COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE

Reference: Recruitment and training in the Australian Public Service

WEDNESDAY, 14 AUGUST 2002

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SENATE

FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE

Wednesday, 14 August 2002

Members: Senator Forshaw *(Chair)*, Senator Watson *(Deputy Chair)*, Senators Heffernan, Marshall, Ridgeway and Wong

Substitute members: Senator Allison for Senator Ridgeway

Participating members: Senators Abetz, Brandis, Calvert, Carr, Chapman, Conroy, Coonan, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Harradine, Harris, Knowles, Mason, McGauran, Murphy, Murray, Payne, Sherry, Tchen and Tierney

Senators in attendance: Senators Forshaw, Heffernan, Marshall and Wong

Terms of reference for the inquiry:

To inquire into, and report on Australian Public Service employment matters, including:

1. the evolving changes in the nature of the Senior Executive Service, including chief executive officers, as a result of the devolution of responsibility for staffing matters to individual agencies, such changes including, but not limited to, selection, tenure and independence, remuneration, including relativities, mobility and career development;
2. the impact of agency-based bargaining in contributing to the development of a more efficient, productive and independent Australian Public Service, accountable to the Australian Parliament; and
3. the extent to which performance pay is being incorporated into agreements negotiated by individual agencies, the disparity between agency agreements in performance pay and the impact of such agreements on agency performance, accountability and transparency.

WITNESSES

Committee met at 9.01 a.m.

CHAIR—Welcome to this first day of public hearings of the Senate Finance and Public Administration References Committee. The committee is conducting an inquiry into recruitment and training in the Australian Public Service. I welcome new members to the committee: Senator Heffernan, and Senator Gavin Marshall, from Victoria, a new member of the Senate. I am sure they will enjoy the experience from here on.

The committee adopted this reference on 21 March 2002 and intends to report by 12 December 2002. The committee advertised the inquiry in national newspapers the *Australian Financial Review* and the *Weekend Australian,* and in the *Canberra Times.* Those advertisements were placed on 5 and 6 April and called for submissions to be lodged with the committee by 10 May. The hearing will canvass a number of issues surrounding recruitment and training in the Australian Public Service. One focus will be on whether the current devolved arrangements for recruitment and training are working effectively in establishing adequate career paths across different departments and agencies within the APS. Another area of interest is the employment and career opportunities that the Australian Public Service currently offers young people. The committee is also concerned as to whether training and career development opportunities exist for Public Service employees in regional areas, compared with the opportunities that exist for their colleagues in the capital cities. The consideration of such matters is central to building the Australian Public Service of the future.

All witnesses who appear before the committee are protected by parliamentary privilege with respect to the evidence they give. This means that witnesses are given broad protection from action arising from what they say and that the Senate has the power to protect them from any action that disadvantages them on account of the evidence they may give to the committee. The committee prefers to conduct its hearings in public; however, if there are any matters that you wish to discuss with the committee in private, we will consider your request at that time.

[9.04 a.m.]

BEDFORD, Mr Graham Jeffrey, Vocational Education and Training Coordinator, Australian Public Service Commission

ISAACS, Mr Kevin Graham, Group Manager, Leadership, Learning and Development Group, Australian Public Service Commission

MILLER, Mr Peter, Acting Group Manager, Policy and Employment Group, Australian Public Service Commission

PODGER, Mr Andrew Stuart, Public Service Commissioner, Australian Public Service Commission

TACY, Ms Lynne, Deputy Public Service Commissioner, Australian Public Service Commission

CHAIR—Welcome. You have put in a written submission. Do you have any amendments or additional material you wish to present to the committee in that regard?

Mr Podger—Yes, I would like to table a corrigendum to our submission. I have provided it to the secretariat. The corrigendum is largely the result of some new data supplied by agencies on graduate and traineeship figures and the fact that we used some incorrect source data earlier. I guess our need to provide the corrigendum serves to confirm the importance of the commission continuing to improve its evaluation capacity and its data collection.

CHAIR—Is it the wish of the committee that the corrigendum be received by the committee and included as part of the original submission? There being no objection, it is so ordered. I now invite you to make an opening statement, following which we will proceed to questions.

Mr Podger—Thank you. The first point I would like to emphasise is that a system where the prime responsibility for recruitment and training is devolved to individual agencies is, in our view, in the best interests of the Australian Public Service. We have got feedback from agencies that indicates that the devolved approach to recruitment is working well. Agencies are satisfied that they are recruiting employees with the appropriate skills and competencies. Recruitment, of course, is only one part of the picture of ensuring that the Australian Public Service meets the challenges of the future. Learning and development are also essential elements.

On the learning and development side, as we said in the submission, individual agencies are much better placed than any central authority to assess the capabilities that they need to deliver the required outcomes, to assess capability gaps, to choose the most appropriate learning and development intervention and to evaluate the outcome against the needs of the individual and the agency. In short, the APS has recognised the importance of a business driven approach to learning and development and capability building, and agencies know their businesses best.

Devolution has also enabled agencies to focus on those aspects of the learning and development agenda that are vital to their current organisational context. For instance, the Treasury has been concentrating on leadership programs for its senior executive service feeder group. These programs are based on its own Treasury management model, which was developed to maximise the effectiveness of Treasury's operations and provides a framework for management structure, role accountabilities and people management systems in the Treasury context. Similarly, the Defence Capstone leadership program for its new senior executives is built around the specific leadership behaviours that Defence needs to achieve its mission. Centrelink has an organisational priority to ensure that 17,000 customer service staff receive effective orientation, development and career progression. Centrelink addresses this mass requirement by utilising the comprehensive system of qualifications and accreditation contained in the business services training package. It has established a Centrelink virtual college to coordinate learning and development activities across the agency. Similarly, Customs has engaged in comprehensive work force planning to develop a set of detailed capabilities that are relevant to its particular business. It has a strong leadership development emphasis and it utilises a public sector training package to ensure that development activity across its large organisation is targeted, consistent and of high quality.

The commission's contribution in the devolved environment is to provide whole of service leadership and to add value to the learning and development activities of agencies. We do this through a number of means. The Public Service Commissioner has a specific function under the Public Service Act to contribute to and foster leadership in the APS. Given this statutory role, and recognising the central place of the senior executive service in the corporate leadership of the APS and the promotion and upholding of the APS values, the commission has developed a particular expertise in its leadership development. It has used this development to promulgate a capability framework for senior leadership in the APS—that is, the senior executive leadership capability framework—and to design and offer a range of leadership programs for the Senior Executive Service and the feeder group, such as the Career Development Assessment Centre.

In the light of its expertise in people management, the commission has also taken the lead on the development of a human resource capability model to articulate the skills required of highly effective HR people in the APS. The commission identifies cross-service capability needs for the APS, such as policy development, financial management and contract management, and offers development programs to address these common needs. The aim here is to augment the learning and development available at agency level. The commission also assists agencies with options for their learning and development activities, including the Public Service training package and the public sector management program.

The commission also has a role in quality assurance through providing high-level commentary on employment practices and capability development in the APS in our *State of the service report*. The commission also promotes the application of the merit principle and fair processes of recruitment and selection. The commissioner has a particular role in ensuring that the processes for senior executive service promotions and appointments have been robust. Feedback from agencies is that they value this type and level of involvement from the commission. During a recent revalidation exercise, agencies commented extremely favourably on the usefulness of the leadership capability framework. Similarly, agency and participant feedback on the Career Development Assessment Centre continues to be very strong. Demand for the range of the commission's learning and development products continues to grow, with feedback indicating participant satisfaction rates above 90 per cent.

For the future, in our corporate plan, the commission has identified the development of an integrated leadership strategy as one of its strategic priorities. One of the areas the strategy will address is preparing staff for possible senior executive roles at an early stage in their career. This could involve the commission providing additional programs for the SES feeder group. In addition, the commission is working with the Audit Office on the development of a better practice guide on the management of learning and development. We will also be producing a new framework for evaluating the effectiveness of learning and development activities. This follows on from some of the key themes identified in the recent ANAO *Performance audit: Management of learning and development in the Australia Public Service*.

Let me turn to the coverage of the commission's learning and development programs. Over recent years we have been looking to broaden the coverage of our programs, including outside Canberra. As we said in the submission, this has accompanied a reorientation of the work of our state offices away from their traditional focus on merit protection review and related activities. I am pleased that during 2001-02 we were able to offer 269 separate development activities outside Canberra and that this was an increase of 55 per cent on the previous year. But it is true that the vast bulk of this activity occurred in the capital cities and I am keen to explore further whether we can expand our coverage to the major regional centres. The issue here is getting sufficient participants to ensure that presentation of a particular program is a viable proposition for us given that we have to recover our costs. An option might be to persuade those agencies with large regional representation, such as Defence and Centrelink, to present our programs to their own staff in-house with the opportunity for smaller agencies to send individual participants to the in-house deliveries. In any event, we are about to commence a program of regional visits to explore local possibilities.

I will now turn to the issue of youth employment in the APS. We note that there is concern about the declining recruitment of young people in the APS. In our submission we have highlighted structural change in the eighties as one of the key drivers of declining recruitment of young people. Through the office structures implementation—or OSI—which involved flatter work structures, multiskilling and the greater use of information technology, there have been fewer employment opportunities at lower levels and in supporting roles. The disappearance of many routine and processing tasks and the outsourcing of functions have influenced the range of skills and competencies required by agencies. It may be argued that some of the larger agencies may be able to better utilise the APS 1 classification—and we have mentioned this in the submission—but we do note that even Centrelink, with very structured on- the-job training and off-the-job training, still largely recruits at the

APS 2 and 3 levels. It is also observed that there is no link between the age and classification to which new recruits are engaged.

While formal graduate recruitment has not grown strongly, there has been a tendency to recruit graduates into other classifications and this tendency is likely to increase. Exceptions seem to be call centres and administrative support staff or jobs which are less attractive to graduates. On the other hand, while tertiary education may not be a specified requirement for engagement, the engagement of a graduate may be the outcome when the field of job applicants is very competitive—particularly given increases in school retention rates and the continued high level of transfer of high school graduates into our universities. Specific data is not available on the qualifications of all new recruits, but a number of agencies have moved from a situation where graduates were the elite recruits and most base grade recruits were high school leavers, to one where base grade recruitment is dominated by graduates. The Department of Health and Ageing and the Bureau of Statistics are two examples of where this has occurred.

It is noted that some sectors are calling for the centralisation of graduate recruitment. The commission does not believe that this is in the best interests of the service. Agencies are reporting good success with their own programs, which they are tailoring to their particular circumstances. Some have chosen to join together under the auspices of the Public Service consortium or the group recruitment organisation to undertake graduate recruitment. The Department of Communication, Information Technology and the Arts manages a contract with an online service provider on behalf of those agencies. Agencies are also able to coordinate recruitment campaigns and share costs if they choose to do so. This process seems to be working well and we do not see any particular added value that the commission could provide if it became more involved in the process.

I will now turn to what happens to graduates after they are recruited. The commission plays a role in providing a cross-service suite of development opportunities for graduates. The suite is aimed at providing orientation to the APS and raising awareness of core APS-wide issues. A declining retention rate for graduates over time has been observed. This may be a consequence of poor career choice, more attractive career options outside the APS or changing career patterns and expectations amongst young people. The commission will undertake more detailed evaluation work in this area to provide a lead to agencies to help them better manage this component of their work force. The Management Advisory Committee project on organisational renewal has commissioned research into the career patterns of recent graduate entrants and mature age workers and the results are expected in early 2003.

I am very happy to answer any of your questions. If we are unable to do so this morning we can take them on notice and get them back to you as soon as we possibly can.

CHAIR—Thank you. Just on that last point, I envisage that there will be some questions on issues that we would wish to put to you as questions on notice following today’s hearing, particularly given that some further submissions have come in in recent times and you may not have had the opportunity to read them. I will start by picking up on a couple of the issues that you have mentioned which are highlighted in the Public Service Commission's submission and in a number of other submissions. One of those is, of course, the issue of recruitment of young people and the increasing trend toward recruiting people at higher levels in the structure than previously. You acknowledge that in your submission, as do a number of other departments and organisations that have made submissions. I note that, on page 25 of your submission, you state:

> There may be scope to improve the utilisation of the APS1 classification with some capacity for a very modest lift in non-graduate youth recruitment.

It is not a very confident statement, I might say. That is not said as a criticism but as an acknowledgment that, if there is scope, it is very limited. Others would say that there is very little, if any, scope and in fact that this is a problem. Do you concede that it is a problem—that the Public Service or the agencies are not recruiting, or are not able or willing to recruit, younger people? Do you have any strategies that you are looking at or that you would be endeavouring to promote to do something about that or is it something that ultimately you are leaving to the agencies to try and address?

Mr Podger—As I think we have explained in the submission, there are a range of forces lying behind the reduction. It is hard to see that those forces are going to suddenly reverse. From the demand side, the facts are that, with the requirements for more multiskilling and for things such as Centrelink's requirement for more experienced and qualified people to be on their counter services than might have been the case a few years ago, this has been part of the requirement for higher quality services to customers. A range of those issues around technology and so on have changed the demand for staff. In addition, outsourcing has taken away some of the median staff.

CHAIR—Can I just stop you there? You mentioned technology. When you say that, are you saying that that means that these jobs are not ultimately able to be performed by young people who may be recruited and then trained within the agency, or is it more the case, which I think is generally acknowledged and is obvious, that technology may have replaced the jobs themselves—that there are fewer people employed in particular functions because of technology? As a general proposition, people would probably say that, in terms of technology that is increasingly used today, there are many younger people who are very familiar with the technology, are quick to adapt and learn and are looking to be skilled and trained in using that type of technology. Should not the Public Service, as a large employer and as a driver and example to the rest of the industry, be looking to encourage that in recruitment?

