

Analysis of Agency Reported Impacts of the Additional 2% Efficiency Dividend and Employees' Views of Work-Life Balance Issues

To assist with analysis of the agency survey data, agencies have again been grouped according to size. There were 90 responding agencies in 2007–08, with 24 classified as large (>1000 APS employees), 28 as medium (251–1000 APS employees) and 38 as small (20–250 APS employees). These size categories have also been used by the Australian National Audit Office (ANAO).¹

A copy of the questions from the Commission's 2008 State of the Service agency survey that focused specifically on the impact of the increased efficiency dividend imposed as part of the Government's budgetary measures are provided at Attachment B.

Impact of the Additional 2% Efficiency Dividend

The majority of agencies reported that the additional efficiency dividend had already had an impact on their agency. Five agencies indicated that they were exempt from the additional efficiency dividend (CRS Australia, IP Australia, the Workplace Authority, the Australian Pesticides and Veterinary Medicines Authority (APVMA), and the Royal Australian Mint).²

Of the remaining 85 agencies, the most common impacts were a reduction in staffing levels and increased working hours for existing employees (each reported by around 50% of agencies) (see Table 2). Almost one-third of relevant agencies indicated that the additional efficiency dividend had already had other impacts, including increased workloads and/or pressure on staff, increased customer service waiting times, reduced service standards for some customer activities due to fewer staff, training being postponed and a reduction in some programmes. Smaller proportions of relevant agencies indicated that employees' annual leave balances had increased due to staff being unable to take leave due to high workloads (18%) or that the agency's ability to offer flexible working arrangements had been reduced (14%). Many agencies also commented that at the time of the agency survey (in the field from 4 June to 16 July 2008) it was too early to assess the impact of the additional efficiency dividend.

¹ ANAO, *Staff Reductions in the Australian Public Service*, Performance Audit Report No. 49, June 1999, <<http://www.anao.gov.au>>

² The Workplace Authority was not subject to the additional dividend due to a significant general budget reduction.

Table 1: Impact of additional 2% efficiency dividend on relevant agencies by agency size, 2007–08

Impact	Small (%)	Medium (%)	Large (%)	All relevant agencies N=85 (%)
Increased working hours of existing employees	50	37	59	48
Increased employees' average annual leave balances (i.e. employees are unable to take leave due to high workloads)	22	15	14	18
Reduced agency's ability to offer flexible working arrangements	19	7	14	14
Reduced the agency's overall staffing levels	42	48	73	53

Source: Agency survey

Actions Taken to Respond to Additional 2% Efficiency Dividend

Most of the 85 agencies were already taking action to adjust to the additional efficiency dividend under the 'Responsible Economic Management Package' Budget measures. Seventy-two agencies (85%) reported taking a series of actions to respond to the Budget measures, although 13 agencies (15%) indicated that currently, they did not need to take any actions. Small agencies (25%—nine out of 36) were more likely than medium (11%—3 out of 27) or large (5%—one out of 22) agencies to report that they did not need to take any specific actions at this stage.

Six themes emerged from the actions being taken by the 72 agencies to respond to the Budget measures:

- tighter control over recruitment actions (e.g. recruitment freezes and pauses, reviewing the need for positions when they become vacant, and requiring SES approval to fill vacancies)
- decreasing the number of employees (e.g. using voluntary redundancies, reducing FTE and non-ongoing contracts not being renewed)
- reducing the amount (and type) of travel undertaken by staff (e.g. not allowing SES employees to travel business class on some sectors, and greater use of video conferencing)
- reprioritising activities (e.g. spending freezes on non-critical activities, transferring resources to activities of greatest need, changes to service delivery arrangements and programme cutbacks)
- re-engineering approaches and using more efficient systems (e.g. automating payroll systems, using shared IT services and relying on better IT)
- reducing the number of contractors and/or consultancies.

