to other sections of its workforce. The achievements of the Workforce Planning Unit provide a sound basis for bringing more rigour and expert input to all its external recruitment.

Recommendations

4. **That public sector agencies develop strategies to improve the capability of managers in selecting the best people for positions.**
 5. **That public sector agencies develop strategies to attract applicants, through developing employee value propositions and other forms of promotion.**
 6. **That public sector agencies develop more diverse and flexible methods of selecting staff.**
-



5. Is recruitment in line with public sector employment principles?



5.1 Employment principles

As stated earlier in this report, the previous *Public Sector Management and Employment Act 1998* contained 4 employment principles – selection on merit, fair and reasonable treatment, equal employment opportunity and avenue of redress against unfair or unreasonable treatment. The new *Public Administration Act 2004* added another principle: fostering the development of a career public service.

These employment principles apply throughout the Victorian public sector.

The major principle relating to recruitment of staff is the need for employment decisions to be based on merit. The previous Commissioner for Public Employment issued a direction on selecting on merit in 1998. The intent of this direction was to ensure that the best available people are recruited and selected for advancement in the public sector, based on their competency to perform the work.

The direction on merit-based selection established the minimum requirements that agencies must follow to meet this principle. Under this direction, “merit” is defined as the extent to which each applicant has:

- the skills, knowledge, experience, past performance and other personal qualities relevant to the work
- demonstrated good conduct appropriate to public sector employment
- potential for further development in the agency.

Since July 1998, these minimum standards have guided agencies on how to develop local policies and practices when making employment decisions.

5.2 Audit criteria

In determining whether the recruitment policies and practices of the agencies in this audit are in line with public sector employment principles, we assessed whether:

- attraction is based on an appropriate understanding of the employment principles
- selection processes meet the employment principles.

The audit also examined aspects of the operations of the Office of Public Employment (OPE) in promoting the employment principles, and selection on merit in particular, across the Victorian public sector.

We examined whether:

- a well-planned set of strategies to promote the employment principles were implemented and evaluated
- accurate information was collected in order to monitor and report on the application of these principles in recruiting staff.

5.3 Attraction is based on the employment principles

Most of the agencies audited referred to the employment principles in their policy documents and emphasised the need to select staff on the basis of merit. Three agencies – the Department of Innovation, Industry and Regional Development (DIIRD), the State Revenue Office (SRO) and the Office of Public Prosecutions (OPP) - referred to the Commissioner's directions in detail, setting out specific steps for managers to follow.

Internal applicants were made aware of the principles through information on agency intranets and, in some cases, through training. External applicants were provided with information about the principles in position documentation.

5.3.1 Advertising vacancies

The Commissioner's direction on merit states as a minimum standard that all ongoing vacancies must be advertised.

The traditional interpretation of this standard has been that all vacancies must be advertised across the public service and, where there is a need to attract a greater field, to the wider public. This approach is adopted by the OPP and, on most occasions by DIIRD.

However, this is a narrow interpretation of the standard. Positions can be advertised within an agency if there is a competitive pool of internal applicants. When making this decision, agencies also need to take into account other issues such as succession planning and career development.

Figure 5A shows the percentage of vacancies advertised internally compared with those advertised externally in each agency.

FIGURE 5A: PERCENTAGE OF VACANCIES ADVERTISED INTERNALLY AND EXTERNALLY IN AUDITED AGENCIES

Agency	Advertised internally (%)	Advertised externally (%)
Department of Innovation, Industry and Regional Development	27	73
Office of Public Prosecutions	0	100
Parks Victoria	74	26
State Revenue Office	40	60
VicRoads	39	61

Source: Victorian Auditor-General's Office, based on information provided by agencies.

Parks Victoria and VicRoads both have their own enterprise bargaining agreements (EBA) which provide detailed clauses relating to recruitment. In relation to the attraction of applicants, both agreements require the internal advertising of positions before they are advertised externally¹.

