

Chapter 8

Trends in training expenditure

8.1 A major difficulty confronting the Committee is the lack of detailed information available on training and development expenditure in APS agencies. The Committee found that expenditure was neither comprehensively nor consistently recorded, nor did agencies undertake systematic cost-effectiveness evaluation of their training investment. The ANAO has also found that data on training in the APS is weak and suffers from gaps in several areas. In the Committee's view, this is a serious deficiency that needs to be remedied.

8.2 The limited data presented to the inquiry has hampered the Committee's ability to explore in any detail trends in APS training. The Committee has been forced instead to address some of the reasons for the poor state of data in this area. This chapter, therefore, reports the data provided to the Committee before discussing the impact of devolution on the availability of information on training and development in the APS.

Expenditure on training

8.3 In response to requests from the Committee a small number of agencies provided limited data on training expenditure. Table 1 contains total training expenditure annually from 1997-98 to 2001-02 for some agencies. Table 2 contains training expenditure per person annually from 1997-98 to 2001-02 for some agencies.

Table 1: Training expenditure per annum

AGENCY	1997-98 \$m	1998-99 \$ m	1999-00 \$ m	2000-01 \$ m	2001-02 \$ m
DFAT ¹			5.6	5.7	6.1
ITR ²	1.7	2.8	1.8	2.8	n/a
AGAL ³				0.3	0.2
GEOSCIENCE AUSTRALIA ⁴			0.3	0.5	0.4
AFFA ⁵		3.1	3.9	2.0	
TREASURY ⁶			0.7	0.7	0.7

1 DOFA, Submission No. 4, p.10

2 DITR, Submission No. 5, p.4

3 DITR, Submission No. 5, p.4

4 GA, Submission no. 12, p.6

5 AFFA, Submission no.19, p.4

6 The Treasury, Submission No. 21, p.3

AFP ⁷		19.0	17.0
ABC ⁸	3.6	3.7	
ATO ⁹	14.9	20.1	8.5
DEH ¹⁰			1.7
ATSIC ¹¹	1.3	2.0	1.5

Table 2: Training expenditure per person per annum

AGENCY	1997-98 \$	1998-99 \$	1999-00 \$	2000-01 \$	2001-02 \$
DFAT ¹²			1,615	1,787	1,982
ATO ¹³			780	990	450
DEH ¹⁴					1,382
ATSIC ¹⁵			1,036	1,113	1,077
DEFENCE ¹⁶					1,300
ITR ¹⁷	1,106	1,307	1,077	1,653	n/a
GEOSCIENCE AUSTRALIA ¹⁸			842	1,148	n/a
CENTRELINK ¹⁹				1,600	
ABC ²⁰			912		
ANAO ²¹			1,873	2,993	3,062

* 1998-1999 ITR data includes the expenditure on 501 staff from Geoscience Australia (then called AGSO) The data includes figures for ITR AND IPS but not AGAL.

- 7 AFP, Submission No. 31, p.7
- 8 ABC, Submission No. 32, p.6
- 9 ATO, Answers to questions on notice, p.5. The figures are for 'external training expenditure'.
- 10 DEH, Answers to questions on notice, p.8
- 11 ATSIC, Answers to questions on notice, p.10
- 12 DOFA, Answers to questions on notice, p.7
- 13 ATO, Answers to questions on notice, p.5
- 14 DEH, Answers to questions on notice, p.8
- 15 ATSIC, Answers to questions on notice, p.10
- 16 DOD, Answers to questions on notice, p.8. The 'fixed cost of providing the training units responsible for management development programs', and the cost of some significant programs such as the Graduate Development and Leadership Development programs, or the Defence Safety Management Agency and Procurement training are not included.
- 17 DITR, Submission No. 5, p.4
- 18 GA, Submission No. 12, p.6
- 19 Centrelink, Submission No. 26, p.5
- 20 ABC, Submission No. 32, p.6
- 21 ANAO, Answers to questions on notice, p.10

8.4 The inquiry's examination of training expenditure supports the findings of recent audits by the Australian National Audit Office (the ANAO). Its APS-wide survey of learning and development found that there was a 'paucity of data' on learning and development expenditures, with only 63 per cent of the 67 agencies surveyed able to provide data on organisation-wide expenditure.

