

## Australasian Procurement and Construction Council (APCC)

### Submission to the Joint Committee of Public Accounts and Audit Inquiry into Commonwealth Procurement

### Objective of the review

The [objective of the review](#) is to, 'Improve the culture of how procurement rules and guidelines are implemented across the Australian Public Service'.

### Contact Details for Committee

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### Background

In its [Terms of Reference](#), the Committee noted its inquiry will have regard to the views of interested parties in relation to Commonwealth procurement and demonstrating value for money through competition, probity, and strong contract management.

It is in this context that the Australasian Procurement and Construction Council (APCC) respectfully tables this submission.

## In Summary

### REQUEST:

**The APCC respectfully asks the Review Committee to consider the content in this submission and its attached documents as part of its considerations.**

Skilled procurement and contract management staff are vital to the operations of the public sector. As a multi-disciplinary workforce, they have primary responsibility for delivering outcomes through procurement service delivery. Procurement is also considered a significant enabler for post-Covid 19 activities to support economic rebuilding activities.

The procurement function operates on a continuum from simple to highly complex procurements and subsequent contract management. It is tasked with minimising transaction costs across the supply chain whilst maximising overall value for money in alignment with procurement policy, rules, and guidelines. It is increasingly leveraged to achieve broader strategic policy objectives whilst maintaining and improving service delivery. Public sector procurement is accepted as key enabler to deliver on economic, environmental, governance and social outcomes.

Procurement policy, rules and guidelines have developed in response to a shift in the range and complexity of procurement and contract management professional roles. This in turn has led to a shift in the knowledge, skills, and attitudes required of a highly competent procurement and contract management team.

There is now a need to have a clear data set of who is undertaking procurement and contract management roles to ensure all relevant staff have access to the breadth of requisite cognitive and creative skills, specialist core procurement skills, and general employability skills that must be applied in the context of procurement policy, rules, and guidelines. Such development needs require access to a learning and training continuum that encompasses on-the-job training, vocational qualifications, higher education in strategic procurement, and professional certifications, including micro-credentials (i.e. small, certification-style courses that focus on a particular area of study to hone proficiency over the shortest possible time).

Given strong competition in the labour market for skilled procurement and contract management professionals, due attention needs to be given to engaging and retaining current high performing staff while concurrently looking to establish multiple pathways to create a sustainable long term talent pipeline into the discipline.

In this submission, the APCC has highlighted to the Review Committee the challenges to procurement professional service delivery and what needs to happen to resolve these challenges in support of improving the culture of how procurement rules and guidelines are implemented.

## Introduction

The procurement profession, including contract management, is the dedicated workforce that has primary responsibility for delivering outcomes through procurement service delivery. It is a multi-disciplinary profession, encompassing private, public, and not-for-profit sectors, and supports a range of skills that are transferrable to other professions.

The total size of the procurement sector, encompassing general goods and services, ICT, construction, materiel, and social services, is significant. Australian Bureau of Statistics (ABS) data from 2017 estimated that the annual governments spending in Australia was \$316 billion. Procurement is also considered a significant enabler for post-Covid 19 activities to support economic rebuilding activities.

## Why is the procurement discipline important?

The procurement function has evolved from a primarily transactional role to one which is much more of a strategic enabler for government agencies to deliver value. This shift has required development of complex procurement skills.

Increasing market globalisation, economic interdependencies, international business competition, and the growth of information and communication technologies (ICT) require procurement to minimise transaction costs across the supply chain whilst maximising the best value for money. However, public sector agencies currently use procurement beyond just cost reduction. It is increasingly leveraged to achieve broader strategic objectives whilst maintaining and improving service delivery.

With growing public pressure to deliver on social and environmental outcomes and increasing requirements for Corporate Social Responsibility (CSR) in the private sector, both private and public sector procurement are accepted as key enablers to deliver on economic, environmental, governance and social outcomes, for example:

- Economic outcomes to consider **what** is delivered by **who**, **how** it is delivered, and **where** it is delivered, including increased opportunities to work with local and regional suppliers
- Environmental outcomes from procurement practices sees consideration of net zero emissions, enhanced use of alternative energy sources, and environmentally accredited products
- Increased levels of governance and assurance to deliver demonstratable compliance, accountability and public value across the decision-making process and outcomes
- Social outcomes in the sourcing strategy, such as employment for disadvantaged groups and reducing the risk of modern slavery in the supply chain.