Parks Victoria's EBA states: "Vacant or newly created positions classified in Grades 1 to 6 that are for more than 12 weeks in duration shall be advertised internally. If no suitable internal applicant is found the position may be available to external applicants".



Parks Victoria recruits for staff operating in remote locations, such as the Wilsons Promontory Lighthouse. The lighthouse is the most southerly lighthouse on mainland Victoria and is only accessible by an 18 kilometre walking track.

¹ Under the Public Sector Management and Employment Act, the Commissioner's directions on the employment principles were not binding for public sector agencies, such as Parks Victoria and VicRoads.

Our review of Parks Victoria's recruitment files showed a very small number of applicants for many positions. In 8 cases, there was only 1 applicant. This may mean that Parks Victoria is not drawing on the best available pool and enhancing its opportunities to select the best people. However, it needs to be noted Parks Victoria employs in remote locations where there may be only 1 person available.

As a result of the clause in its enterprise bargaining agreement, VicRoads' policy on advertising positions is complicated.

"The policy allows for external advertising to occur when:

- all internal recruitment processes have been completed; AND
- all redeployment options have been exhausted; AND
- there is still a demonstrated need to fill the position; OR
- special needs are identified.

Alternatively, Directors may agree to the position being advertised internally and externally at the same time provided that external appointment will only be considered if no internal candidate meets the key selection criteria."

Human resources interpretation of this policy is that internal applicants are to be considered first, and if an internal applicant meets the selection criteria, then they are appointed to the position and external applicants are not assessed. However, it is unclear if this is what actually occurs in practice.

VicRoads needs to review its policy regarding advertising of positions to ensure that all applicants are treated in the same way.

The SRO's approach is to advertise positions to internal staff, particularly when they are seeking technically skilled staff. The availability of internal candidates is considered before advertising in the external market.

5.3.2 Reporting exemptions

Although the Commissioner's direction states that all vacancies for ongoing employment at the non-executive level are to be advertised, it does allow some positions to be exempt:

- where the agency head certifies there is no breach of merit and equity
- to employ members of disadvantaged groups declared by the Commissioner
- where the agency head directs that an employee be re-assigned at level.

Both the SRO and DIIRD have comprehensive lists of exemptions. For example, DIIRD has the following categories and process for the exemption of vacancies in order to ensure that the principles of merit and equity are not breached:

- specialised job
- reclassification
- identical or similar vacancy
- recent advertisement
- graduate recruitment
- declared disadvantaged group
- change in status.

Under the previous legislation, heads of public service agencies must report decisions to exempt vacancies from advertisement in annual reports to Parliament and they must inform staff of such exemptions. This requirement did not apply to public sector agencies such as Parks Victoria and VicRoads.

All the audited agencies had some exemptions from advertising but not all reported these in their annual reports.

VicRoads, DIIRD and the SRO advised staff of exemptions, as required under the Commissioner's direction.

5.4 Selection processes meet the employment principles

5.4.1 Selection on merit

All agencies emphasised the need to select staff on the basis of merit. Some, like DIIRD and the SRO, have strong statements on this, with specific criteria for staff to follow.

The SRO's documentation emphasises all aspects of the direction, including the need to be aware of not "manufacturing merit" by appointing staff to acting positions for too long a period of time. It states that its selection will be on the basis of merit, defining merit as "constituted by the assessment of an individual's skills, qualifications, experience, work performance and potential for further development in relation to the inherent requirements of the vacant position".

The SRO also states that the following criteria for selection must be met:

- selection methods to be relevant to the work
- selection decisions and processes to provide procedural fairness

- the selected applicant to be judged competent to do the work
- where more than one applicant is competent, the person offered the work to be the one judged best suited to SRO needs
- no favouritism and unlawful discrimination in the selection processes and decisions
- maintenance of appropriate confidentiality.