The most common actions being taken were to place a tighter control over recruitment actions (51%), to decrease the number of employees (44%) and to reduce the amount (and type) of travel undertaken (38%) (see Table 2). When the proportions of relevant

agencies taking some type of action relating to staff are combined, just over two-thirds (69%) of agencies reported that they are placing a tighter control over recruitment and/or reducing the number of staff.

Table 2: Most common actions taken by relevant agencies to respond to additional 2% efficiency dividend by agency size, 2007–08

Action	Small (%)	Medium (%)	Large (%)	All relevant agencies N=72 (%)
Tighter control over recruitment	70	29	52	51
Decreasing the number of employees	37	42	57	44
Reducing travel	37	25	52	38
Reprioritising activities	26	29	19	25
Re-engineering approaches	4	13	29	14
Reducing the number of contractors and/or consultancies	11	21	24	18

Source: Agency survey

The types of action taken varied by agency size, for example, relevant large agencies were more likely than medium and small agencies to reduce travel, whereas small agencies were most likely to place a tighter control over recruitment (see Table 6.1). Relevant small agencies (85%) were more likely than large (71%) or medium (50%) agencies to report that they are taking actions related to tightening recruitment and/or reducing staffing levels.

These differences based on agency size, may in part reflect agencies' opportunity costs and/or substitution effects, for instance, their capacity to substitute less cost-effective approaches with more technologically cost-effective approaches. This may especially be the case in areas of discretionary spending, for example, larger agencies may have the ICT infrastructure that enables video conferencing rather than interstate travel to be used; whereas this may not be an option for smaller agencies due to the initial technology outlay needed to reap longer-term benefits. Larger agencies may also have been undertaking more discretionary travel and therefore be able to reduce the level of travel more easily. Of particular concern is the longer-term productivity impact such constraints could place on small agencies—if smaller agencies are not in a position to invest both in ICT and their people, they will be less well-placed to realise longer-term productivity gains.

Differences between agencies' approaches in responding to the additional 2% efficiency dividend may also be related to functional responsibilities of the agency. Those agencies where the range of outputs and services for which they are responsible is narrow and cannot be varied (e.g. where their functions are largely statutorily determined), may have to cut the quantity of the services they deliver as they have more limited scope to secure funding for new programmes and services. Similarly, agencies whose discretionary spending makes up a very low proportion of their operating expenses have less capacity to absorb ongoing efficiency measures, which may mean they need to reduce staffing numbers and the services they deliver.

When it came to what additional action agencies are taking to ensure that the right people are in the right jobs in the tighter fiscal environment, around 30 agencies reported that at this stage they had not needed to take additional action. Around 20 agencies indicated that they had placed an increased focus on reviewing critical positions and succession management. These results suggest that it may be too early to assess the longer-term impacts of a tighter fiscal environment and/or it may be that agencies already have workforce management structures in place which have enabled them to respond.

Many agencies commented that at the time of the agency survey (in the field from 4 June to 16 July 2008) it was too early to assess the impact of the additional efficiency dividend. Nevertheless, most agencies have already begun to take action to deal specifically with the one-off increase in the efficiency dividend. This action is above and beyond previous approaches agencies have adopted over the last decade, partly in response to the ongoing efficiency dividend, to increase their efficiency and effectiveness. The key issue is the ongoing and cumulative impact of the efficiency dividend and the partial supplementation for wage increases, especially on smaller agencies' core activities.

Managing Excessive Workloads

Managing excessive workloads appears to be an issue for many APS agencies. Just over half (54%) of agencies indicated that managing excessive workloads was an issue that had intensified for them in the last 12 months. Similar proportions of small, medium and large agencies reported that this was the case.

One of the difficulties in identifying the extent and impact of excessive workloads across the APS is the limited information available about who in the workforce is affected. Of those agencies that indicated the management of excessive workloads had intensified in 2007–08, under half (41%) were able to estimate the proportion of the workforce affected. Where agencies could estimate the proportion of staff affected, 55% reported that at least half of their workforce was affected by excessive workloads. When it came to which segments of the workforce are particularly affected, the most common response (given by around one-quarter of relevant agencies) was that all areas and/or levels were affected. Other commonly reported segments of the workforce affected included corporate support areas, the SES and EL staff.