## How has this impacted the nature of public sector procurement and contract management skills?

With the changing nature of procurement practices, which often involve multi-billion-dollar expenditures, the range and complexity of what the procurement and contract management professional needs to do must be properly recognised by public sector agencies and developed over a learning continuum that progressively builds the requisite cognitive and creative skills, specialist core procurement skills, and general employability skills that are required in the context of procurement policy, rules and guidelines.

As the procurement function has become more complex, staff development requirements need to draw on this learning/training continuum that needs to encompass on-the-job training, vocational qualifications, higher education in strategic procurement, and professional certifications, including

micro-credentials (i.e. small, certification-style courses that focus on a particular area of study to hone proficiency over the shortest possible time).

## Why is the APCC interested?

The APCC consists of Australian and New Zealand (AusNZ) government agencies with responsibility for the disciplines of procurement, construction, asset management and property management policy and practice. The APCC works with all levels of government, international professional bodies, public and private sector skill service organisations, industry training bodies, universities, and industry employers. The Council coordinates a range of AusNZ public sector procurement professionalisation activities with a focus on improving procurement governance and assurance, procurement skills, promoting staff engagement, and increasing career entry pathways into the procurement profession.

The APCC wishes to highlight to the Review Committee current key challenges to public sector procurement professional service delivery and what needs to happen to resolve these challenges in support of improving the culture of how procurement rules and guidelines are implemented.

Serial	APCC Focus Areas	What needs to happen
1	<b>Strategic workforce planning for this vital discipline</b>	<ul style="list-style-type: none"> <li>• Considered and active investment under a procurement workforce planning strategy to enable the function to perform well in all agencies</li> <li>• Access to better workforce data on its procurement and contracting workforce to understand who is performing procurement and contract management roles and determine critical skills gaps</li> </ul>
2	<b>Recognition of the discipline's value add and sector investment in its continuing professionalisation</b>	<ul style="list-style-type: none"> <li>• Ongoing investment in capability development via a learning/training continuum that encompasses on-the-job training, vocational certifications and qualifications, higher education in strategic procurement, and professional accreditations (outside the Australian Qualifications Framework)</li> <li>• Access to micro-credentials (i.e. small, certification-style courses that focus on a particular area of study to hone proficiency over the shortest possible time)</li> <li>• Skills to secure greater value in social, economic, and sustainable procurement outcomes as part of the value generation process</li> <li>• Current workforce professionalisation initiatives for staff to meet the complex, ongoing knowledge and skills demands of the discipline</li> </ul>
3	<b>Retention of high performing staff</b>	<ul style="list-style-type: none"> <li>• Effective measures to retain current high performing staff through proactive engagement and retention initiatives to reduce the adverse impacts of incentives from the private sector seeking to recruit skilled public sector procurement staff</li> </ul>
4	<b>Attraction and recruitment</b>	<ul style="list-style-type: none"> <li>• Attraction and recruitment strategies at both entry level and laterally to attract suitable top talent in a</li> </ul>

		highly competitive labour market, to establish a viable and sustainable workforce talent pipeline
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## Current APCC resources to inform progress on these issues

The APCC, its partner government agencies and its industry colleagues have had these issues under consideration for over a decade – refer to **Attachment 1** for a list of APCC’s public sector and industry partners. Its focus has been on providing tools and insights that will inform government agency decision making and support agencies, including the Australian Public Service, to respond effectively to these challenges while complying with relevant procurement policies, rules, and guidelines.