DIIRD emphasises the employment principles and Commissioner's directions throughout its policy documentation, stating that selection to a job must be based on merit. DIIRD's guidelines also state: "The department's selection processes must reflect equity and fairness and all selection decisions must be able to withstand any challenges and/or scrutiny".

In its *Better Selection Practices* toolkit it emphasises that selection techniques that assess both current and future capability should be used. The toolkit points out that non-behavioural based interviews and referee checks can be easily coloured by subjective judgements and may not get to the heart of selecting on merit.

DIIRD has introduced behavioural-based interviewing as the recommended technique for both interviews and referee checks. However, there does not seem to be any strategy for monitoring the use of this type of interviewing across the organisation.

VicRoads' recruitment manual defines merit as ensuring that the best available people are recruited and selected on the basis of their competence to perform the work. Documentation for managers clearly stresses the importance of the merit principle.

Parks Victoria's policies and guidelines do not refer to the public sector employment principles. There is only the occasional mention of selecting on merit.

Selection criteria and selection panels

The direction on selecting on merit emphasises that selection criteria must be relevant to the work to be performed, bias free, documented and made available to all applicants.

All the agencies audited assessed applicants for positions against a range of selection criteria. The criteria were relevant to the work, free of bias and available to all applicants via websites or upon request.

Selection policies are made available to external applicants, with some providing guidance on how to address selection criteria. Most agencies set out detailed guidelines for interview panels on how to develop questions around the selection criteria.

With the exception of VicRoads, all agency selection panels were appropriately constituted with gender representation. VicRoads' policy states that if it is not practical to have a mixed-gender panel, applicants whose gender is not represented will be asked if they are comfortable with such a panel. In some agencies, panel members must declare any conflict of interest or possible bias prior to any interviews proceeding.

Documentation capable of review

The direction on selecting on merit requires that selection decisions must be capable of review². This requires proper documentation of the findings and decisions of the selection process.

We reviewed a sample of recruitment files for each agency in order to assess the consistent application of recruitment policies and processes. Files were selected to ensure that a range of positions, levels and locations were covered.

The records and documentation of selection processes and decisions varied across the agencies, and there was no consistent understanding of which documents needed to be maintained.

The following table shows the percentage of files reviewed in each agency containing documentation capable of review.

² The minimum standard in the Commissioner's direction is that selection decisions need to be *capable of review*.

FIGURE 5B: REVIEW OF RECRUITMENT FILES IN EACH AGENCY

Files containing:					
	Selection report (%)	Position description with selection criteria (%)	Method of advertising (%)	No of applications received and number short-listed (%)	Copies of applications ³ (%)
DIIRD	90	90	100	90	57
OPP	62	40	100	95	81
Parks Victoria	47	67	7	93	57
SRO	91	95	91	95	100
VicRoads – Divisional	11	33	11	11	33
VicRoads – Centralised	100	100	100	100	100

Source: Based on an analysis of a random selection of approximately 30 recruitment files per agency.

Three agencies, the SRO, DIIRD and the centralised recruitment function within VicRoads had detailed guidelines as to what documentation is required and provided proformas for selection reports.

The same 3 agencies maintained comprehensive records of selection processes, based on detailed guidelines, and high-quality selection reports with detailed comments on each applicant.

The SRO has a comprehensive checklist to ensure the basis for the decision is clear. Its selection report must include background information, total interview scores, preferred applicant summaries and recommendations of the panel.

The SRO also requires various other documentation of the process to be kept including letters of offer, letters to unsuccessful applicants, reference check forms with comments, interview guides, comments and scores, all applications, copies of advertisements, authorisation forms and position descriptions. Almost all the SRO files we reviewed contained this information and were maintained securely by human resources.

The documentation maintained by the other agencies we audited also ranged from minimal for some vacancies to complete files for others. For example, files for recruitment actions undertaken centrally within VicRoads were complete, while those maintained by managers were not consistent.