8.5 Data limitations meant the ANAO could only *estimate*, rather than calculate, APS training expenditure. It estimated expenditure on learning and development in the APS in 2000-01 at about \$160 million. Using the limited data that was available, the ANAO reported that training expenditure per full-time ongoing staff member ranged from \$245 to \$3563 across agencies, with an average of \$1616. This comprised about 1.1 per cent of the cost of wages and salaries in the APS. (The ANAO noted that the inclusion of part-time or non-ongoing staff would reduce this figure.)²² It compared with average expenditure by both public and private sectors on training in 1996 of about 2.5 per cent of salaries. The comparable figure for leading United States companies is 3.5 per cent.²³

8.6 The ANAO found agencies lacked suitable recording systems for learning and development data, and that stand-alone databases rather than dedicated human resources management information systems were more commonly used.²⁴ In some agencies, devolution of responsibility for learning and development, or of data collection responsibilities to line areas, had impeded the collation of training expenditures in a timely fashion.²⁵

8.7 In the ANAO's view, a minimum data set for consistent use across the APS is needed for management and broader accountability purposes. Ideally, data would be collected cost-effectively as part of day to day management, based on common definitions and comprising, at a minimum, input costs and output measures. These should include expenditure on training, disaggregated into graduate training, external training, APS Commission training and other types of training.²⁶ The Committee discusses the issue of establishing minimum data sets in Chapter 10 on training evaluation.

8.8 Regarding the components of learning expenditure, the ANAO noted that, while information was available from some agencies on expenditure on formal study (34 per cent), and all agencies could provide information on the use of external providers, no information was available on other training delivery methods or on the

22 ANAO, *Management of Learning and Development in the Australian Public Service*, Audit Report No.64 2001-2002, p.62

23 ANAO, *Management of Learning and Development in the Australian Public Service*, Audit Report No.64 2001-2002, p.11

24 *ibid*, p.19

25 ANAO, Answers to questions on notice, p.3

26 ANAO, Answers to questions on notice, pp.3 and 10-12

cost of travel or attendees' salaries associated with learning and development. Comparisons of the relative efficiencies and cost-effectiveness of alternate delivery methods therefore, could not be made.²⁷

8.9 The ANAO also found that, because many agencies could not provide information on the numbers and location of staff devoted to learning and development, they were unable to quantify the administrative costs of this function. This meant they could not accurately cost their total investment in learning and development, nor identify whether it was being delivered efficiently and cost-effectively.²⁸

8.10 Information on staff participation in learning and development was also lacking. This meant that agencies could not make informed decisions about the efficiency and cost-effectiveness of the various delivery methods used.²⁹

8.11 The ANAO concluded that, due to the lack of data and absence of regular reporting against budget and achievement of goals, agencies are 'unable to monitor the efficiency and cost-effectiveness of learning and development'.³⁰ To help address the poor state of training information across the APS, the ANAO considered that the APS Commission should, among other things, regularly collect data.³¹ The APS Commission, however, considered that the costs involved in establishing a central data collection point could not be justified. It also indicated that there could be difficulties in mandating data collection in a devolved environment.³²

8.12 The APS Commission advised that, under devolution, expenditure on training and development across the APS is not collated since budgeting and accounting for such agency expenditures are now the responsibility of Agency Heads. It noted that, during 1998-99, around \$78.5 million was invested by 30 APS agencies (around 80 per cent of the APS at the time) in formal, off-the-job training that included costs of workshops and seminars, course fees, and internal and external presenters.³³

8.13 The Committee sought further information from agencies on training expenditure, disaggregated into the costs of external training and agency graduate programs, and an indication of the time employees spent on training. This information is collated in Appendix 1.

27 ANAO, *Management of Learning and Development in the Australian Public Service*, Audit Report No.64 2001-2002, p.63

28 *ibid*, p.64

29 *ibid*, pp.65-68

30 *ibid*, p.68

31 *ibid*, p.22

32 *ibid*, p.14

33 APSC, Submission no. 15, p.29

8.14 The Department of Health and Ageing (DoHA) said that it was difficult to make meaningful comparisons or identify trends in expenditure on training and development ‘due to different definitions of training and development; the use of a variety of funding sources and recording systems for the diverse range of programmes, courses and activities involved; and different approaches to treating direct (e.g. course fees) and indirect costs’.³⁴

8.15 The ATO also stated that expenditure on training ‘fluctuated over time’ according to specific support required for key business outcomes. It stated that major policy implementation, such as tax reform, ‘demanded an increased training budget on a sometimes massive scale’.

8.16 The ATO noted, however, that an agency’s training and development budget did not reflect the full extent of its learning and development activity. It emphasised that managers are ‘critical to the success of the learning activities of their employees’.³⁵ It considered that ‘organisational commitment to, and investment in, learning support in a range of ways in addition to the budgeted processes’ are crucial to the effective transfer of learning to the workplace.³⁶

8.17 Devolution at the internal agency level also appears to hinder the capacity of agencies to gather key training data. Mr David Anderson, First Assistant Secretary of the Strategic Development Division in the Department of the Environment and Heritage, Committee pointed to some of the data collection difficulties that his agency faces:

I think it is perhaps one of the problems of devolution that you do have trouble maintaining core central data. Even within our organisation, pulling together information on expenditure patterns becomes more difficult when you devolve it down to individual divisions, and particularly when they do not necessarily have a separate funding allocation. If training is covered as part of a normal departmental expenditure it does make it quite difficult to aggregate and compile data. As a general comment, we would agree that readily pulling data together can be problematic at times, and you need to put in very good procedures and databases to capture that.³⁷

8.18 Public Service Education and Training Australia (PSETA) agreed that tracking expenditure on training and development had been difficult under devolution in the absence of agency-specific IT systems to reliably capture and report this information. However, it considered that interim solutions, such as use of simple Excel spreadsheets that could aggregate data to agency level, would have been possible.