Mr Podger—The issue is not that young people cannot use technology. We all know the story about who sets the video recorders—

CHAIR—Yes. I know that. I am trying to understand the connection you made between that and the inability, or the reluctance, to recruit young people.

Mr Podger—My main point was the first point that you raised: technology has led to the removal of a whole class of jobs. You can see that in places like the Bureau of

Statistics, which no longer has all those compilers and so on that it used to have. Most agencies no longer have the whole range of typing pools and things of that sort. The way we do business has changed.

CHAIR—I understand that argument, but that does not explain why people would necessarily be recruited at a higher level, does it, unless they are going into different jobs?

Mr Podger—It means that you no longer have the raft of process type jobs that you used to have. For example, looking at the overall classification, if I went back to the very early eighties, something like 50 per cent of positions in the Public Service would now be called an ASO1 or APS1, because we had a whole range of jobs like clerical assistant right across the service. The Public Service has seen a huge change in the structure of the work force; although I suspect that it is not that much greater than most private enterprises have had. A major factor on the demand side is what employers are after, but that shift has also been reflected in a change on the supply side. The major change is in the retention rates of high schools. The numbers of people transferring from high school to university these days is about the same as it was 20 years ago, notwithstanding the huge increase in high school retention rates. There has been a dramatic shift on both sides of the equation. Those shifts are not likely to reverse. I personally think that there may be some structural changes that organisations can make to make more use of APS1s and more trainees in that area, but I would not hold that out as a major new strategy that could make a big difference. It would be mostly at the margins.

CHAIR—Do you have overall data—and I cannot recall whether it is in your submission or in another one—of the number of people per annum being recruited who have, say, year 12 qualifications and who are fresh graduates from university? I recall many years ago that the APS did recruit a lot of graduates straight out of university.

Mr Podger—Our data on this is not very good, because the number of graduate recruits who are formally recruited as graduate trainees remains reasonably high, but the big shift has been in the number of above base level recruits of whom we suspect a significant proportion are graduates—but we do not have that data. The advice we are getting from agencies is that they cannot tell us how many of those coming in are graduates or have only high school qualifications but that they believe there has been a sharp increase in the number with graduate qualifications coming in at their APS2 and 3 entry points. That was precisely where we were having difficulty in the corrigendum we gave you, because there was a problem with presenting the data as best we could. We have data on the formal graduate entries—trainees—but we do not have data on the qualifications of the increasing number of recruits who are coming in at higher levels.

CHAIR—The other side of this—and you draw attention to this in your submission on a number of occasions—is, I suppose, the ageing of the work force. I say that with all due respect to everybody’s age, but it is something that you have identified. Various reasons are given for that: that people are not staying as long any more, that it is not necessarily seen as a lifelong career or that they are being recruited into other, better paying jobs. That, as I understand it, has been a perennial issue for the Public Service; it is not something that is necessarily new. Given what we have just discussed—that there are problems associated with recruiting young people and, on the other side of the coin, that in the existing work force the profile is getting older—can you comment on the interaction between those two situations and on what strategies you are looking at in an overall sense for the Public Service to try to deal with that?

Mr Podger—I will make a couple of comments and then Lynne Tacy might want to add to those. In figure 7 in our submission, we draw attention to the overall age profile of the APS compared to the labour force out there. It is interesting that, if you like, the APS is more boxed—that is, it has fewer young people and fewer old people than the general labour force. We also note, in one of the further graphs—I think it is at No. 11 on page 11—that there is quite a wide variation between agencies. While the overall thing is more boxed, there is substantial variation. Nonetheless, even within that variation you will see that mostly the same story applies: it is not as spread at the younger and the older levels as it is in the general labour force.

We are somewhat uneasy about whether, at the older end, we are presented with some risks of losing corporate knowledge quickly. While the numbers of employees over 55 are increasing, they are not increasing as fast as the demographics say they ought to be, and we have some superannuation issues which are encouraging people to move out more quickly than they might otherwise have done. The Management Advisory Committee, which is chaired by the Secretary to the Department of the Prime Minister and Cabinet but for which we are the secretariat, has set up a project on what is called organisational renewal. It is focusing on both ends of that distribution—on what is happening amongst older workers and on what are their expectations. We are doing some surveys, of both the group approaching 55 and some people who have left in recent years, to find out what the reasons are and what their expectations are with a view to seeing whether there are things we can do to ensure that there are flexible offerings and that we make more use of our older work force.

Just as the government’s policy is to look for ways in which older people might be encouraged to stay at work, the Public Service ought to be doing the same and looking at what the flexible offers are that agencies ought to be developing in that area. Of course, the issue is not just about older people. As we are losing people, are we bringing in people and keeping them? The problem at the other end is that it has not been the attraction so much as the retention. There is some evidence of a greater loss rate of graduates than in the past. It is not a huge increase in loss but there is some increase there. It may simply be that young people these days are more mobile, but we are asking, ‘Are there strategies where we might be able to encourage agencies to retain the staff they recruit through, for example, more structured development and training, and things of that sort?’ So we are also doing some survey work on the young people and graduates to see whether there is some good practice guidance to come out of that. Lynne has been very much involved in that exercise and might want to say a bit more.

Ms Tacy—I will add that, as part of the exercise of looking at the ‘older end’, if you like—

CHAIR—I might say that the point that Mr Podger just mentioned at the end of his remarks is what I was getting at, and that is if you identify that there are these two ironic situations—and presumably it is a problem that will have to be addressed to make sure it does not get—

Ms Tacy—That is correct—address it in a number of different ways. There are two dimensions that we are looking at as part of this project. One is internal, if you like, in that a large factor in the ageing profile in the APS is the very large cohort of people who came in in the late sixties to early seventies, when the Public Service grew at quite a high rate. Now we are seeing many of those people—and that is when I joined—moving through into the 50-plus category and approaching the age of 55. So we have an internal dimension of the ageing profile. As Andrew mentioned, there are also some issues at play in terms of the retention rate of new people coming in. Looking ahead at the ageing population in the country more generally, we are looking at a situation in the future where the overall rate of growth in the number of new entrants to the labour force will diminish and we will have a more general ageing profile.

We are looking at some projections to see what happens once the cohort of people I mentioned in that category moves through. We are doing some projection work at the moment on that. At the same time, as the commissioner mentioned, the MAC project is doing some survey work of people who are approaching 55, people who have recently retired at 54 and 11 months or people who have recently left at that age, and also graduates—to try and get a better picture of what the likely attraction and retention issues are at the graduate end—so that agencies can better adopt their work force planning, their leadership, their learning and their development, to bring people through more quickly and hopefully retain more people at the graduate end. All the survey work has been completed and the data is being analysed at the moment. It should all be available in its final form early next year.

CHAIR—Early next year?

Ms Tacy—There may be some results that we would be able to provide to the committee in advance.

CHAIR—That would be helpful. We are due to report at the end of the year but, obviously, it would be of value to the committee if we could get some indication of what those surveys tell you and what your reaction to them is. I will leave my questions at that for the moment. I have some other issues but we will come back to those.

Senator MARSHALL—Given what you were saying earlier about the changing nature of work due to technology changes, what specific strategies would you put in place to increase employment of Indigenous people in those circumstances?

Mr Podger—We have in the commission decided that Indigenous employment is a particular priority that the commission might be able to have some influence over and we are working with a number of agencies on what measures might be possible. Indigenous employment in the service is above that in the work force as a whole but as a proportion of our staff there has been a slight decline in the last couple of years from about 2.6 per cent to about 2.2 per cent. That makes it a little bit uncomfortable as to whether we are doing as much as we might. And of course that 2.2 per cent is very concentrated around a number of agencies that are in the business of providing services to Indigenous people—ATSIC, Centrelink to some extent and a couple of others that are particularly involved.

We are looking to see what sorts of policies work. In some respects it is not recruitment; it again is a retention issue. A key issue there is the support that people receive not only in the workplace but also in family support and so on. There are particular difficulties, for example, in people recruited from country areas and regions to work in Canberra and so we do have some need for building networks and support. There are such networks in place but it is a matter of whether we have them working as well as they might.

There is also an issue of mentoring and giving examples of people who have done well amongst our Indigenous staff. Just very recently we issued a short paper presenting profiles of a number of Indigenous employees in the Public Service across different agencies. As I said, the aim is to set some models of what people have done so others can say, ‘Look, this is not a bad option for me and these are the career options around.’ Lynne, do you want to add anything more on the project we are doing?

Ms Tacy—Yes. In addition to the profiles booklet that we have looked at, we are working with agencies to look at their practices. A number of individual agencies have over the last few years introduced quite active recruitment strategies, particularly cadetships—graduate recruitment drives for Indigenous people. There is some work for example that the Department of Employment and Workplace Relations has just announced in terms of a new contract management intake and program for Indigenous people.

A number of agencies have over last few years taken quite a few initiatives in this area. We would like to work with them to try and evaluate which strategies seem to be working the best, both from an attraction point of view but also more particularly from a retention point of view, and provide some good practice guidelines to other agencies. So we have a working party at the moment working with a series of agencies to try and move that along. I guess it is a combination of, from our point of view, some good practice guides and certainly helping where we can with graduate recruitment on the Indigenous side. We facilitate a network of Indigenous staff, and I think that is particularly important to try and address the separation issue. But we are also exploring with a number of bodies what additional programs we might look at from a learning and development and leadership point of view that are particularly targeted to Indigenous employees. That will be quite a priority for us over the next 12 months.

Senator MARSHALL—Do you see yourself setting targets in terms of the percentages you were talking about? If you were, would that apply across all levels or simply at the entry level?

Mr Podger—I do not see us setting formal targets; it is more important to present to agencies trend lines and comparisons between the different agencies, to make them think about it. We have not entered into the business of formal targets. In my old department, Health, I was conscious that, notwithstanding our particular responsibility for Indigenous health, the numbers of Indigenous staff were not particularly higher than the general average for the service, and I would have thought they should have been. I was certainly conscious that within Health the Indigenous staff were predominantly within the Indigenous health program, yet the sensible thing was to make sure that the Indigenous staff had career opportunities way beyond that program. So we were taking action in that department; we set up an Indigenous staff network and provided much more extensive support arrangements for staff, and we were embarking on a major campaign for both recruitment and development activities. I think the health department was mirroring what a number of others had been doing: looking at the data about their numbers and saying, ‘Actually, we should be able to do better,’ without necessarily having a formal target but analysing the situation.

Lynne mentioned a number of agencies which have introduced some initiatives in this area. I should mention that some very interesting activities are being undertaken by quite a few agencies. Quite a few have cadetship type schemes and traineeship type schemes. Amongst these are agencies like ATSIC, AQIS—the quarantine service—and DFAT. Quite a few of them are moving in that area and building up support arrangements. Environment Australia has been doing quite a lot in the national parks area—and so on. As Lynne says, we are looking to ask what is the experience with these initiatives, which seem to be working best and could they be replicated elsewhere, and can we encourage agencies to look at others and find best practice and pursue it? But I doubt whether targets per se are the best way to go.

Senator MARSHALL—I am interested in the benchmarking you were talking about. Will there be a formal obligation for each of the agencies to report back on what they are doing in terms of increasing Indigenous employment?

Mr Podger—In our annual publications we report on the overall Indigenous employment situation by agency, and we keep pictures of what the trends are there. As I say, the actual employment levels have been reasonably steady, but there has been a bit of a worrying decline as a percentage in the last two years. It is not a huge decline, but it is not quite the direction we were hoping we would go in.

Ms Tacy—You will find an appendix to our workplace diversity report each year which includes representation rates, not just of Indigenous people but also of people with a disability, women and people of a non-English speaking background, set out on an agency basis.

Mr Podger—I am also aware that some of the quality of the data is questionable in terms of self-identification. A couple of agencies have taken action to try and increase staff willingness to identify who they are. That requires confidence amongst the Indigenous staff that this is going to serve them and that it is in their interests to do so. For example, Customs have been taking some action in this area and believe that their numbers will go up without actually having taken any substantive action. But, in part, the fact that the numbers are going up reflects a willingness to take some further substantive action.

Senator WONG—I want to ask about training. This might have been covered before I arrived and I apologise if it was. I understand that the provision of training is an agency responsibility. Presumably therefore the evaluation of that training is also an agency responsibility?

Mr Podger—We did talk a bit about this in our opening statement. The responsibility for training and development is essentially with agencies. The commission, however, has a complementary role, particularly in terms of leadership development for the service as a whole, so the training products we provide are very much concentrated in the senior executive service and the feeder groups and picking up some whole-of-service priority training issues. We would expect all agencies within the APS to draw on our flagship leadership programs as part of the development of the cadre of senior executives across the service. But we are also in the business of trying to help agencies in their HR capabilities and, following the recent audit report on leadership development, we are accepting that we have to do a bit more in providing advice on evaluation processes. Perhaps Kevin Isaacs can say a little more about what we are doing in that area.

Mr Isaacs—We are participating with ANAO in the development of a better practice guide on the management of learning and development that flows on directly from the performance audit that Andrew mentioned. We will also be producing our own product to promote good practice and give practical guidance to agencies on how to evaluate the effectiveness of their learning and development offerings. Certainly, for our own programs, we undertake several levels of evaluation. We undertake immediate participant evaluation for our own programs on their quality, the effectiveness of presentation et cetera. For some of our broader, longer-term impact programs, such as the Career Development Assessment Centre and the Senior Women in Management program, we have gone back and tracked how participants have performed in the workplace after they have gone through those programs. In short, we are aiming to provide the better practice guide later this year and the evaluation framework early next year.