³ Under privacy legislation, information about applicants should be disposed of after 6 months. It should be noted that some agencies keep applications on personnel files rather than on recruitment files.

Parks Victoria has guidelines on recruitment file documentation, setting out that a selection report, a letter of offer and other associated documentation such as interview records and score sheets, should be maintained. However, this does not occur consistently. Of the 30 recruitment files we reviewed, only 14 contained a selection report, while the information in 8 was not sufficient to determine easily the details of the recruitment action. For example, some files contained detailed selection panel ratings and accompanying notes, while others had little information, not even the names of applicants interviewed.

Overall, Parks Victoria's selection decisions were poorly documented and files not well maintained while the OPP's records were adequate, but not comprehensive. It was difficult to identify the reason for the selection of the successful applicant in relation to other applicants in some cases.

The agencies need to review their guidelines for documentation required in recruitment files. The Commissioner's direction on selecting on merit refers only to the need that decisions must be capable of review.

Agencies need to adopt a consistent organisation-wide approach to what documentation they need to keep on files and how they manage these files. They should consider the following in developing their guidelines:

- a selection report containing a comparative assessment of applicants against the selection criteria and an outline of the selection process
- a copy of the position description including a duty statement and the selection criteria
- the method of advertising
- the number of applications received and those short-listed for interview including whether they are internal or external candidates and whether they are currently employed in the VPS or the private sector
- copies of applications for top-rating applicants⁴.

In examining the documentation of all agencies, we also found little evidence of attention to the best methods of attracting and selecting applicants.

Concern with the need to meet the minimum standards for the employment principles has become, in many instances, the focus of the selection process. The intent to appoint a high-quality employee can be lost in such concern with process.

⁴ Permission of applicants required under Privacy Act.

5.4.2 Selection and the other employment principles

The corporate plans of most of the audited agencies showed a strong commitment to equal employment opportunity, and recruitment policies and processes reflected this commitment.

All agencies have processes for public service applicants to appeal against selection decisions. Some agencies have highly-formal processes that ensure transparency of decision-making. For example, VicRoads has an appeals process that involves its Employee Relations Department and an appeals committee. Its procedures for an appeal are clearly documented.

Grounds for review are limited to deficiencies in the process that prevent selection on merit. However, in all agencies there have been few appeals in the last 3 years.

All agency policies state that applicants can request feedback on selection decisions.

5.5 Employment principles are promoted

5.5.1 Promotion of employment principles

The Office of Public Employment (OPE) undertook a number of activities to promote the application of the employment principles. In 2003-04, these activities included:

- conducting regional forums and workshops designed to foster better practice in people management and to provide opportunities for networking
- meeting with staff in selected public sector organisations
- developing resource materials and access to an e-group and online library of research and good practice case studies
- participating in networks such as the VPS Continuous Improvement Network
- promoting the Better Practice Partnerships Program
- managing annual awards, grants and conference style events
- publishing quarterly newsletters, occasional papers and bulletins containing examples of better practice, key ideas from forums and data from research studies.

The OPE also responded to sector queries on the application of the principles and undertook reviews of grievance processes in VPS agencies related to the application of the principles.

The OPE's promotional activities were targeted particularly at agency human resource managers. It was assumed that they would then influence senior executive and other managers in applying the principles in practice. However, the OPE also recognised the need to influence the behaviours of line managers and produced a well-received resource *Leading the Way*, a developmental guide for line managers in 2004.

The OPE conducted evaluations of the impact of its individual products such as its publications. For example, a review of its quarterly newsletter, *SCOPE* highlighted that the OPE needed to increase the level of recognition across the public sector and to promote its value as a source of better practice.

The planning process undertaken by the OPE for promotion of the employment principles was limited to a yearly work program which took a broad-based approach to promoting the principles. The OPE identified 4 key goals for its operations in its 2004 Annual Report⁵:

- Promoting the principles in practice.
- Reporting on the application of the principles.
- Delivering targeted human resource services.
- Effective and efficient management of the OPE.