34 DOHA, Submission no. 28, p.10

35 ATO, Submission no. 22, p.4

36 ATO, Submission no. 22, p.6

37 Mr Anderson, DEH, *Committee Hansard*, 15 August 2002, p.130

8.19 PSETA argued that APS agencies' ability to report in detail expenditure on, say, information technology, but not on training and development, 'reflected the lack of perception of training and development as a significant organisational and government resource'.³⁸

8.20 People and Strategy (ACT) also claimed that lack of funds and lack of management support or poor management (for example, not enough knowledge of the scope of possible development opportunities) is impacting on training undertaken.

8.21 Whilst detailed figures are not available, it was suggested that expenditure on training in the APS had declined recently. People and Strategy (ACT) noted a steady but gradual decline in recent years, stating that 'when finances are stretched, training is often the first activity to be cut'.³⁹ It suggested three main reasons for declining expenditure, namely:

- devolution of training to smaller organisational units, resulting in reduced corporate or organisation-wide initiatives, and more piecemeal, smaller scale training programs to address localised needs;
- loss of corporate focus, potential duplication of effort leading to higher costs of designing new training materials and a loss of economies of scale due to the spreading of the training dollar across the organisation. For example, training that might have been delivered on-site to twenty people for less than \$5,000 (\$250 per person) could cost \$2,500 for four people (\$625 per person) if delivered externally; and
- an additional layer of cost due to outsourcing, resulting in less value for the training dollar and decreased training and development activity. Fees may now be required to both a human resources provider and a trainer, engaged through the human resources provider.

8.22 People and Strategy pointed to 1996 as the time when it observed a marked decline in training expenditure, following 'downsizing' (ie. staff cuts) in the APS.⁴⁰ The Committee notes that the ANAO compared training expenditure in 2000-01 with that in 1996. As noted earlier, this comparison showed that in 2000-01 training expenditure amounted to 1.1 per cent of the cost of wages and salaries, as opposed to 2.5 per cent in both the public and private sectors in 1996.⁴¹

38 PSETA, Submission no. 43, p.3

39 People and Strategy, Submission no. 6, p.1

40 People and Strategy, Submission no. 6, p.1

41 ANAO, *Management of Learning and Development in the Australian Public Service*, Audit Report No.64 2001-2002, p.11

Conclusion

8.23 The Committee is dismayed at the paucity of information available on training expenditure, training activity and outcomes measurement. Lack of comprehensive data and systematic performance information across the APS makes it extremely difficult to quantify the extent of any problems, particularly the cost of duplication and overlap in training.

8.24 The Committee considers the lack of appropriate human resources management information systems (HRMIS) in many agencies to record information on training and development to be a major weakness of present arrangements. Given investment by the APS Commission in SES learning and development, the lack of data on learning and development undertaken by the SES is also of particular concern.

8.25 The Committee is pleased to observe that some agencies, such as the ATO⁴² and the Department of Foreign Affairs and Trade (DFAT),⁴³ have commenced development of HRMIS partly to track the returns on investment from training. It endorses the inclusion of HRMIS recording systems as a key component of the framework set out in the recent APS Commission's 'better practice guide' to managing learning and development.

8.26 However, the Committee considers that the APS Commission should better target its facilitation efforts and enhance its advisory and reporting roles, including reporting to Parliament, by more active involvement in collection of data on learning and development. This includes:

- encouraging and supporting collection and analysis of APS-wide data on learning and development; and
- analysing the costs and benefits of training at both an individual agency and whole-of-government level.

8.27 An enhanced APS Commission role in data collection and analysis, combined with agencies collecting minimum data sets as recommended by the Committee in Chapter 10, would be a major step towards remedying information limitations in the training area. The Committee considers it essential for both the sound management of training programs and transparency purposes, that the APS Commission and agencies cooperate to address the current gaps in training data.

42 ATO, Submission no. 22, p.243

43 DFAT, Submission no. 4, p.13

Recommendation 16

8.28 The Committee recommends that the APS Commission enhance its advisory and reporting roles, including reporting to Parliament, by:

- **encouraging and supporting collection and analysis of APS-wide data on learning and development; and**
- **analysing the costs and benefits of training at both an individual agency and whole-of-government level.**