Senator WONG—But you do not have a role in evaluating the training currently provided by agencies, do you?

Mr Isaacs—Agencies have prime responsibility for provision of training at their agency level, and that prime responsibility also entails having a look at the effectiveness of what they are delivering. As I say, agencies, as part of their responsibility, evaluate their own learning and development products. We certainly want to get more into the business of helping them with good evaluation approaches.

Mr Podger—It would be difficult for us centrally to do that evaluation well. We can provide guidance on tools—for example, Centrelink, with its very elaborate career development framework and virtual college arrangements, will be evaluating in terms of its business outcomes what is happening in regard to whether the customers are getting good service and whether the benefits being provided are accurate with respect to entitlements and so on. That is the sort of thing we could not directly measure.

Senator WONG—You do not want to do the nitty-gritty?

Mr Podger—I find it hard to see how we could do it. I think we can give guidance on it but the agency itself, in its own accountability for the performance of it against its program objectives and so on and linking its learning and development around its program objectives, is in a much better position to do so. We can provide a supporting framework. We can, as Kevin mentioned, provide guidance on some good evaluative tools. We also provide some quite strong support on HR capability—how you build up your central skill set for those who are responsible for HR across agencies. We do quite a lot of work on that.

Mr Isaacs—Often the proof of the pudding in evaluation of learning and development is what people do with what they have learnt when they go back into the workplace. Often that does not tend to manifest until there has been some period of time in the workplace. So, again, agencies and the participants' line managers are in the best position, we think, to evaluate how their participants take their learning and apply it. As we say, we will give them tools but, effectively, that has to be an agency and workplace task.

Senator WONG—When you say you will 'give them tools', what is currently in place—from you to them?

Mr Isaacs—From us to them, there is currently in place a series of learning and development networks, such as a leadership development network that we operate from the commission, in which we exchange advice on what works and what does not in terms of evaluation tools. Also in place is a practice we have employed for some of our own programs. I mentioned the Career Development Assessment Centre and the Senior Women in Management program. We want to formalise those a little more, gather all that learning together and promulgate it to agencies in a more coherent way.

Mr Podger—Clearly, the audit report says that we ought to be doing a bit more, so we are now working with the ANAO to take that forward.

CHAIR—Is it not a part of your role, and surely it is important, to assess the effectiveness of training from agency to agency? Do you look at that at all? Do you rate agencies to see whether or not training strategies and outcomes are effective when compared to each other?

Mr Podger—There is a role for us in our state of the service assessment to talk a bit about how we think the training and learning development activity is going. The audit report also suggests that we ought to get a bit more data on that. We are a bit uneasy about how much data we can get, because it is not centralised arrangement. But the audit report does suggest that there might be some standard measure that would allow more of a picture. For example, one of the criticisms about the agencies looked at in the performance audit was that they could not actually identify with confidence the resources being put in place. Some of the common benchmarking done elsewhere is in the sense of how many days per year of learning and development. These are indicators rather than absolute measures of quality and performance, but if there were better data we would have a better picture of it and could encourage agencies to reflect on the investments they are making. So I think it is fair to say that, following the audit report, we would hope we could encourage agencies to build some better measures that are consistent across agencies and that we can draw on for our *State of the service report*.

I am just nervous about how far we can go. I do think that, just as with Indigenous employment, if we had some common measures that we published regularly we would get some action arising out of it. People would ask questions such as: 'Why are we different? Why haven't we increased? We have decreased when others have increased.' Things like that can raise sensible questions for managers and we can draw attention to issues. So I think there is something there but I am just a bit nervous about how much can be expected of us in our central measurement arrangements.

CHAIR—I was going to come to the audit report, but you have already raised it. Indeed, in your submission—which was written prior to the release of the report—you mentioned that some of these issues were being examined by the Audit Office. Just for the record, the report by the ANAO that you are talking about is entitled *The management of learning and development in the Australian Public Service*, which was released at the end of June. Is that what we are talking about, Mr Podger?

Mr Podger—That is correct.

CHAIR—I think it would be useful if you were able to give us some further responses to issues raised in that audit report. Would you take it as a general question on notice to provide any comments you would like about the recommendations of the Audit Office and give us that information at a subsequent time.

Mr Podger—Very briefly, I can say that the report made three recommendations concerning the commission and that we have agreed with all three of them. The recommendations do not go quite as far as your question intimated, but they do suggest that we:

> ... explore with stakeholders, the scope for a more targeted facilitation role, including the identification and promulgation of better practice principles.

As Mr Isaacs said, we are now working with the ANAO around that and on what might act as guidance on that. The report continues that the commission should assist agencies in evaluating the organisational impact of learning and development. Again, a better practice guide is being worked on. The third one was that the commission should:

> ... regularly assess the value for money provided by their services and implement an evaluation strategy ...

We are looking to do that a bit more, but I hasten to say that, as Mr Isaacs identified, we do a reasonable amount of evaluating of our own programs. The very fact that we are required to recover most of our costs and that agencies' participation is voluntary is in one way an evaluation that they think our programs are value for money, and our programs have been increasing very substantially over the last couple of years. We also do quite a lot of other evaluating of our programs, such as conducting regular surveys of participants and follow-ups of where they went in later years.

CHAIR—At page 4 of their report, the Audit Office said:

> ... the current general lack of rigorous, relevant, comparable data on learning and development held by agencies limits the ability of the ANAO to analyse key questions.

It sounds to me at least that there is a fairly basic measure that data should be able to be compiled and then assessed. I suppose you would agree or accept that statement. Is that going to be taking effect—

Mr Podger—I do accept that statement. One of the things that both the Audit Office and ourselves now wish to do is encourage the use of standard measures, particularly of levels of investment. If you look at paragraph 3 of the summary of the audit report, you will see that they have tried to present the figures in terms of how much money was spent per full-time, ongoing employee and compare that with elsewhere as a percentage of the cost of wage and salaries. Their estimate is that that is only 1.1 per cent of the cost of wages and salaries whereas the private sector would be looking at 2.5 to 3.5 per cent. It goes on to say that, in terms of the amount of time, the average is about six days per year—which is 2.7 per cent. So there is a bit of confusion: how come it can be 1.1 per cent of the cost of wages and salaries and yet 2.7 per cent of available staff days? That draws to my attention that there are not good standard measures and that we need to get a clearer picture of exactly what is going on out there.

CHAIR—I should apologise; I slightly misled you. The quote that I gave you was from the Audit Office's submission to our inquiry and not from their report. But I think that backs up what they are getting at in the report. They also said—and I am sure this came from the report—that the, at that stage, Public Service and Merit Protection Commission needs:

> ... to undertake a more catalytic role, particularly by better targeting its facilitation efforts; and to enhance its advisory and reporting roles, including reporting to Parliament ...

Mr Podger—Which would be the *State of the service report*, in particular.

CHAIR—How do you respond to that?

Mr Podger—More generally, we have just issued our new corporate plan. One of the major shifts, if you like, is to increase our evaluation activity more generally. I think it is fair to say that the focus of a great deal of the commission's activity over the last couple of years has been simply to embed the new legislation, but the legislation sets out very firmly that the first two functions of the commissioner concern evaluation. We already put out the *State of the service report*, but we are now trying to put more resources into our evaluation capacity. In addition to the *State of the service report*, we might do a number of specific evaluations. We have commenced a couple already in that regard.

CHAIR—We are getting close to the time allotted. There are a number of questions which we will give to you to respond to on notice. I also flag that—and I think this could be very useful—at the end of all of our public hearings, it would be good if you were available to come back and respond to the issues that are raised by other witnesses. You have had the honour of going first, which sometimes carries with it the onus of not having heard what other people have to say.

I will raise one other issue regarding criticism from a number of submissions—the People and Strategy Consulting Group was one—that there is a problem with the provision of courses on a fee-for-service basis because of premiums charged for services reduce the agencies' funding for training. Do you have a comment to make in response to that criticism?

Mr Isaacs—We provide our offerings both in terms of public programs and our in-house deliveries on a fee-for-service basis, but that fee recovers our costs only. We receive no separate funding from the government for our learning and development activities, so we must—and the expectation is that we will—recover our costs for those activities. So we structure our fees based on our analysis of the direct and indirect costs of providing that service.

Notwithstanding the comment of the People and Strategy Consulting Group, I would suggest that, for our in-house deliveries—where we offer a range of learning and development services for agencies that are tailored to their needs and where we utilise a consultant panel that we have provided—in a lot of cases we actually save agencies money, because we save them the cost of going on potentially expensive market tendering exercises to obtain learning and development consultants. We also undertake to do contract administration for the agencies and we undertake to provide a range of administrative services.

We also structure our fees on a per program basis and a per length of time basis, which in a lot of cases can be more cost-effective than going direct to a consultant and having them charge a per participant fee. We would suggest that, given the range of our services and their cost-effectiveness to agencies, we are actually in a position where we can save them resources and administrative time in obtaining their own learning and development services.

Mr Podger—The proof of the pudding is in the eating, I guess, in that agencies can choose not to use our programs and can go and purchase programs or run programs themselves in-house without drawing on us. They do draw on us and are expanding their demands on us. That said, in the light of the recent Productivity Commission report giving guidance on user charge arrangements, we have been reflecting on our charges. We believe our charges have been consistent with that report, but we have been looking at the edges and some changes at the margins. But we would not see any case for us to drop the recovery that that particular group is concerned about because that is a genuine cost to us and it has to be recovered. We have not got an alternative source of revenue we can suddenly draw upon.

CHAIR—The proof of the pudding often depends upon the size of the pudding and how many are eating it. Thank you, Mr Podger and the other witnesses from the

Public Service Commission, for your attendance and for your submission. We will be in touch with further questions.

Proceedings suspended from 10.04 a.m. to 10.46 a.m.

HAMILTON, Mrs Margaret, Dean, Centrelink Virtual College, Centrelink

HICKEY, Mr Paul, Deputy Chief Executive Officer, Business Capability, Centrelink

McGREGOR, Ms Carmel, National Manager, People Management, Centrelink

CHAIR—Welcome. Centrelink has provided us with a written submission. Are there any alterations or additions that you wish to make before we proceed to an opening statement?

Mr Hickey—There are some later pieces of information we have obtained as time has gone by, but there are no substantive amendments to the submission that we have made.

CHAIR—Good. I now invite you to make some opening comments and we will then proceed to questions.

Mr Hickey—Thank you. Very briefly, the main points that we wish to make are that Centrelink, with 24,000 staff, represents some 20 per cent of APS employment but in most respects is very different from the traditional view of a government department. Centrelink is an independent statutory authority with a governing board which has executive powers. The board is predominantly made up of private sector representatives and thus, over the period of five years since its establishment, has tended to operate very much along businesslike lines. The scale is quite extraordinary within the Australian public sector. I will give you some indicators. In addition to having 24,000 staff, our annual expenses run at about $1.8 billion. We provide services to 6.3 million Australian citizens and make over $51 billion in payments through about 1,000 customer contact points. In many respects, we are bigger than a number of the Australian banks. That is a bit of context which, in our view, supports the nature of the devolved arrangements that currently exist within the APS for recruitment, training and other issues to do with the management of staff within the broad policy framework that is set down through the Public Service Commission.

As a result of Centrelink's focus as a service delivery agency, its staffing profile is very different from that of the APS generally. The vast majority of our staff—about 87 per cent—are in direct customer contact or direct support roles and, therefore, are at relatively junior levels compared to the average across the Public Service. Compared to the APS, we employ more part-time staff, women, Indigenous staff, disabled staff and staff with diverse cultural and linguistic backgrounds. When you look at some of the details that we provided, many characteristics reflect the nature of the services that we deliver, rather than the traditional perspective of government departments.

The recruitment patterns, particularly in terms of youth recruitment, in Centrelink have fluctuated quite wildly from the initial establishment phase, where the efficiency dividends set by government had to be delivered, which meant shedding some staff.

More recently, significant recruitment has taken place to service business requirements, particularly within our call centre network, and to implement the government’s Australians Working Together policies. In 2000-01, we recruited about 6,200 staff, of whom 25 per cent were aged under 25. I stress, however, that that is an outcome of our recruitment processes aimed at discharging our responsibilities as a customer service delivery agency rather than an outcome of target strategies in terms of quotas or whatever it might be. Our primary aim is to recruit people who have the skills to deal face-to-face or on the telephone with citizens in various states of need.

In terms of face-to-face services, our profile in regional areas of Australia—which is one of the issues of interest to the committee—could be described as generally stable. Centrelink offices tend to be in the general vicinity of where they existed five years ago. There has been limited growth. For example, in the past five years we have opened offices at Cooma and a small office at Proserpine. There are other examples of a continued spread of our office network into regional areas. The growth that has occurred in regional employment has been predominantly in our call centre network. There has been quite significant growth in that aspect of our activities over the past five years. We have consciously targeted strategies for growing call centres, of which there are now 28 in total, in regional areas of Australia. They are in Bunbury, Kalgoorlie, Port Augusta, Maryborough, Cairns, Townsville and so on. In that part of our business, which has been a growth area, there has certainly been an increase in regional employment and opportunities for career advancement.

Regarding some particular features of the learning and development activities that we undertake, Centrelink achieved status as a registered training organisation in 1999. That was reconfirmed under ANTA guidelines in 2001. We have moved to strengthen our emphasis on accredited learning within Centrelink with the establishment of the Centrelink Virtual College, of which Margaret Hamilton is the dean. Margaret is not from within the traditional Public Service. She was recruited from the TAFE sector, where she had a distinguished career, to advise us on the future development of our accredited learning packages. Aspects of the operation of the Centrelink Virtual College may be of interest to the committee.