However, the OPE did not develop clear objectives, priorities or milestones to drive progress towards these goals. Decisions on which projects would be developed were based on a case-by-case basis, rather than on an integrated plan based on strategic priorities and an associated allocation of resources.

The OPE also did not have robust performance measures to assess the impact of its activities in promoting and reporting the principles.

In 2003, the OPE commissioned reviews of both its promotion and reporting on the application of the employment principles. Each of these supported a more strategic approach.

5.5.2 Monitoring and reporting on the employment principles

The Commissioner's annual report to Parliament on the application of the principles was based on 2 annual surveys:

- the *Organisational Self Assessment (OSA)* survey – a survey of public policies, procedures, systems and processes in place to apply the employment principles

⁵ Commissioner for Public Employment 2004, *Annual Report 2003-04*, Commissioner for Public Employment, Melbourne.

- the *People Matter* survey – an employee opinion survey monitoring employee confidence in the application of the employment principles.

These annual surveys were supplemented by additional studies on specific topics, such as on the application of merit. Two studies were undertaken:

- Applying merit – A study to help identify, encourage and support better practice in applying the merit principles in 2002.
- Better HR Practices in Victorian Public Sector Organisations in 2003.

The information gained from these sources formed the basis for the OPE's internal assessment of activity and the Commissioner's annual report to Parliament on the application of the principles.

A recent comparative review of the OPE's reporting framework found that its collection of information on the application of employment principles was comparable with better practice in the United States, United Kingdom, New Zealand and several Australian jurisdictions⁶. However, there were significant limitations in OPE's approach to collecting information and in the soundness of individual survey instruments.

The OPE's early monitoring attempts focused on identifying the existence of policies in agencies which reflected the employment principles – largely through verifying the presence of processes in public sector agencies. Over time, it developed more sophisticated survey instruments, but with a change from validation to self-assessment. There were no processes in place to verify the information from agencies.

The OSA was largely a list of the self-reported policies and processes implemented by public sector organisations to apply the employment principles. While the survey identified the existence of policies and processes, it was not designed to enable a review of the extent or the quality of their implementation. Significantly, it did not enable the OPE to identify the factors affecting success in implementing the employment principles.

The OPE was not able to clearly articulate the research base for its survey tools and it is unclear whether or not they were based on models of good practice. The OPE acknowledged this and commissioned research to redesign and improve the OSA survey.

⁶ L Bennington and B Barry, Graduate School of Management, Latrobe University, Melbourne, *Review of approach to reporting on the application of the principles and conduct of employment*, August 2003.

Minimum standards

As stated earlier in this report, the directions issued by the Commissioner for Public Employment set minimum standards for the VPS in applying the principles of public sector employment and conduct and set out circumstances where activity against these standards must be reported in annual reports. For example, in applying the direction on selecting on merit, public service heads must report decisions to exempt vacancies from advertisement in annual reports to parliament.

In monitoring the application of the principles and reporting annually on this to parliament, the Commissioner did not consistently monitor compliance with the minimum standards, although this did occur in its first 2 years of operation. Neither did the Commissioner report compliance with the application of the principles at an individual agency level. Reports of poor performance at the agency level were lost in the aggregate data.

5.6 Conclusion

5.6.1 Application of the principles

The employment principles for recruitment of staff, especially selection on merit, are understood across the agencies we audited and are applied appropriately. Applicants also are treated fairly and equal employment opportunity issues are addressed.

The issue of advertising positions needs further consideration by agencies. It is possible to advertise only within an agency and still meet the merit principle. Additionally, there are time and cost efficiencies with advertising internally as well as the benefits of acknowledging the value of current staff and the agency's commitment to their career development.

On the other hand, where internal advertising consistently leads to a limited pool of applicants, the agency may not be gaining the benefit of accessing the broader labour market and enhancing opportunities to recruit the best people. There is also the downside of continual movement of staff within and across business units, leading to gaps in capability and the subsequent need for more recruitment activity.