In responding to the challenges facing government procurement, the APCC, in collaboration with its partners in the public sector and relevant industry bodies has undertaken several recent initiatives:

Serial	Initiative	Purpose
1	A submission to the <b>Australian and New Zealand Standard Classification of Occupations (ANZSCO)</b> , managed by the Australian Bureau of Statistics	To update the ANZSCO Framework to develop a standalone, occupational structure with assigned occupation codes for the procurement discipline – refer to <b>Attachment 2</b>
2	A publication detailing a public sector <b>Procurement Standard</b> comprising of two documents: <a href="#">Public Sector Procurement Profession Role Statement</a> and <a href="#">Public Sector Procurement Capability Framework</a>	To document to skills and expertise required of a contemporary procurement professional – refer to <b>Attachment 3</b>
3	A flyer on approaches to <b>Engagement and Retention of Your Procurement Staff</b>	To document risks to retention of high performing procurement staff and how those risks could be mitigated – refer to <b>Attachment 4</b>
4	a Recruitment Tool: <a href="#">Role and Value of Public Sector Procurement</a>	To improve recruitment outcomes for public sector procurement roles – refer to <b>Attachment 5</b>
5	a Good Practice Guide: <b>Procurement New Starter Programs</b>	To provide insights on how to establish entry level procurement programs – APCC release pending

A brief outline of each of these documents is found below with each document also attached to this submission.

## 1.Submission to the Australian Bureau of Statistics (ANZSCO Review)

Currently AusNZ public sector stakeholders struggle from a lack of useful procurement and contracting workforce data when looking to undertake strategic procurement workforce planning. At the macro level, in 2021, according to the National Skills Commission (NSC), there were on average 50 000 individuals in Australia that were recorded as Supply, Distribution and Procurement Managers.<sup>1</sup> In addition, there are other job titles that do not fall under this category but predominately perform a procurement role, such as: Contract, Program and Project Administrators (estimated to be 140 000 employees)<sup>2</sup>; and Purchasing and Supply Logistics Clerks (estimated to be 100 000 employees).<sup>3</sup> These figures also do not capture entry-level procurement and contract administration officers.

This situation is further exacerbated given the forecast need for the size of the procurement workforce to significantly increase. In Australia and New Zealand, 54% of employers are set to expand their procurement workforce.<sup>4</sup>

Within the public sector context, this issue is equally concerning, as it has led to the Procurement Function in government jurisdictions (including the Australian Public Service) being fragmented with the quantum of people delivering procurement and contract management services largely invisible in the sector workforce data – primarily from the lack of a single occupational structure (ANZSCO) to code them against.

This fragmentation flows down into workforce structures, including public sector job families, where procurement and its necessary specialist skills are not appropriately or consistently identified. As a result some procurement projects have not be as successful as they could have been because they are not managed by appropriately skilled procurement personnel who understand the relevant procurement policy and can apply it consistently while also delivering value to government.

The APCC is currently working with the Australian Bureau of Statistics to update the ANZSCO Framework to develop a standalone, occupational structure with assigned occupation codes for the procurement discipline to better reflect contemporary practice and requirements, and to provide the necessary data to ensure effective support job pathway analysis and needed public sector strategic procurement workforce planning and related development initiatives of knowledge skills and attitudes can be appropriately implemented.

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<sup>1</sup> <https://labourmarketinsights.gov.au/occupation-profile/supply-distribution-and-procurement-managers?occupationCode=1336>

<sup>2</sup> <https://labourmarketinsights.gov.au/occupation-profile/contract-program-and-project-administrators?occupationCode=5111>

<sup>3</sup> <https://labourmarketinsights.gov.au/occupation-profile/clerks-purchasing-and-supply-logistics?occupationCode=5911>

<sup>4</sup> <https://www.hays.com.au/documents/276732/1102429/Hays+Salary+Guide+FY2223.pdf>

## 2. The Procurement Standard

The labour market is not well placed to fully meet public sector demand for skilled procurement and contract management professionals to government. Consequently, high quality procurement professionals need to also be developed inside government through relevant professional procurement training, on the job experience and coaching/mentoring, and through support to undertake external vocational, qualification and professional certification programs. These efforts can be well informed by applying the **Procurement Standard** to in-government procurement and contract management training and to inform employer support and resourcing for external procurement study programs.