Also of interest and relevant to the question about how we get learning out to such a diverse service delivery network is the satellite based delivery system that we now employ which can deliver in real time and on a response basis via satellite to over 350 sites simultaneously. If there was interest among the committee members or the committee secretariat in looking at the studios through which we deliver technical training on this basis then we would be happy to arrange that. Our studios are at Tuggeranong and an hour would be ample time for us to show you the technology that is used to deliver that training. That facility also obviously gives us a significant communication capacity to be able to deliver messages in real time to staff working in our offices all around Australia as and when the need requires. To that end, there is also associated with our facilities down there a television broadcast studio that is used for information updates, news bulletins and advice to staff about new government policies and the like. There is a range of technologies and measures that have been implemented which we think might be of interest to the committee.

CHAIR—Thank you. The committee will consider your suggestion about a visit to the facility. I am sure it could be of interest. In relation to that, is that something that is replicated in a lot of other agencies or is this fairly unique to Centrelink—the facility you are speaking about?

Mr Hickey—It is certainly unique in Australian Public Service terms in my experience.

Mrs Hamilton—Yes. There is only one other facility and that is with Ford in Melbourne. They use it to train their dealers and some of their apprentices.

CHAIR—Okay. Certainly in that context it would be of interest to the committee, but we can explore that and discuss that with you at a later date. Do any of the other witnesses wish to make any additional comments?

Ms McGregor—No.

CHAIR—We will go to questions. Who would like to lead off?

Senator MARSHALL—You talked about Centrelink having a higher percentage of a number of groups, including Indigenous people. Is that percentage growing and do you have deliberate strategies in there to grow that percentage in terms of your recruitment and retention?

Mr Hickey—The percentage fluctuates a little from year to year, in part reflecting the differing cycles which Centrelink has been through. I mentioned initially the downsizing that occurred. Subsequently there has been growth in the recruitment activities associated with new budget measures like the implementation by the government of the Families Assistance Office and the implementation of Australians Working Together. Our recruiting in those contexts tends to be targeted towards the need for the service that we have to deliver. However, we do have particular strategies focused at those groups that I mentioned. In the past 12 months, the Centrelink board has approved an Indigenous employees action plan which has positive strategies included in it to recruit Indigenous people into Centrelink, including through offering cadetships and scholarships. Yes, there are targeted strategies but for one reason or another the actual percentage can vary somewhat from year to year.

Ms McGregor—Just in addition to that, there was quite a heartening result from our recent recruitment of personal advisers. Some of our most in need customers will be Indigenous so we were trying to match the staff to the customer profile. In that respect, we have almost reached a point where 10 per cent of the 453 are Indigenous recruits. That is helping our drive on that front as well.

Mrs Hamilton—Can I just add that as far as the scholarships and cadetships are concerned there is quite a concerted effort this year, as there will be over the next two years, to increase those numbers. This year we had 10 scholarships and 10 cadetships; next year there will be 20 of each and the following year 30, bringing it up to 60. That is quite a concerted effort.

Senator MARSHALL—How does it look in terms of the retention of those cadetships and scholarships?

Mrs Hamilton—Now that we have centralised the management of those, much better this year.

Senator MARSHALL—Is it below the average?

Mrs Hamilton—I do not know what the average is, but certainly from what—

Senator MARSHALL—I am talking about within Centrelink from other groups.

Mrs Hamilton—I am not sure. We could find that out for you if you like. Certainly the participants this year are going extremely well and getting very good results.

Senator MARSHALL—What about your general retention of young people?

Ms McGregor—The turnover there is higher than for the rest of the population and we are trying to analyse what that might be; however, the general rate of separation is about 5.7 per cent. I have not got the breakdown, although we could probably provide that to you. A heartening feature at the moment is that some 21 per cent of the ongoing work force is under 30. We have had a big increase, in that 25 per cent of last year's recruits were under 25, so it is now stabilising as a feature of the work force. We could break that down in terms of retention rates by age profile.

Senator WONG—You do not have a generalised graduate induction program, only in IT. Why is that?

Mr Hickey—The position has been taken that, as I said in relation to our service delivery activities—which are about 87 per cent of our staff—the recruitment is targeted at people with those capabilities. It happens that many of those staff also have formal qualifications, either higher education or TAFE qualifications, but the targeting is based on people who have the life skills and maturity, if you like, to be able to sit down and deal with difficult issues with customers directly across the table.

In the IT area, which is a highly specialised and large area within our National Support Office, we do have a structured graduate recruitment training exercise. For the rest of the National Support Office teams, the priority up until now has been to use people who have skills in the network and service delivery parts of the organisation to fill the technical advisory roles that typically exist within the National Support Office structures. Many of the people we recruit do have formal qualifications; it is just that we do not specifically target a graduate recruitment program of the kind that might typically be found in a number of departments.

Senator WONG—Has that had an adverse effect on the percentage of younger people in your intakes?

Mr Hickey—No. As I mentioned in my opening remarks, the proportion of young people that we recruit tends to be a product of the recruitment processes that we have, which are aimed at getting the basic skills and abilities that we need rather than qualifications. I can give you some examples of the most recent recruitment exercise that we have undertaken, which is recruitment of the personal advisers for Australians

Working Together. The criteria were set to get people who could conduct the sorts of interviews and build the sorts of relationships with customers that are necessary. We took a sample of 180 PAs and found that 3.9 per cent have postgraduate qualifications, 31.7 per cent have a bachelor’s degree or equivalent, 20 per cent have a diploma, and 55 per cent have a certificate. There are also people who have multiple qualifications. We are satisfied that, by targeting our recruitment in the way that we do, we are not putting ourselves at risk of not getting those sorts of skills, and we do not believe we are putting ourselves at risk of not adequately recruiting young people into the organisation.

Senator WONG—The ANAO audit raised some concerns about agencies’ lack of evaluation of their learning and development strategies. I wonder if you could comment on that in relation to your agency.

Mr Hickey—I think that is a fair general comment and conclusion that the ANAO came to. From my experience, and going back in time to policy roles in the education and training portfolios, the whole issue of evaluation of education or training outcomes is notoriously difficult. In a moment I will ask Ms Hamilton to talk about a project we have initiated that attempts to begin to analyse some of the cost-benefit issues or the returns that are likely to come from training investments.

At the end of the day, our judgments have to be made on whether we achieve the sorts of objectives that we set for ourselves as part of our business plans or those objectives and standards that are set by the client departments that we deliver services for. We look to see whether our customer satisfaction trend is improving so that people we are delivering the services to are getting a quality service from their perspective. We look to see that we are delivering the productivity returns that the government expects through the ‘efficiency in budget setting’ processes, and we look to see that we are delivering on the key performance indicators that we negotiate each year with those agencies we deliver services for—Family and Community Services, the employment portfolio and so on. At the highest level, the training inputs, if I can call them that, are part of a contribution towards achieving those business outcomes. If they are moving in the right direction we can take some comfort. But that does not directly answer the specific question of whether the particular pieces of training that we offer deliver the required outcomes.

Mrs Hamilton—Like every other APS agency, we do a couple of levels of evaluation of our training programs, the first—the happy sheets, if you like—gauge the reaction and the second ask how much learning has actually been taken on board, which is tested in the workplace by on-the-job assessment. Then there is behavioural change. Here we are getting into a really difficult area: has the training resulted in change to behaviour in the workplace? Then we are looking at the organisational level. So we are conscious of this and we have checked around other agencies; we have great liaison with other agencies in the APS, particularly large ones such as Defence, Tax and the Bureau of Statistics. Very little formal work is going on in this area. Also, coming out of vocational education and training, I am conscious of this.

Centrelink happens to have the ideal environment, where we have a government agency in the centre of which we have, for want of a better word, a corporate TAFE.

We have both the elements necessary to conduct a really good evaluation. We engaged a consultant just recently. He is in the initial stages of getting information, not only from Centrelink but also looking at the wider Public Service, at papers that have been put out such as ANAO audits. He is going to prepare a couple of models of how we might evaluate our learning within Centrelink and look at a return on investment for that learning so that we can mesh it with our balance scorecard and some of our KPIs. That work has only just begun; other agencies are looking to our lead in this area. It is quite an exciting project. I think it is long overdue and something that we need to do to support our RTO status.

Senator WONG—When is the report likely to be prepared?

Mrs Hamilton—At the end of October he should have one or two models for us, but then our senior managers and executive within Centrelink will have to talk about them and see which path we are going to go down. After that would be stage 2 of the project.

Senator WONG—Is the Public Service Commission having any input into that?

Mrs Hamilton—Yes.

CHAIR—How did the Centrelink Virtual College come about—was it just an initiative from within Centrelink? Why did you go down that path?

Mrs Hamilton—It certainly was an initiative of our CEO. I think it came about for a number reasons. One was the embodiment of our RTO status; we needed to get a more formal framework of procedures and processes in place to overlay the procedures and processes that were happening in our 15 areas around Australia, to get some consistency and standardisation of quality into our training. It was also an opportune time, with the Australians Working Together initiative coming on board. I think the organisation realised that they needed a central focus on learning to deliver the huge training effort that that involved. Our 'getting it right' strategy came out of the need for more accuracy in our dealings with our customers and in our documentation. There were a number of factors there, including the ANAO audit. All those joined together seemed to indicate that this was a good way to go.

Before the college was established, Centrelink, in our last industrial agreement, had already committed to having a certificate IV in business aligned to a pay point, so we had started down that path. Once you are into that vocational education area, you need to make sure that what you are doing is in line with ANTA guidelines, with vocational education and training frameworks et cetera. The establishment of the college seemed a good way to go.

CHAIR—I realise that you are not required to comment on what other departments might do in relation to picking up this sort of idea and the policy considerations attached to that. Am I correct in saying that there are obvious special or unique features of Centrelink, with its wide distribution of offices and its much greater interface with the public, which may not apply in other departments, that lend itself to setting up that college? Are you able to comment on whether or not this is something that other agencies are interested in looking at? Could it provide training facilities and programs for other agencies with portfolios? Is that something that is possible and could be considered?

Mrs Hamilton—Certainly. You are right: Centrelink's unique characteristics do lend it—

CHAIR—I was assuming that is what you were saying.

Mrs Hamilton—Yes, that is right. But other agencies are very interested in the concept of the virtual college. We keep in fairly close contact with most agencies and several of them—particularly in remote areas—have said, 'When can we join in and do some of your qualifications?' Defence is very keen to share, I guess, some of the training or some of the classes in remote areas for certificate IV in business, for example. Where they have a few people, we have a few people. Other agencies have commented that, yes, they would like to be a part of what we are doing.

CHAIR—Presumably, even if the nature of the department or agency—the way it operates—may be different, others do not have regular, constant, day-to-day contact with the public. Nevertheless, what are the skills and training requirements? There would be similarities and consistencies, surely, with other departments.

Mr Hickey—Based on my experience, I would think that the core elements to having a structured, accredited training framework that is linked to people's ability to progress through their careers, and eventually through industrial agreements to salary, backed up by a central qualified delivery mechanism—if you like, the central ingredients of what the college structure is—would be essential requirements, certainly, for any service delivery organisation, of which there are others. I do not think it is necessarily the answer for the policy department, for example, where the emphasis at the skills level would be more through the graduate recruitment processes and the management and leadership development activities that flow from that. But, certainly in terms of the service delivery parts of the Commonwealth, the principles that underpin our decision to establish the college would apply equally as well.

CHAIR—That leads me to ask you about the fact that Centrelink itself does not maintain a graduate intake—only an IT graduate intake—as I understand. What is the basis for adopting that approach? As I understand it, you recruit, presumably, from other agencies—is that correct?

Mr Hickey—Yes. Within the Canberra environment and within the National Support Office, there is some recruitment between agencies—out of Centrelink and, equally, into Centrelink. As I was explaining to Senator Wong, and as I said at the outset, because 87 per cent of our people are involved in customer service or direct support of those activities, the recruitment focus is very much on the skills and attributes that are necessary to deliver face-to-face service to people in need. The fact that people come to us through that recruitment process with qualifications is a bonus, but when they do not come to us with those qualifications, the accredited learning framework that Margaret is responsible for delivering helps to compensate.

Within the National Support Office, we have tended to use in technical advisory positions people who have customer service or field operational experience. Certainly in the early days of Centrelink we felt that improving the service culture of the organisation meant that it was better to use people who had that particular bent and that experience. But as we are finding with the recruitment of personal advisers for the government’s Australians Working Together initiative, although we have recruitment processes that are targeted specifically at the operational requirements, we are in fact getting people who have very high level qualifications, including some with PhD qualifications. So we are satisfied on our analysis of the recruitment intakes in the past couple of years that we are not disadvantaging ourselves in any way by not targeting specifically a generalised graduate recruitment program.

CHAIR—You also note in the submission that your agency has a much higher proportion of part-timers and also women employees. What are the reasons for that?

Mr Hickey—It is in part historical, because the staff were predominantly made up from staff who were in the former Department of Social Security and that in part tended to reflect the nature of the work force; in part because of some of the professional qualifications that we do recruit—for example, social workers tend to be predominantly female; and in part because of the nature of the business that we are required to deliver and the affinity—and my colleagues might want to comment on this—for the sort of work that we are actually required to deliver.

CHAIR—What about the part-time aspect? I am not sure if these figures are in your submission—they could well be. What proportion of your staff are part time? I think you said it was 16 per cent. Where are they mainly located? Can you tell us why?

Ms McGregor—I think the part-time figures reflect our need to have flexible arrangements in service delivery. In the call centres there is a higher proportion of part-timers and there are extended shifts and those sorts of things. People can move in and out of those extended hours on a part-time basis and target it towards the peak workloads, which they understand. Similarly, that translates into our customer service centres. Part-time arrangements afford us greater flexibility. That is basically the issue. I do not have the percentage of women in part-time arrangements, but there would be a higher proportion. That would also go part way to answering your question about female staff.