Parks Victoria, in particular, needs to recognise and address the implications of advertising internally in terms of its impact on the productivity of business units and the organisation as a whole.

In general, decisions to exempt vacancies from being advertised need to be more carefully documented and reported - and not only in annual reports. All agencies need to note that the Commissioner's direction advises that informing staff of such exemptions is required to meet the merit principle.

In relation to record keeping, agencies need to review their recruitment guidelines and files to ensure that they are appropriate and identify what needs to be maintained to enable decisions to be capable of review.

As a result of the need to meet the employment principles, agencies have tended to focus on the processes of attracting and selecting staff. This has resulted in a "one size fits all" approach to recruitment. The same process is applied to all non-executive levels with some slight variations and the traditional interview is still the focal point of selection.

The Australian Public Service Commission has also identified concerns with the traditional selection model. In a recent publication it outlines what it calls the "myths that underpin the traditional selection model"⁷:

- There must be an interview
- All applicants must be interviewed
- All interviewees must be asked the same questions
- Only nominated referees can be contacted
- Reports must be written for all interviews.

Agencies need to be encouraged to broaden their understanding of how to comply with the employment principles in general, and selecting on merit in particular. The new State Services Authority could play an important role in promoting a broader understanding of how these principles can be applied.

5.6.2 Promotion of the employment principles

While the OPE undertook a number of activities to promote the application of the employment principles, it could have taken a more planned approach to promotion. Its promotional activities needed to be more clearly linked to improving the application of the principles.

The surveys conducted by the OPE were its major source of information for its annual reporting. However, its reliance on self-reported information from agencies, and the lack of any verification mechanisms, reduced the reliability of these results and the integrity of its reporting.

A stronger research base also would have made this information available for other workforce planning and monitoring purposes.

⁷ Australian Public Service Commission 2003, *Get it right - a recruitment kit for managers*, Australian Public Service Commission, Canberra.

Overall, the OPE was improving the quality of the information it collected and was meeting its reporting requirements to parliament on the application of the principles.

While the audit was conducted on the activities of the now superseded Office of Public Employment, our conclusions and recommendations are made in the context of the future operations of the State Services Authority.

Future activity undertaken by the State Services Authority should explicitly identify its strategic priorities, outcomes and measures in influencing the application of the principles.

Recommendations

7. **That public sector agencies broaden their understanding of the merit principle to develop a broader and more flexible range of recruitment approaches to achieve the best possible outcomes.**
 8. **That public sector agencies develop guidelines for the documentation that needs to be maintained in recruitment files.**
 9. **That the State Services Authority provide leadership in strengthening the work of public sector bodies to:**
 - **link recruitment activities to broader organisational strategies, particularly workforce planning**
 - **better support line managers' understanding of and skill in applying recruitment methods**
 - **improve monitoring of the quality of recruitment processes and outcomes.**
-

Auditor-General's Reports

2004-05

Report title	Date issued
Results of special reviews and other studies	August 2004
Measuring the success of the Our Forests, Our Future policy	October 2004
Report of the Auditor-General on the Finances of the State of Victoria, 2003-04	November 2004
Results of 30 June 2004 financial statement and other audits	December 2004
Meeting our future Victorian Public Service workforce needs	December 2004
Managing school attendance	December 2004
Regulating operational rail safety (2005:1)	February 2005
Managing patient safety in public hospitals (2005:2)	March 2005
Management of occupational health and safety in local government (2005:3)	April 2005
Results of special reviews and other investigations (2005:4)	May 2005
Results of financial statement audits for agencies with other than 30 June 2004 balance dates, and other audits (2005:5)	May 2005
Our children are our future: Improving outcomes for children and young people in Out of Home Care (2005:6)	June 2005

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
Email: <bookshop@dvc.vic.gov.au>