The **Procurement Standard** establishes:

- a standard definition of the AusNZ Public Sector Procurement Function and its underlying skills
- a common terminology for position titles and descriptions for use in job advertisement

This is intended to provide:

- surety that those undertaking procurement and contract management roles **understand the relevant procurement rules and guidelines including governance and assurance**
- **have the necessary professional procurement capabilities and procurement lifecycle capabilities**
- a common understanding of the requirements when working in public sector procurement for potential job applicants, training and educational providers, and Industry

The **Procurement Standard** documents the range of specialist capabilities critical to delivering overall value through effective public sector procurement governance and planning, sourcing, evaluation and negotiation, contract development, and contract management. These include:

### Professional Procurement Capabilities

- Identifying and Engaging with Risk
- Business Law
- Industry Engagement

### Procurement Life Cycle Capabilities

- Governance and Assurance
- Planning
- Sourcing
- Evaluation and Negotiation
- Contract Development and Management

These skills uniquely describe the procurement occupation and its body of knowledge and operates as part of a single integrated framework to support the Procurement Function.

At the appropriate proficiency level, these specialist skills encompass the ability to competently perform the tasks associated with being a procurement professional. For example, **these skills are part of an integrated system** because contract management requirements (including tailored clauses and mechanisms designed to maximise delivered value), need to be identified and developed during the planning and sourcing phases. Similarly, risk management principles need to be applied to every aspect of a procurement activity.

Procurement professionals use a range of computer-based equipment, especially as procurement is increasingly reliant on new technology; and works with a range of abstract materials, from industry sector analyses, contractual documents, processes to analyse and approach the market, to contract management activities for contracts that could endure for many decades. Procurement outcomes often relate to significant goods, services and capital works being delivered to support increased organisational capability and deliver value more broadly in terms of also delivering social, regional, environmental, and sustainability outcomes in support of broader public policy (e.g. employment of

disadvantaged groups, regional employment, enhanced opportunities for traineeships and apprenticeships, access to government contracts by small business, etc).

The Procurement Standard also acknowledges a range of necessary generic business skills (or employability skills), which are not solely applicable to the Procurement Function. These include data literacy, decision making, digital literacy, financial management, grants management, leadership, managing innovation, policy development and implementation, workforce management, project management, working with government, working with people, intra-personal and inter-personal skills.

Note: further detail on these specialist and employability skills can be found within the Procurement Standard itself.

While there are many different titles that might be given to someone working in procurement, including purchasing officer, buyer or seller, contracts or contracting officer, sourcing officer, contract manager, etc, these roles all operate within a common procurement domain.

Further, there are also many related occupations, such as supply chain and distribution managers, program and project administrators, and supply logistics clerks, which may include staff who predominately perform a procurement role, who would be better supported if they were appropriately categorised as procurement.

As such, the APCC is seeking that procurement be recognised as a standalone ANZSCO occupation.

### 3. Engagement and retention of current high performing staff

The Australian labour market currently has the lowest unemployment rate since the mid-1970s. This has shifted the power balance from the employer (i.e., what most employers are familiar and comfortable with) to the skilled professional employee, who recognises that they can actively shape the employment offer and conditions given labour demand is largely outstripping supply. Effectively, job opportunities abound for those seeking to leave their public sector procurement and contract management roles – as well as the professions more generally. Competition from the private sector for well-trained procurement and contract management staff is ramping up again as all sectors compete for skilled employees in a tight labour market and continuing restrictions to access overseas applicants.

**The leakage of highly skilled procurement and contract management staff from the public sector to the private sector has as adverse impact on the consistent application of procurement policy, rules, and guidelines.**

In this current context, it is even more important for executive leaders to ensure management actively engages procurement and contract management staff and retains them, as the challenges are many to recruit suitably skilled replacements to government. Executive leaders will see higher retention rates of these critical staff where line management and senior management clearly understand that their **procurement staff are not simply resources: they are assets to the business that must be transparently valued for their contribution.**

## 4. Recruitment tool on the pre-requisite attributes of a procurement professional

Attracting and recruiting the right talent into the procurement profession remains one of its biggest challenges. What has changed in the labour market is the increasing level of competition across all industries to secure staff. Public sector agencies need to recognise this competition exists and respond to it in a meaningful and effective way to ensure they secure talented staff to deliver procurement and contracting services now and into the future.