CHAIR—What impact does that have on retention and training?

Ms McGregor—The higher separation or attrition rate of part-timers?

CHAIR—Yes.

Ms McGregor—We are actually analysing that at the moment. We are not sure that that is a problem; it is a reality. If it is problematic in terms of service delivery, we will have to look closely at that. It is something we have only just uncovered in our delving into the work force.

Mr Hickey—Our first problem has been to target the use of temporary staff, particularly within the call centre environment. We found that to be not at all efficient, because the turnover and separation rates were extremely high and the training investments that are necessary to get people up to a level where they can actually deal with customers over the phone are quite significant. In our view, the use of temporary staff, particularly in the call centre environment, is not a good way for us to go. Over the past 12 months we have been concentrating on putting most of our effort into getting the right balance between permanent full-time and part-time staff.

CHAIR—Are you saying that, in your definition, temporary staff are not part-time staff?

Mr Hickey—That is right. We are looking for permanent employees, some of whom will opt to work part-time hours. In balancing workload requirements, the pattern of business within our call centres is as follows: Mondays are always exceptionally busy; Tuesdays, less so; Wednesdays, less so; Thursdays, less so; and Fridays, less so. It is just human nature in the way that calls come through, and we think the use of a substantial part-time work force, which suits the life choices of individuals as well as our business requirements, is a good way to go. If there are problems with separation rates—and we are not convinced that they are a problem at the moment—we would obviously need to look at that.

CHAIR—You said earlier that there is a higher turnover with younger people. Do you see that as a significant problem you would like to address?

Mr Hickey—It is an issue for us. In the call centre industry more generally, including outside of government, we have found that it is very competitive and that the people we have recruited, put through solid induction programs and embarked on accredited training, including certificates in business, become very marketable very quickly. We have had higher turnover rates and we are looking at strategies as to how we might address that. Obviously, being competitive and the sorts of salary rates we pay are part of the issue. We think the effort we put in and the investment in training are an important part of building loyalty and commitment. There are local initiatives within each of our call centres to address staff satisfaction survey results and any issues that might arise from them. So there are a lot of things being done but, nevertheless, the turnover rate is still higher than we would want it to be.

CHAIR—When you say ‘young people’, can you be a little more specific? Is it the under-25 age group? What age group are you talking about?

Mr Hickey—It is the under-30 age group.

CHAIR—What is the salary range applying to people in that group?

Ms McGregor—I do not have the salary figure, but our primary entry point is the APS4 level. We have a different classification structure and so it is what we would call a Centrelink band 2 to band 2.5, or something like that. We can get that figure for you.

CHAIR—I am interested in the context of Mr Hickey’s comment about there being a lot of competition from other areas after they have been recruited. For instance, salary could be one of those influences.

Ms McGregor—It is in part, but the other issue is that it is not atypical of the youth turnover in the labour force itself. It is also that, in competitive labour markets, you will see a higher attrition rate than in others. For instance, again reflecting the labour market area, in the Hunter, around the Newcastle area, we have an older work force. They are more static, so there is not that degree of turnover. Yet, if you go to the more volatile metropolitan areas, you will see a higher level of turnover and the attrition rate for younger people is higher in those areas.

Mr Hickey—Off the top of my head, the commencement salary for a staff member in our call centres would be about $35,000. On the basis of some benchmarking done recently, that seems to be about the industry average outside of those call centres that engage in push purchasing types of activities. We believe that, currently, we are competitive in the corporate sector—for example, in the banking and finance industries. Our staff have opportunities to progress through increment ranges and there are possibilities of minimising turnover by opening career pathways for people. Because of the size of Centrelink and the fact that our 28 call centres are spread nationally, there are opportunities for people to make lifestyle choices about living in the north or the west, wherever it might be, and transferring within Centrelink. So there are some different characteristics about Centrelink which help with some of the potential turnover issues. Nevertheless, as I say, it is still high.

CHAIR—I would have thought that Centrelink has a fair interface with state government departments and agencies dealing with these sorts of issues—the departments of community services might be one example. Do you have arrangements with state public service entities in regard to training or recruitment strategies?

Ms McGregor—Not specifically, although I think some of the things that happen locally are led by the Public Service Commission—for example, the regional heads forums where the departments get together and talk about those things. That is extended in some parts to the state governments but it is not an active strategy of ours. It could be happening locally.

CHAIR—I am prompted to ask that question because I know all members of parliament would have this issue raised with them regularly by people who need to access the services of a range of state and federal agencies in regard to social welfare issues. It is one of the things that is commonly raised with me—‘I spoke to DOCS, I am trying to get on to Centrelink, I have been here and they sent me down to St Vincent de Paul,’ and so on. It is certainly an issue that those clients often have problems with. If we are talking about improving services across the different levels of government—including local government—under COAG then I would have thought this is an area where some thinking and some work might be done in training of the staff and so on.

Mr Hickey—To this point, we have not looked specifically at the training issues. We have a significant social worker work force within Centrelink and their links with state authorities—with DOCS and their equivalents—are very strong, so very strong informal but necessary networks have developed. We are increasingly seeing an effort on our part and by associated services at the state and local level to co-locate wherever that is possible. Within the Hunter region, for example, co-location with the state housing authority, with which we share customers, has happened now in a number of instances.

In Tasmania there is a trial under way called TIGERS, through which the state government has established service outlets covering local as well as state government services. In seven of those outlets we have put basic Centrelink services, information materials and capacity to lodge claims and have them faxed through. In three of those centres we have established videoconferencing facilities which enable people to go to the state government outlet and, through the videoconference facility, be interviewed by a Centrelink officer in Launceston, for example. The co-location issue is from a service delivery perspective but at this stage I would not say it is from a training or recruitment perspective.

CHAIR—Given that you have offices located across the country, in regional areas et cetera, my final question is: what specific strategies and policies do you have for recruiting young people, given the high rates of youth unemployment in regional and rural areas—and about recruiting from local communities?

Ms McGregor—I have some figures regarding youth employment in regional Australia. We have 736 employees under 25 years of age, 1,525 between 25 and 29 years of age, and a total of 9,237 employees in regional Australia. So, over our base of 24,000 employees, that is quite significant. Taking into account the 25- to 29-year-old age group, our recent recruitment trend for the younger group is around 40 per cent in terms of new recruits in regional Australia. In new recruits, there is a higher proportion of younger people in regional Australia than in the metropolitan area.

CHAIR—I do not want to get into a discussion here about the obligations in regard to the act but, in terms of recruiting in particular regions and communities, do you have some sort of preferential strategy for people who are looking for work in those regions?

Mr Hickey—We tend to recruit locally. It is not specifically weighted that way through the selection processes but obviously you can influence it by the way in which you advertise the vacancies. For example, with the growth that has occurred in our call centres in regional areas in recent times—and maybe we could do a sample for you to give you some actual facts—my impression would be that, by far, the vast majority of employees would be from the local area.

CHAIR—There are no further questions. Thank you for your submission and for your attendance here this morning. If there are any further issues that arise out of any further submissions we will forward questions to you on notice for you to respond to.

Mr Hickey—Chair, if you would like to take up the offer to visit those facilities we would be happy to arrange that with the secretariat.

CHAIR—I cannot speak for the whole of the committee—we will certainly consider it—but I think it is a very good suggestion. We appreciate the opportunity and the invitation, and I am sure that we will be able to organise a visit at some time while we are all in Canberra. Thank you.

[11.34 a.m.]

GILLESPIE, Ms Margaret, Assistant National Secretary, Community and Public Sector Union

RODDA, Mr Graham, ACT Regional Secretary, Community and Public Sector Union

CHAIR—I welcome representatives of the Community and Public Sector Union to today's hearing of the Senate Finance and Public Administration References Committee inquiring into recruitment and training in the Australian Public Service. I believe you would be familiar with the usual arrangements regarding public hearings of Senate committees and the operation of parliamentary privilege and so on. So, unless you wish me to go through those in detail, I will take it that you do understand the arrangements. You have provided us with a written submission, and we thank you for that. It has now been authorised for publication. I now invite you to make some opening comments and then we will proceed to questions.

Ms Gillespie—We have selected three general areas to concentrate on in relation to the terms of reference. We have not tried to answer all of the terms of reference; we have focused on individual training agreements, graduate recruits and non-ongoing employment. Our submission outlines, first of all, a reference to previous submissions that we have made in the past, and we would certainly encourage the committee to have a look at our previous submissions in relation to these areas. We have relied on evidence that we have gained from surveys of APS employees, and we have also referred to relevant publications such as ANAO reports and our own knowledge and interest in these matters.

I will now address some of the central issues that are of concern to us. First of all, I will address individual training agreements. There are a number of different terms across various departments for these kinds of agreements but, as is quite clear from the name, they are about what the training agreement is for an individual in relation to them and their employer. In the survey that we did we found that 85 of respondents in relation to individual training agreements reported that they received less training under individual training agreements than before their introduction to the workplace. That is quite an interesting result. I might add that we are not claiming that we have surveyed thousands of public servants, but the numbers are documented in our submission. We would encourage the committee to have a look at the results of these surveys, as the results might help inform the committee's questions to other agencies about the way that they conduct their business.

The survey data also suggested that a large segment of APS staff believe that their individual training agreements are often little more than paper exercises. In other words, they are supposed to do them, so everybody sits down and does them but quite often the training agreed at the outset of the agreement is not actually delivered to them. In the past the APS as an employer had quite a significant investment in training both in the workplace and also with study leave arrangements. There are still study leave arrangements, but we are starting to see an increasing narrowing of the availability of study leave. One of the things that I think should be examined is whether there is an increasing shift of the cost of training onto individuals as employees and whether the Commonwealth or the APS are now relying much more on previous employers having trained their recruited employee, in that there is actually a shift of the cost of training that the Commonwealth may have borne in the past. I think they are quite interesting outcomes from the survey.

The next area that we looked at was graduate recruitment and Indigenous university students. Again, the results are based on a survey of graduates. We found that 36 per cent of the graduates who responded reported that their level of work was inconsistent with their skills. That is a personal judgment, obviously, but you can start to correlate that with other issues such as the turnover rates of graduates. Agencies make a significant investment in graduate recruits. If graduates in the workplace are finding that they are not given work that is commensurate with their skills then you can see a link with turnover. The investment is not actually bringing the reward for the employer or for the graduate.

Of even more concern in our survey was that a really high rate of 64 per cent of respondents reported that they had considered leaving the APS. I think that was within a range of one to five years—some of them had considered leaving a lot sooner than that. One could draw the conclusion that, if there are problems, perhaps there should be more questions asked—there should be a closer examination of the turnover rates and of how the graduates are treated in the workplace. There are some associated issues with relocation costs to Canberra. A lot of the graduates are employed in Canberra and a lot of them commented that that was an issue for them. We also found that, looking at the figures available, the trend was for a higher proportion of Indigenous Australians leaving the service than coming into the service. We also identified an apparent lack of transparent data and analysis relating to the operation and success of the APS national Indigenous Cadetship Program. That is addressed further in our submission.

The third and final area that we looked at was the interesting area of non-ongoing employment. There are a couple of things that I would like to draw to the attention of the committee. A recent Australian Industrial Relations Commission decision allowed for 178 non-ongoing Defence employees to be made ongoing employees, and the CPSU was a party to that matter. That case has implications for the application of the merit principle. We believe that it highlights the manner in which a lot of non-ongoing employees are treated by agencies. I think that, in the case of Defence, they were employed for over three years. There is a twofold danger here. Firstly, you have individuals being rolled over on contracts, and that should not happen. I guess that shows the efficacy of the application of the Public Service Act, but it is also a subversion of the merit principle. While we will always take cases in relation to non-ongoing employees to the commission where we believe they are not being treated fairly, we are also concerned that the merit principle can be weakened by this kind of behaviour. Of course, we would much prefer that managers would treat non-ongoing employees appropriately and not have large numbers of these people being turned over on contracts without any sort of investment in them. The training and development of these people often does not occur.

The same thing applies to temporary employees. Casuals are often churned through various units where the ongoing employees often have to carry an extra burden of work because there are large numbers of temporary employees who are not trained—no investment has been made in their training. Therefore, the productivity of that work unit may actually suffer because of those employment practices.

CHAIR—It might be appropriate at this point if you could explain a little more the term ‘non-ongoing’ as against, say, ‘casual’ or ‘temporary’. Are they all the same or similar? I was thinking initially that ‘non-ongoing’ was the category for temporary employees or casuals. Are there particular differences that we should be aware of?

Ms Gillespie—In old-speak, if you like, ongoing employees are what may have been called in the past ‘permanent’ employees. Non-ongoing employees are obviously the opposite of that and can encompass a range of employment, particularly, for instance, temporary employees. Attached to our submission, on page 25, is an outline of the Public Service regulations which apply to the regulation of non-SES employees and that should probably clarify some of those questions you have asked.

CHAIR—Thank you; I appreciate that.

Ms Gillespie—We also believe that there is emerging evidence that the recent outsourcing of agency human resource units creates specific training and operational issues relating to knowledge and accuracy on specific legislation and related entitlements. Our submission refers in particular to an ANAO report which picked up problems with final superannuation payments to people who were separating from the service because it had been outsourced and the people doing the calculations did not have sufficient knowledge to do the work accurately. This has also, of course, placed additional burdens on the training effort of ComSuper, who have now had to extend training to other agencies because of the lack of knowledge within the HR units in those agencies.