When it came to what those agencies affected were doing to address the issue of excessive workloads, around one-third of agencies were reprioritising work, reviewing existing workloads and/or examining ways to improve their organisational structure. Smaller proportions of agencies were actively promoting work-life balance (e.g. through well-being strategies and regular reports to senior management about additional hours being worked) and/or deferring some work programmes or discretionary work. Not surprisingly, these approaches are consistent with the actions agencies are taking to respond to the additional 2% efficiency dividend. This does not imply cause and effect, and agencies may be experiencing higher workloads due to reasons other than the additional efficiency dividend, for example, being responsible for the delivery of key Government priorities.

It is important that agencies continue to monitor workload levels, especially 'hot spots' in the agency, and that they implement flexible strategies to assist both employees and managers to deal with excessive workloads. Where possible, existing workforce metrics, for example, unscheduled absence, high levels of flex leave and/or annual leave being accrued (but not taken) and high turnover levels should be regularly monitored in order to identify any early warning signs that excessive workloads could adversely be affecting employee well-being.

In addition to the strategies outlined above, other options suggested by agencies for assisting the APS to manage excessive workloads include:

- flexible resourcing approaches which enable employees to be moved temporarily to higher priority areas without the need for traditional staff movement processes
- regular liaison with Ministers and their offices to improve workflows
- providing access to personal development programmes to enable employees to better manage priorities and/or workloads.

Early indications, as measured through the agency survey, suggest that agencies are taking reasonable steps to manage excessive workloads; however, one of the key ways to test the effectiveness of such strategies is to examine employees' perceptions of their work-life balance.

Employee Satisfaction with Work-Life Balance

Despite some evidence of increasing workloads in the APS, levels of employee satisfaction in relation to work-life balance declined only slightly this year compared to last year's. Two-thirds of employees agreed that their workplace culture supports people to achieve a good work-life balance, which is down from the 71% recorded in 2006–07, but slightly above the 63% recorded in 2005–06.

Employees working in small agencies continue to be more likely than their colleagues in medium and large agencies to report that their workplace culture supports people to achieve a good work-life balance (77% compared to around 67% in other agencies).

Employees were slightly more positive when asked about their perceptions of their current work-life balance. In 2007–08, 71% of employees were satisfied with the work-life balance in their current job, which is midway between the 74% recorded last year and the 68% recorded in 2005–06.

Unlike the results for workplace culture, employees in small agencies reported similar levels of satisfaction with their work-life balance to employees in other agencies.

Hours Worked in the Last Fortnight

One area that can have a significant impact on employees' perceptions of their work-life balance is the amount of time they dedicate to work activities. Previous State of the Service reports have suggested that many employees work more or significantly more than their standard or agreed hours. However, the actual number of hours

worked has not previously been quantified. To gain a better understanding of the hours worked by full-time APS employees, this year's employee survey took a snapshot approach and asked employees how many hours they had worked in their current job in the last fortnight.

Notwithstanding the slight differences that exist between agencies in what constitutes a standard day for full-time employees (e.g. 7 hours and 21 minutes or 7 hours and 30 minutes), the employee survey results suggest that about one-third (35%) of full-time employees are working around standard hours (i.e. they reported that they had worked 75 hours or less in the last fortnight).³ This is similar to the 37% of all employees last year who reported working over the last six months, on average, around their standard or agreed hours. This year, 32% of full-time employees reported working more than 75 hours but less than 80 hours; 21% between 80 hours and less than 90 hours; 6% between 90 hours and less than 100 hours; and 3% worked more than 100 hours in the last fortnight.⁴

The likelihood of working extra hours varied for different segments of the full-time workforce. Classification had the most significant impact, with 87% of SES employees working 80 hours or more in the last fortnight (compared to 52% of EL and 22% of APS 1–6 employees).⁵ Almost half (45%) of SES employees worked 100 hours or more in the last fortnight.