For example, in an employer survey conducted by the Chartered Institute of Procurement and Supply (CIPS) on access to procurement and contract management talent:

- 73% of employers generally said that they struggle to attract and recruit the right procurement talent, which was a big jump from 53% in 2021<sup>5</sup>
- 49% of employers stated that this struggle is largely due to:
  - the competition with other employers
  - the lack of core procurement skills.

In 2021, only 26% of respondents picked competition with other employers as the top contributing factor of the “attraction and recruitment struggle”, which indicates how fiercely firms are now competing for the best procurement personnel.

Effectively, the rapid growth in demand for skilled procurement professionals is impacting public sector recruitment and the public sector will continue to see private industry poach skilled procurement professionals from the public sector given the increasing demand for desirable procurement talent.

When you consider that job ready applicants have not been a core feature of the current labour supply market for procurement and contracting candidates; it is clear that public sector agencies will have to routinely recognise and purchase in-house delivery of skills training for procurement and contract management staff using a viable training continuum such as the **Procurement Standard** to ensure adequate access to staff needed to undertake both simple and complex procurement and contracting roles.

To recruit suitable people into the public sector will require identifying those applicants with both the capability and/or potential as well as a suitable mindset aligned to the relevant public sector approach to procurement (as noted in related documents such as the procurement policy, rules, and guidelines). This is critically important. New staff will need to:

- embrace the public approach to integrity and due process in delivering procurement outcomes
- be professional, capable, and truthful
- actively seek to understand the broader objectives of public sector procurement policy, rules, and guidelines
- have the capability to achieve overall value for money for the government in the context of public sector procurement policy, rules, and guidelines
- be committed to action and willing to guide the business when required through an approved procurement process
- make procurement recommendations to the business using relevant procurement decision-making models.

In summary, the sector wide challenge of establishing and maintaining a sustainable procurement and contracting talent pipeline will not resolve itself without both well considered business planning and resourcing.

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<sup>5</sup> <https://www.cips.org/careers/salary-guide/aus-nz>

## 5. Good practice guide on implementing a procurement new starter (entry level) program

Government routinely faces challenges in sourcing job-ready procurement candidates from the labour market. This is because the current employment market, in the context of sourcing skilled procurement staff, is complex and highly competitive. There is a global shortage of qualified professionals and procurement is no exception. Consequently, there is significant competition from the private sector for these skills and an increasing commitment to commit to offering job candidates training and on-the-job experience to overcome this shortfall.

The situation is further complicated by inadequate visibility of procurement as a profession offering a worthy career pathway from job entry level to senior executive roles. For example, many current high performing procurement staff ‘fell into’ a procurement role and came to recognise the field as their career path of choice only after getting practical, firsthand experience.

In response to this labour market dynamic, proactive public sector employers will need to look to sustain and/or establish competitive and effective new starter (or entry level) programs to enable access to a sustainable, procurement talent pipeline into the future.

Recruitment processes need to look to personal attributes first – that is, participants need to be selected for well-developed core transferable skills (i.e. non-procurement specific skills and attributes) such as:

- personal integrity and honesty
- critical thinking skills, including analytical reasoning, problem solving, and reflective judgement
- relationship management and effective communication
- research and inquiry
- action planning and networking
- leadership and teamwork
- negotiating to an outcome
- self-awareness, confidence, and networking

Such a program will then need to:

- build participant understanding of procurement policy, rules, and guidelines
- develop relevant knowledge and skills as per the **Procurement Standard**

### Attachments:

1. The APCC joint submission (July 2022) to the Australian Bureau of Statistics regarding Australian and New Zealand Standard Classification of Occupations (ANZSCO) 2021 for the procurement discipline
2. The APCC Procurement Standard (comprising the [Procurement Role Statement](#) and the [Procurement Capability Framework](#))
3. The APCC Flyer: [Engagement and retention of Your Procurement Staff](#)
4. The APCC Recruitment Guideline: [Role and Value of Public Sector Procurement](#)