There are also some problems in relation to recruitment exercises, and our submission makes reference to a Centrelink matter where a woman who was a non-ongoing employee, and who was recommended by her supervisor as somebody who was capable of doing the job, was rated as unsuitable. However, after being put through a test that said she was not suitable, she was expected to train and supervise the people who were put on.

We also concluded a conciliated matter yesterday in the Australian Industrial Relations Commission, which I can talk about in more detail. It was in relation to Australian Protective Service officers—a similar test. We believe these tests are starting to become quite pervasive. They are used to filter selection and intervene in promotion exercises. We are starting to see an increasing tension between demonstrated skills of officers as against, for instance, what we sometimes call ‘Eddie McGuire tests’—IQ tests or various comprehension type tests. An officer from the Australian Protective Service who had been employed for 25 years and who had passed a number of tests—counter-terrorism, firearms instruction et cetera—was rated as unsuitable to go through new training. This matter is now being resolved with the particular agency, and the outcome we have managed to negotiate is that if you fail the test you will go on a personal development course to pick up the individual issues. What we found was that these people did not have individual training programs. For a range of officers, such as Australian Protective Service officers—and I am sure we all agree that they have a very important role to play—as the employer, you have to be able to provide the wherewithal to have the skills.

If that means improved fitness and a whole range of other things, then I would argue that they need to have a rethink in terms of what the employer needs to supply. The previous witnesses, from Centrelink, were very clear that they have thought through what they need to do in terms of ensuring that they have employees who are able to provide an appropriate service for the whole range of programs that they have to deliver for other agencies. Sometimes what we see is that, if there are new benchmarks being decided by the employer in an agency, they prefer to deal quite ruthlessly with their current employees, no matter how long they have been employed, rather than take the appropriate human relations response and ensure that there is adequate training and, if there are skill gaps, fix them.

CHAIR—Thanks, Ms Gillespie. Do you have any comments, Mr Rodda?

Mr Rodda—No.

CHAIR—Ms Gillespie, you just mentioned the individual training agreements and the fact that your survey showed that 85 per cent of people said they receive less training than previously. Who is expected to provide the training under those agreements? Is it indicated in the agreements what type of training is to be provided and who is to provide it? Are you able to provide us with a copy of a sample ITA, with the names not included, if that is possible, for privacy reasons? Could you tell us a bit more about how these operate and why they do not operate?

Ms Gillespie—Mr Rodda will be able to answer that, and we will certainly undertake to get some samples to the committee.

Mr Rodda—The ITAs are generally regulated by certified agreements, which would indicate that the ITA could include a range of development in a broad sense. It could be formal courses and they could be in-house or outside the agency. It could be on-the-job learning and it could be individual learning. There is a range of different sorts of training that can be provided. Importantly, we looked at the development of the ITA and the reasons for it and, if people were not confident in their ITA's capacity to improve their performance, we were concerned about what some of the causes of that were. This is on page 8. We asked a number of questions around training that individuals had received in the development of the ITA, and the amount of assistance that they had received from their human resources areas. Human resources areas are areas in which employees can gain expert advice on the sorts of training available and the appropriateness of that training. Only 33 per cent of the respondents reported that they had received that sort of support. We also asked whether people had access to comprehensive guidelines so that, in the absence of an appropriate person, there are still guidelines to refer to. While 65 per cent reported that they did have such access, that is still a considerable gap in the support that people are getting. One of the factors that is relevant—and our survey was not complex enough to pick this up particularly—is that part of the current program of market testing of corporate services that is going on within the APS has made a lot of the human resources areas feel a lot of stress and concern about their futures.

A lot of the human resources areas have been spending a lot of time not so much preparing themselves for outsourcing but looking at the whole request for tender process and, in a sense, diverting attention from the support of APS employees towards concern about their own futures. So I think that is a factor. It is difficult to know exactly to what extent that is the case but, from the indication of the level of support that individual APS employees are getting directly from their human resources area, it would suggest that it is possibly having an impact.

CHAIR—I asked a question about where training used to be provided or will be provided. Is it generally going to be in-house training within the agency or department or, in these agreements, is it more likely to be attending courses run by outside agencies, private providers or institutions?

Mr Rodda—From the comments, it is implied that it is a mixture of both. Certainly, one of the problems that people reported was that accessing money for courses was quite often a problem and that training budgets were quite often limited. That would suggest that the courses were off site and not internal—unless, of course, the internal training units were charging the areas for their courses. There were a lot of comments to the effect of, ‘We have put this training course in and it has been identified and agreed as an important part of our development.’ But, quite often, these agreements are 12-month agreements and towards the end of the agreement it can be apparent that no money is going to be available to do that course despite the fact that it was recognised as a priority for that particular individual.

Ms Gillespie—On page 11 of our submission, there is a comment from a regional manager which covers something that came up anecdotally when I was talking to a lot of our organisers. It says:

> There is no money to pay for registration fees or travel interstate to attend seminars. The flow-on of this is that staff are not only not having their development needs met, but are dissatisfied when they see other parts of the department with funds to do such things. It reduces my ability to retain good staff.

Quite often, we see a divide between Canberra and the rest. While we have no figures whatsoever, it has been an observable matter for many years that in the regions, in particular, people believe that they do not get a fair cut of the training dollars across agencies.

CHAIR—I presume from that, too, that the nature of these agreements, being individual training agreements, makes it more difficult for your organisation to pursue whether they are being implemented and whether they are getting the outcomes that they are supposed to get. I will follow that up by asking: what do you say about the collaboration, if you like, between agencies on issues of training? Is it a problem? Is it happening? Is it necessary? Under these new devolved arrangements that we now have in the Public Service, do you have a concern that there is more focus upon agencies doing their own training or getting private providers to do it?

Ms Gillespie—There are certainly a lot more private providers delivering training. I do not know that we have any evidence about collaboration of agencies. There are, of course, things like the SWIM program—Senior Women in Management program—and a range of those kinds of things that the Australian Public Service Commissioner’s office deliver. In terms of collaboration, often in regions you will find Commonwealth agencies coming together, and I have extensive experience of that in the Northern Territory, but there are also specific agency needs. For instance, when legislation changes, whether it is in DIMIA or Centrelink, the people dealing with that have to be trained in the new legislation, so there are always very specific and urgent agency requirements that must be dealt with by that agency. But we certainly see that a lot of the old in-house training has now disappeared. I do not know whether Mr Rodda has any further comments about in-house training versus contracted training.

Mr Rodda—Part of this is in flux because of the market testing program. Anecdotally, I know—from talking to a lot of people working in training areas—that there is a lot of uncertainty about their future, which has created problems. We do not have any firm evidence to talk about whether in-house training is inherently better than something that is coming from outside. I think that, at the moment, a lot of the companies picking up APS training are also picking up ex-APS human resources practitioners. At best, that is only a medium-term strategy, because there is going to be a problem in the longer term when that pool dries up. In a sense, there will not be the training that would have been provided in the human resource units within the APS proper which those private companies can draw upon. I think the challenge for them will be to say, ‘As a private sector company, can we generate new HR practitioners who can deliver those sorts of services to the APS?’

CHAIR—I am not suggesting that one size fits all, but the ANAO, to use the words in their submission to us, drew attention to a current general lack of rigorous, relevant, comparable data on learning and development held by agencies which makes their job difficult in terms of assessing the outcomes and, presumably, being able to compare agencies on those sorts of tests. Also, there is the report that they recently handed down on management of learning and development in the Public Service. As you say, if it is the role of the Public Service Commissioner to oversee and promote all of this, it seems that it may well be a difficulty—if you cannot even get the data, how can you make an assessment as to whether or not the new arrangements are actually working? At the end of the day, who is checking or accrediting the trainers, particularly those in the private sector?

Ms Gillespie—I agree with you. While that is bad enough, a point of even more concern for us—and which I think is really unacceptable—is the fact that we do not have data that tells us who is employed in the APS. That is a really serious issue because we have a Public Service Act that says that the majority of employment should be ongoing and we know—and certainly attention was drawn to it in last year’s *State of the service report* from the Public Service Commissioner’s office, and there is a stated intention to report on that issue in the coming report—that there is a hidden army of workers in the APS; we do not know whether they are trained and we do not know what they do. We do know that a lot of the temps are in junior positions and they are women, and they ship them in and they ship them out. These are very serious issues to be dealt with. If one issue needs to be dealt with, I think it is uncovering that phantom army of workers in the APS and seeing how they are being dealt with.

CHAIR—Thanks for that. I have one final question. Some comments have been made in the submissions—and, indeed, in earlier comments today from the Public Service Commission—about the difficulties associated with recruiting young people and retaining them in the service, the trends in terms of youth employment and also the ageing of the Public Service work force, if I could use that general description. Do you have any comments to make about what seems to have been a problem that has been identified by a number of witnesses, including the departments or people themselves?

Ms Gillespie—Times have certainly changed, haven't they, from the Public Service test days, which was classically the entry point for young people. Now, a lot of agencies, in their formal publications, will state that they are relying on their graduate recruitment program to build up the skills. There are often changing profiles in agencies. I have certainly looked after an agency where that has been an explicit goal. You would have to look at the breadth of the graduate program. There is some interesting data which is starting to show that, for instance, people are saying, 'Oh well, I only came across the advertising by chance.' If the advertising of the graduate recruitment program is not targeted to the appropriate skill group, you start off with a problem.

When those graduates go into different agencies and they are not given access to work that is stimulating, another problem comes in. If there are not appropriate processes in agencies to relocate people and settle them in—all the kinds of things that represent the investment that that employer is making—you could seem to be doing the right thing but you are not actually getting the result that you are saying you are looking for. Certainly, we would want to see agencies recruit younger people. The *State of the service report* points very clearly to the ageing of the service, and we know that the current Public Service Commissioner is having a look at some of those issues.

The other thing is that I do not really see an intense effort to train women. I do not see an intense effort to sit down and really focus on how to retain those women. People will blithely, I am sure, tell this committee, 'Yes, a lot of our women are part-time workers and, yes, a lot of the women are in the lower ranks of the service, but we need something that is dynamic and active, that recruits and retains young women and allows them to see a career in the Public Service as something worthwhile having.' We would certainly like to ensure that occurs and we would certainly be seeking, in all the negotiations that we have at an agency level and with the Public Service Commissioner as well, that that would be fostered in the future.

CHAIR—This might be something that you could take on notice and provide more details on, if you like. I am interested in what you see is the impact of the certified agreements with agencies on the Australian Public Service now as a career service, given that there is a huge variety of different terms, conditions, salaries, limitations on mobility, and so on. Maybe you could take that on notice. You could comment now, if you like, but I am just conscious of the time. Can you tell me whether that has enhanced training and recruitment? Is it a disincentive? What problems might it be causing?

Ms Gillespie—We would certainly be happy to provide more evidence to the committee at a future date on that basis.

Senator HEFFERNAN—Did I hear you say that your union would like to get a list of all the people who are in the Public Service?

Ms Gillespie—No, I do not think so.

Senator HEFFERNAN—To identify the phantom of people out there who you do not—

Ms Gillespie—I understand what you are saying. In the *State of the service report* that the Public Service Commissioner puts out every year, one of the stated reports that will be coming out in the coming year will be a report that analyses the non-ongoing employees in the service. That would be temporary people, contractors and labour hire employees. Temporary employees are captured in the data, but there is another whole range of employees in the Australian Public Service who are not captured in the data at the moment. We do not know how many people comprise that, but I will give you a 'for instance'.

Senator HEFFERNAN—No—because we are eating into the engineer's time. You were, for some reason, late. How many people in the Public Service are not members of the union? What is the proportion?

Ms Gillespie—I could not really answer that off the top of my head.

Senator HEFFERNAN—Have a guess.

Ms Gillespie—Are you talking about the Australian Public Service or the general—

Senator HEFFERNAN—The Australian Public Service—the Public Service that you represent.

Ms Gillespie—Roughly, it would be around 50 per cent. In the larger agencies, for instance—the big service agencies—a majority of employees would be unionised.

Senator HEFFERNAN—So would it be fair to say that a lot of those people would not want to be known to the union? I mean that they would prefer to be, as it were—

Ms Gillespie—I think you have misunderstood.

CHAIR—I am not sure what the relevance of this is to our inquiry.

Ms Gillespie—I have not asked at any stage whatsoever for the name of any public servant, whether they are a member of our union or another union or not a member of a union.

Senator HEFFERNAN—I may have been misled.

Ms Gillespie—I think so. There is certainly no need at all for us to have that information.

CHAIR—As I understood your comment, I think it was with regard to the profile of the Public Service today and the problems with data that have already been identified in other regards.

Ms Gillespie—Yes, indeed,

CHAIR—You were saying that it is a problem with knowing how many people are being employed within the Public Service because of the nature of the different categories of employment that now exist—temporary, casual, non-ongoing et cetera. That is what I understood you to be saying—that is, that it would be good to know the total profile of the make-up of the Public Service today.

Ms Gillespie—That is right.

Senator MARSHALL—It would actually be concerning, especially in relation to contractors. Under many circumstances, contractors will legally be considered as employees of the public sector when the majority of their contract work is to the public sector and it is their main purpose of income. If they are not being picked up as employees in the official Public Service statistics, that is certainly of concern and I think that needs to be clarified.

Ms Gillespie—There is a direct correlation between that and the skill sets that move in and out of the service.

Senator MARSHALL—Absolutely.

Ms Gillespie—It has already been identified—I think by this committee—that there is a real problem in relation to contractors and the fact that there is not sufficient skills for contract management. I have certainly heard the Institute of Engineers talk about that very problem: that, if you have to let contracts, you have to have the skills in that industry to know what you are doing. The same applies across a whole range of skill sets in the Australian Public Service.