Results also varied by agency size, where employees in smaller agencies were most likely to report working longer hours (see Table 3).

Table 3: Hours worked in the last fortnight, 2008

	Less than 80 hours (%)	80–89 hours (%)	90 hours or more (%)	Not applicable (%)
Small	54	31	13	2
Medium	62	23	13	2
Large	68	21	9	3
APS-wide	67	21	9	2

Source: Employee survey

Although there are many issues that can impact on employees' levels of satisfaction with their work-life balance, there was a strong negative relationship between hours worked and levels of satisfaction with work-life balance. Over three-quarters (79%) of employees who reported that they had worked 75 hours or less in the last fortnight were satisfied with the work-life balance in their current job, compared to only one-third of employees who worked 100 or more hours in the last fortnight. The decline in satisfaction levels was particularly marked at the 100 hours level, with 54% of employees working between 90 and less than 100 hours satisfied with the work-life balance in their current job compared to only 33% working 100 or more hours.

³ Some results may be affected by flex-time arrangements, which are used in many agencies to assist APS 1–6 employees balance work and life commitments.

⁴ Two per cent of full-time employees indicated that the question was not applicable (e.g. because they were on a graduated return to work programme or they were on leave for the whole fortnight).

⁵ This is likely, at least in part, due to flex-time arrangements, which are used in many agencies to assist APS 1–6 employees balance work and life commitments.

Working longer hours had a similar negative impact on employees' agreement levels that their workplace culture supports people in achieving a good work-life balance.

It is important in a time where there is increasing pressure on agencies to do more with less, that extra efficiency is not gained at the expense of impacting adversely on employees' ability to achieve a work-life balance. One of the advantages the APS has in a tight labour market is its reputation as an employer that enables people to balance their work and personal commitments. Given remuneration in the APS at most classification levels is not on par with that in the private sector, agencies need to manage excessive workloads in a strategic, yet practical, manner to ensure that the APS can maintain its competitive advantage in the employment market as an employer that supports work and life balance.

Questions Included in the 2008 State of the Service Agency Survey

54. i. Please briefly outline what actions your agency has taken to adjust to the recent budget measures imposing an additional 2% efficiency dividend under the “Responsible Economic Management” package (e.g. there has been a freeze on non-ongoing employment, a reduction on the amount of travel undertaken by staff, the filling of vacancies must be approved by SES officers, none required—we can absorb it within existing arrangements).

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ii. Has the additional 2% efficiency dividend under the “Responsible Economic Management” package had any of the following impacts on your agency?

	Yes	No
a. Increased working hours of existing employees	1	2
b. Increased employees’ average annual leave balances (i.e. employees are unable to take leave due to high workloads)	1	2
c. Reduced the agency’s ability to offer flexible working arrangements	1	2
d. Reduced the agency’s overall staffing levels	1	2
e. Other impact(s) [Please specify]	1	2

iii. In this tighter fiscal environment, what actions has your agency taken to ensure that the right people are in the right job (e.g. assessment of critical roles and existing personnel capability for these roles, formal succession plan being developed)? Please also indicate if your agency has not taken any additional action.

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55. a. Is managing excessive workloads an issue that has intensified for your agency in 2007–08?

- 1 Yes
- 2 No [Please go to Comment Box J]

b. Approximately what proportion of your workforce is affected by excessive workloads?

- 1%
- 2 Unable to estimate

c. What segments of your workforce are particularly affected (e.g. classification levels, policy or programme people, ICT or finance people)? [Please indicate if you are unable to specify which groups are affected.]

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d. Please briefly outline what action(s) your agency has taken or is planning to take to address the issue of excessive workloads.

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e. Does your agency have any strategies that could assist the APS address the issue of excessive workloads?

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