CHAIR—It is the sort of information that is regularly sought in estimates hearings of the Senate in terms of how the public's money is being spent in this regard. Thank you, Ms Gillespie and Mr Rodda, for your attendance here this morning.

[12.17 p.m.]

CREWS, Mr Bill, Deputy Chief Executive, Institution of Engineers

EVANS, Mr Michael, Member, Canberra Division; and Chair, National Committee on Quality in Engineering, Institution of Engineers

YATES, Mr Athol, Senior Policy Analyst, Institution of Engineers

CHAIR—I welcome representatives from the Institution of Engineers to this inquiry by the Senate Finance and Public Administration References Committee. Firstly, I apologise that we are starting a bit later than the scheduled time. You have provided us with a written submission, which we thank you for. The proceedings are protected by parliamentary privilege. We prefer our evidence to be given in public, but if any issue arises where you would prefer to give your evidence in camera, please request that of us and we will consider it at the time. Do you wish to make any additions or alterations to the written submission?

Mr Yates—No.

CHAIR—I invite you to make some opening comments and then we will go to questions.

Mr Crews—Thank you very much for the opportunity to appear before this committee. To amplify on our written submission, firstly, I would point out that the Institution of Engineers, Australia, is the peak body for engineering practitioners in Australia. It represents all disciplines and branches of engineering, including information technology. We have a membership of some 67,000 which predominantly is of degree qualified engineers, but it is open to technologists and associates with a minimum two-year technical tertiary qualification. Our institution's primary focus is on supporting our members in the development of their careers, underpinned by raising the awareness of both the role and value of engineering to Australia and the quality of engineering education and practice.

As an institution, we have done a good deal over the last few years to improve the quality of public administration. This has been aimed at changing both the skills of technology professionals as well as the practices within the APS. An example of the former is the booklet *Your Future as a Professional Engineer in the Public Sector*, which covers what skills we see being required for public sector engineers into the future. An example of the latter is the report *Government as an informed buyer*, which recognises technical expertise as a crucial factor in the success of engineering contracts. Senators may be aware of this report as it has had quite a bit of public discussion. It identifies how procurement guidelines and practice need to change to ensure that government gets best value for money for its technology procurements.

The institution's major issues of concern arising from this committee's terms of reference relate to the ageing of the work force, the quality of professional development programs and the skills required of today's public servants. From our perspective, unless we get this right, the APS will become less of an informed regulator, purchaser or policy developer in areas where technical subject matter is required. I need hardly suggest to this committee that a smart or clever country cannot afford to let this happen.

Our research indicates that there is considerable room for improvement. For example, a survey last year indicated that about 25 per cent of all IT contracts lacked sufficient technical expertise on the government side to develop the request for tender and assess the tenders effectively. Our submission has identified dramatic change in the nature of work and, hence, the skill requirements. We have moved from in-house functions to a contract development and supervision focus. Also, we have moved from requiring technical engineering competence only to a broader range of management, contracting and negotiating skills. All this leads to a work force of an entirely different shape from the classic pyramid.

Our submission also covers a number of initiatives to address these changes. These initiatives revolve around a proactive rather than a reactive work force planning approach, with perhaps the need to regrow skills that have been outsourced and to place less reliance on the market delivering what is required at the right time. Specifically, the initiatives we propose include the following. The APS needs to recognise that it is in its own best interests to actively create the work force it requires rather than solely relying upon market forces to generate people with the necessary skills. We need to ensure that professional development programs provide graduates with both operational work experience, in order to gain subject matter expertise, and work with non-APS organisations, in order to gain skills in collaborating. There is a greater need for experiential learning as well as formal training. We need to see improvements in competencies in cross-disciplinary skills, such as risk management and contracting. We see a need for the enlargement of the concept of graduate development programs into professional development programs for mature technology professionals. At the moment our approach with our graduate development program is very complementary to those that exist at present in the APS, but there is a need for it to be expanded.

We see a need to change the existing career structure for APS technology professionals so that it rewards people for gaining deep competence as well as through managerial advancement. This has been successful in organisations such as the Defence Science and Technology Organisation, where it is now possible to be at the SES2 level and still retain your professional involvement. We see a need for the introduction of a concept of mutual obligation for training, in recognition of substantial personal benefits that individuals gain from APS funded training. Also, we see the need for stronger education of laterally-recruited mid-level technology professionals in skills specific to the Public Service, including such things as an appreciation of the Public Service ethos, values, code of conduct and the specific responsibilities to government. I would be pleased to discuss these and other issues that the committee might be interested in.

CHAIR—Are there any other opening comments?

Mr Evans—No.

CHAIR—We will proceed to questions.

Senator MARSHALL—I certainly support what you are saying about the Australian public sector needing to do its fair share of the training to compensate for the need for the skills, but industry needs to do the same. If one of the solutions you are putting forward is for a collaborative approach, do you really think industry is mature enough to engage in that sort of collaboration without just taking advantage of a lot of the postgraduate and base level type training that the public sector would provide? Will we simply see these people disappearing through what we call collaboration, never to return?

Mr Crews—I understand the concern. Indeed, we are working closely with industry to get a greater appreciation of the responsibilities that industry itself has to do its own in-house training and support training. In a more formal sense, our graduate development programs, which we would like to describe as professional formation, encourage specific groups that participate, both public and private sector, to recognise that there is a combination of on-the-job experience and on-the-job mentoring as well as formal training that needs to complement the newly graduated engineer in getting their competency level to where they can practise relatively independently. So, yes, we are encouraging and working with industry to do that. I think it will be a long haul. It is always too easy to say that somebody else is responsible for the training. We are encouraging those companies we are working with on graduate development programs specifically to recognise that they have a role in identifying and supporting the training of their own employees.

Mr Yates—I would to add that there is considerable concern that the private sector is not pulling its weight in training, but that does not mean the government should throw up their hands in despair and say, ‘We’re not going to train anyone at all.’ There are solutions around that and we are seeing a number of state public sector organisations reintroducing things such as cadetships, which have a return of service obligation as part of them. If the APS really wants to retain its expertise it has to become a preferred employer for a lot of people, and that may require some introduction of mutual obligation so that people who do get trained stay on to return some service.

Senator MARSHALL—Has there been much interest from the private sector in the reverse situation, in the collaboration on training bringing people back into the public sector? Would they see that as an opportunity for them as well?

Mr Crews—It is not evident that there are many who are interested in investing in training only to lose their employees to the public sector, if that is what you are suggesting.

Senator MARSHALL—It is really the same proposition I put before: why would we be training people up only to lose them to the private sector in that collaborative type of proposal? They certainly would not do it for us. That is why my comment was that it would need a mature relationship between industry and government to put that into effect. That is really what I was asking: do you think we are at that level where we can develop such a mature relationship with industries?

Mr Crews—I think we can work towards it, particularly where companies have a very strong relationship with government through the nature of the work and services they provide. Those companies that predominantly service government would have a greater interest in that than those that do not. That is to be expected. I think it will take quite some time to achieve that ideal collaboration where there is an openness about who is training and an openness about the mobility of the work force. As you would be well aware, the work force is highly mobile now. People do move from job to job a lot more than they used to, both within the public and within the private sector. I think there is some way to go and some way further to encourage private industry to see the benefits of that. I think it does require a maturity that is perhaps not widespread at the moment.

CHAIR—What is the relationship between your organisation and the Public Service departments and agencies or the Public Service Commission in respect of your getting an opportunity to feed your ideas and promote the sorts of things you are saying should happen? Are you able to take these things up with the Public Service and are they listening? We are appreciative of the fact that your organisation has put in a submission. Obviously, your organisation has a genuine interest and concern in promoting the skills and in having people employed in the industry both in the private and public sector. Do you have much interface with the departments and the commission?

Mr Crews—I will ask Mr Yates to respond in the first instance.

Mr Yates—The public sector has been very receptive to a lot of the issues we have put up. In particular, the Public Sector Merit Protection Commission has looked at the whole of government aspects of the work that we have done in the past. Looking just at last year, I addressed one of the SES training groups on the work that we have done in contracting and technical expertise. They have invited me to address elements of their mid-management courses as well. We have done quite a bit of work with the Institute of Public Administration in promulgating this sort of message. So there is considerable interest in it. It is now just a matter of getting the individual agencies to implement some of our recommendations. But there is certainly a lot of support for it.

Mr Crews—I wanted to amplify that by specifically referring back to the graduate development program. We have worked very actively with the Department of Defence as the lead agency in terms of acceptance of the graduate development program, in the three services and in the materiel organisation of Defence. This is running very successfully, and an adjunct of the formal program is an understanding of what we are trying to achieve for personal development and competencies of individuals, particularly focused on the engineering work force.

I think there are already some signs that there is a great awareness within that department. We would obviously be working with other technically focused departments along the same lines. There are some departments more attuned. The Australian Communications Agency, for example, is more attuned to the requirements perhaps than those less technical agencies. In a general sense, as Mr Yates has explained, we are having very good acceptance of our philosophy but we are also targeting specific technically focused departments and the graduate development program is one of the primary vehicles of doing so.

CHAIR—Do you have any comments about an issue that has been identified by departments and by other people and organisations that have made submissions on the nature of the age profile of the Public Service generally, the fact that there are difficulties in recruiting and retaining younger people, and the ageing factor? I am being rather general here, I know, because it differs from department to department but the issue of retaining graduates within the Public Service was something that Senator Marshall touched on anyway. Do you have any comments to make about that in terms of how it reflects on what is happening in the profession that you represent and in the industries that would employ engineers in the private sector?

Mr Yates—There is an ageing of technical professionals in the Public Service just as there is an ageing of technical professionals in many industries as well, particularly former government agencies, power authorities, which are now privatised companies, and so on. We are seeing that as a common thread across all industries. It is certainly not APS related.

One of the big problems in relation to the issue of graduates—which we identify in the submission—is the increased percentage of mid-level staff that the APS require compared with 10 years ago when there were a lot more junior staff at the APS1 to APS4 level. That has changed significantly. That is also reflected in the use of graduates. Ten years ago you would have seen a lot more graduate-level work available, say, in the engineering area so that people could get some operational experience and after they finished their graduate development phase over three years they would become fully productive. At the moment, with a lot of outsourcing going on, that formulative operational work is no longer available. As a consequence, there is a reluctance by some agencies to take on graduates because they cannot offer them the well-rounded experience they need to become fully functional mid-level people.

However, certain initiatives have been taken in this respect. I can speak of one area within the department that offers good operational hands-on engineering experience, which is essential. They went out directly to the universities and talked to the students about the range of activities within the department, and the students were very interested in this. For the first time in a couple of years they filled their graduate engineering numbers that they required. If you look at their training program it is not the traditional 18 months; it is a three-year program, including a rotation with a private sector organisation. If the agencies can become employers of preference, by offering these sorts of things, there will be no problem about attracting them. But there has to be the work—and the challenges—there for the graduates to make them want to stay around.

Mr Evans—I just emphasise the point that Athol already made that in our submission we talked about the change from rowing to steering in the nature of the work. As Athol has indicated, that has cut out a lot of opportunities for taking in the younger elements of the work force.

Senator MARSHALL—With that example you were using about attracting the graduates, it was not a question of money at that point of time but rather a question of opportunity and career prospects.

Mr Yates—Absolutely. All of our research across the private and public sectors has indicated that the major reasons people stay around are for challenges, followed by personal growth and a series of other things. Remuneration is quite low down the ladder. If you map the profile of age and salary of the private sector against the public sector, the public sector is a superior payer up to about year 4. At that point, the private sector becomes a better payer. So at that point there may be some incentive to leave the Public Service to go to the private sector to get increased remuneration. As I say, that is not the principal factor for people leaving.

CHAIR—We thank you for your written submission and your appearance here today. We certainly appreciate the points that you have made and your interest in the issue.

Proceedings suspended from 12.38 p.m. to 1.42 p.m.

BLESSER, Mr Felix, Acting Deputy Head, Defence Personnel Executive, Department of Defence

BROWN, Mr Jason, Director General, Safety Compensation and People Development Branch, Department of Defence

GASCOIGNE, Mr Martin, Director, Education and Training Capability Development, Department of Defence

JORGENSEN, Mr Ken, Director, Training Systems Policy, Department of Defence

PARR, Ms Sue, Director General, Personnel Policy and Employment Conditions Branch, Department of Defence

WELLSPRING, Mr Adrian, Director, Workplace Relations, Strategy, Department of Defence

CHAIR—I welcome representatives from the Department of Defence to the hearing. We have a submission to the inquiry from the Department of Defence and we thank you for providing that. Also, we have been provided with a written copy of your opening statement, Mr Blesser, which we would be happy to incorporate into *Hansard* to save the necessity of reading it out in full. It might be helpful, once we have done that, if you could summarise the points that you make in your opening statement. Is that okay with you or do you wish to read it out in full?

Mr Blesser—No, that is fine with me.

CHAIR—I understand there may also be some additional material or a corrigendum for your written submission—we will deal with that first. Is that correct?

Mr Blesser—Yes. One of the tables had a transcription error in it.

CHAIR—A corrigendum has been tabled by the Department of Defence and that will be incorporated into your written submission. As I said, we will incorporate the opening statement that has been provided into the *Hansard* record in full. Is it the wish of the committee that the opening statement be incorporated in the transcript of evidence? There being no objection, it is so ordered.

The opening statement read as follows—

Mr Chairman, Committee Members

Thank you for the opportunity to appear before you today. In these opening remarks I would like to speak briefly about some of the things that drive Defence's approach to the recruitment and development of APS personnel. This will provide a context for any specific points you wish to raise.

Before I start, may I introduce the Defence team. Defence is a big organisation and the issues covered by your terms of reference are dealt with by a number of people in the organisation.

- **Sue Parr,** Director General Personnel Policy and Employment Conditions (including recruitment policy)

- **Jason Brown,** Director General Safety Compensation and People Development
- **Bronwen Grey,** Director, Defence Equity Organisation
- **Ken Jorgensen,** Director Training Systems Policy
- **Martin Gascoigne,** Director Defence Education and Training Capability
- **Adrian Wellspring,** Director Workplace Relations Strategy

Defence is one of the largest employers of Australian Public Service, accounting for about 17,000 or some 14 percent of APS employees. They are employed on a diversified range of tasks and functions throughout Australia, with more than 60 percent employed outside Canberra.

Defence offers a breadth,, depth and complexity of jobs that would be hard to match in any other Department. Indeed, Defence is one of the biggest businesses in Australia. Our land and property portfolio is larger than the AMP. We currently have assets exceeding a total value of $40 billion, whereas TELSTRA has assets of about $10 bn and a staff of about $52,000.

The very wide range of functions we undertake, from military operations, to complex acquisition, sophisticated intelligence and fundamental scientific research, to name but a few, means we can offer many and varied opportunities for rich careers. Of necessity, we look outwards, to the world and to the future, a long way ahead. This combination of size, opportunity and outlook makes Defence an attractive place to work and is reflected in the stability of our workforce. People join Defence and stay.

In some ways Defence is like other Departments and reflects the same general trends that have marked APS as a whole in the past decade or so. We have been subject to the same policies and broader government strategies that have shaped the rest of the public service, and are governed by the same legislation.

One result is that in Defence, as elsewhere, the workforce is evolving and opportunities for the unskilled have just about disappeared. We are becoming more highly skilled, reflected in the opportunities we offer for graduates in a wide range of disciplines. This year Defence recruited 149 graduates to its four graduate development programs, and each year we typically recruit another 50 science, engineering and information technology graduates for the Defence Science and Technology Organisation.

But we also differ from other Departments, in our primary functions and in the nature of our workforce. The differences are important because they have implications for all our employees.

Defence civilians account for less than a quarter of total Defence employees. To those 17,000 APS staff we need to add some 51,000 permanent ADF personnel and another 20,000 Reserve personnel, for a total workforce of around 88,000. Not counting the thousands of people employed by our contractors and our national support base.

Defence takes a holistic view of its workforce. Of necessity we must integrate the various elements so that they can work together to produce those high levels of military capability Government expects of us.

Integration is reflected in the way we manage our workforce and allocate tasks to particular workforce elements. This is making it possible for ADF personnel to relinquish non-military tasks to concentrate on those warfighting skills for which they alone have the specialised skills and knowledge.

Looking ahead, we expect to see greater mobility between elements of our workforce. A major concern here is to ensure that people with critical skills may enjoy career enhancement and diversity without being lost to Defence overall. It is also likely that the balance of jobs will change between ADF, APS, Reserves and industry.

Our workplaces are integrated. APS and ADF. work alongside each other, contributing to the same outcome. In some cases APS staff are managed by ADF people, in other cases ADF people are managed by APS staff. An integrated working environment facilitates lateral recruitment from the ADF to the APS, enabling Defence to capture its investment in and knowledge of former ADF personnel.

Our development programs are integrated. We have seen a shift from service-specific programs towards programs covering the common needs of both military and civilian personnel, allowing development of more effective and efficient programs. Examples include logistics, intelligence, information and communications technologies, and project management and procurement.

Integrated development programs reinforce workplace integration. We see this in the programs offered by the Australian Defence College, where, for example EL2 officers and their military counterparts - Colonel equivalent officers - undertake the year long Defence and Strategic Studies Course designed to prepare participants for senior leadership and management positions in the organisation.

Ultimately, Defence’s approach to its people is driven by one fundamental proposition - our people are a fundamental component of Defence capability. The Defence White Paper, ***Defence 2000 - Our Future Defence Force,*** makes a particular point of acknowledging that it is people who give Defence its competitive edge. Especially when Defence’s edge in equipment is eroding as our strategic competitors acquire the high-tech equipment that we possess.

To use the language of the White Paper, we see investing in modern, effective and efficient education and training as "a critical investment in future capability". Our submission goes in to some detail concerning the programs we have put in place to develop our APS staff and the commitment we have made to them.

This investment is best illustrated by the new Defence Employees Certified Agreement which mandates at least 10 days learning time for each APS staff member. The annual salary cost of this commitment is about $37 million, which of course does not include the costs of any development programs funded by Defence. Current expenditure on civilian training is conservatively estimated at $22 million a year. Together, these figures point to a commitment on civilian staff development of almost $60 million a year.

We believe that, as an organisation, we ought to be able to support people's capacity to learn in wholly different ways. This ranges from formal training courses through to access to assessment services, support for education through Studybank, to attendance at seminars, or even time out in the workplace to do some on-line learning or to interact with colleagues in different ways - through in-house workshops or on-line discussion groups or whatever.

Ultimately, our strategies for supporting the learning and development of our people are driven by a desire to ensure that all Defence people have access to quality programs, wherever they are located and whenever they need them. They are also driven by a desire to ensure managers, supervisors and staff can be confident of the outcomes. Our view is that, if we are building a knowledge organisation and if we are an organisation that wants to support the employability of its people (and we do), then we have no choice. We must do this.

How well are we doing? In November 2000 the Board of the Australian National Training Authority gave its annual award to Defence for its uptake and implementation of the national training framework.

The results of a staff survey conducted in March this year suggest our people also think we are doing pretty well in aligning our training programs with job needs. The survey results indicated that our people believe:

- that they have a strong understanding of how they contribute to Defence's goals, at Section, Group and Defence levels;
- that 78 percent get a sense of accomplishment from their work;
- that 75 percent agree that their work challenges them to use their knowledge and skills fully; and
- that 71 percent agree that there were sufficient opportunities within the organisation for them to develop skills necessary to assume greater responsibilities.

We would be happy to answer any questions you might have.

CHAIR—What I would like you to do now, Mr Blesser, is get you or one of your officers to fairly succinctly give as an opening statement a summary of what is in your written statement and then we will proceed to some questions.

Mr Blesser—Essentially, what the submission and the opening statement are saying is that in all areas of our employment of APS employees within Defence—and indeed it is true of our entire work force—we have really gone back to taws about what employment is about and how we build our people in order for them to contribute to capability. The white paper has identified the people as being our edge, if you like, in terms of capability. We believe that unless we put in foundations then we may continue to perhaps get into poor employment practices. We do not have alignment of our training with our programs and with our primary functions.

We start with strategic planning, which leads through the connectivity of all the work that we do to that strategic planning and ultimately the ability of each individual to connect their place, their position and their job to where the organisation is driving. What can then go hand in hand with that is the identification of the skills development that they need and a better ability on our part to target training and development to meet those requirements.

CHAIR—Thank you. Are there any other opening statements by any other witnesses? If not, we will go to questions. What are the defence department's retention rates for graduate recruitment and recruitment of young people, and are they satisfactory from the department's point of view?

Mr Blesser—The latest figures that I saw on that are that in recent years we are well over 50 per cent on retention of graduates. That is an increase. I would have to get the figures for you for earlier years. It is not something that we deliberately track. We have had a view over a number of years now that it is important for us to be seen as an organisation that recruits graduates, that encourages tertiary education. We take, all up, about 200 graduates a year at the moment. Our view is that the Public Service is the Public Service and if people go to other agencies and gain other skills and experiences we gain from other agencies. People are encouraged to come back. We also by the nature of our business have a lot of links into the national industry support structure, and we see benefits if people leave and go to industry and come back. They come back better rounded and better able to take us forward.

Mr Brown—Within the framework of the Safety Compensation and People Development Branch I look after the graduate development program. I brought some of the available statistics as an indication of the areas. They do vary between the different styles of graduate intake—engineering graduates, law and commerce graduates and so on. We have seen a gradual increase in retention over the period, but we have to take into account the effect of primacy of joining. By way of example, we have very high retention rates for graduates over the last couple of years, but we will see them diminish over time. As a percentage, for example, we have retained nearly 50 per cent of our 1994 intake and 80 per cent of our 1999 intake and so on.

CHAIR—Is there a particular reason for that significant change?

Mr Brown—The factor is time—as they move from job to job, and by the time three or four years have elapsed they make reassessments of their career. I cannot give you details but, as an indication, we actually hold better than the average population; that demographic moves a lot. We could do a bit of research, but qualitatively I think we reflect community standards in the movement in the work force of young people in that graduate area. In the first few years we have a pretty good retention of graduates, which says something about Defence employment. For example, of the 2000 intake of engineering graduates we have retained 75 per cent. I can provide a set of tables to the committee on notice, if I may.

CHAIR—Yes, please do—you can take that on notice.

Mr Brown—I can certainly help the committee with that.

CHAIR—You will give us those figures over a period of time, will you?

Mr Brown—Indeed.

Senator MARSHALL—Can I take it from what you have said, though, that as time goes by the retention decreases significantly?

Mr Brown—Yes. It is really a reflection of general societal trends for people to move around early in their careers. We have taken extra steps to maintain our development program in the outyears through seminars and workshops in order to keep linking the graduates back in. We have also put in a process of building a cohort, if you like, for them to go through to maintain a linkage with them. There is a fair bit of movement of young people at that working level—particularly amongst graduates, who are competitive. We take a very high percentage—the top 10 or 15 per cent—of graduates in the application, so they are very competitive and also sought after elsewhere.

CHAIR—I think I interrupted your other answer. Please continue with what you wanted to say.

Mr Brown—Really, that covers the graduate question. I would comment that we have large numbers applying and it seems to be a very successful program.

CHAIR—One of the issues that has been raised with us by a number of witnesses, and which is acknowledged by the Public Service Commissioner and some departments, is the trend of a decreasing numbers of young people being recruited into the service or their agencies and what is termed as the ageing nature of the existing work force. Is that a feature of the defence department's work force profile? If that is the case, do you have any comments to make about what you are doing about it? Is it a problem?

Mr Blesser—It is not something that we keep figures on, but I think that we would reflect the trends across Public Service agencies generally. The nature of work is changing. There are certainly significantly decreasing opportunities for unskilled labour to come into the Public Service element of our work force. In a sense, there are fewer opportunities for young people to come in, say, directly from school. By the nature of our work, we are also an attractive employer for people leaving the ADF. On some occasions they have strong claims against jobs because of the experience and skill sets they have and the investment that we have made in them.

To some extent, though, that is offset by similar trends that are occurring across the work force in that people are gaining tertiary qualifications before looking for employment. So, when we advertise jobs at all levels, we get very healthy numbers of what I call young people—perhaps up to age 24 or 26—applying for jobs. They are very well qualified, very competitive people, whereas previously some of the lower level jobs certainly would have been filled by school leavers.

CHAIR—Earlier, when we discussed the definition of 'young people', we talked about people up to the age of 25 or even 30. That, of course, includes graduates fresh out of universities or colleges et cetera. Do you find that, where the department is recruiting young people, those people already have some full-time work experience?

Mr Blesser—That has certainly been my experience. I would say it is the trend. If they do not have full-time experience, they have a portfolio of part-time experience, because they often start working at 14 or 15 for the pocket money and so forth, and some of the work they do trains them very well. If you get a swag of applications for a job, let us say at a lower level because that is where the younger people tend to come in, you are looking for that work experience. If they have work experience, whether of a part-time or a full-time nature, combined with a degree, they are probably going to be more competitive than a school leaver.

CHAIR—Is this right across the board in the department, given that there is a range of different types of work that can be performed? When you make those comments, who are you talking about in particular?

Mr Blesser—That would be the clerical, administrative types. In our project management, scientific, engineering, IT and technical telecommunications areas—all those sorts of areas— inevitably we are going to be looking for people with tertiary qualifications. Therefore, you are going to be starting people in that 25-year-old age group. Clerical admin is the work group that I was describing. In what we traditionally call the blue-collar areas, we certainly employ far fewer people in that kind of employment than in the past. The recruitment for those people tends to be localised, wherever the function is, and that work force tends to be less mobile. With the specialist, technical and clerical admin areas, you are far more likely to get someone who is prepared to change states to pursue a job, but in the blue-collar areas there tends to be local recruitment. I do not know whether you have seen any figures on this, Adrian, but I think it is fair to say that there would be a bigger spread of ages in areas such as stores, for example.

CHAIR—You mention the blue-collar area. I can recall that, during my other life as a union official some years back now, prior to my coming into the parliament, the defence department started to contract out a lot of functions that were previously performed by directly employed personnel, particularly on bases—catering, cleaning, maintenance and the like. I presume that, when you talk about the blue-collar area, you are largely talking about that area, or are we also now talking about the clerical and administration area as well?

Mr Blesser—No, I am talking about the areas you are indicating, all the base support: cutting grass, cleaning dishes, making beds, all that end of it, and aircraft maintenance, some of which has been contracted out, presumably.

CHAIR—You mentioned relocation. This morning the union raised with us concerns about the difficulties that relocation can create for retaining people in agencies and departments. Obviously, we are not talking about defence personnel here; we are talking about departmental staff. Do you think that is a bigger problem for your department than for others? As I understand it at least, this is a department where there is a tendency for people to have a bit more mobility, or am I wrong?

Mr Blesser—I am not sure whether you are talking about our ability to relocate people for, say, developing them or whether you are talking about situations where a function is relocated.

CHAIR—It was raised with us that if people come to Canberra, for instance, it has an impact upon their life, their family and whatever. Therefore, it can be an impediment to retention—particularly of graduates but also of other employees—within the department or agency's work force if career advancement requires a move to Canberra or some other place.

Mr Blesser—I will ask Jason Brown to talk about the graduate experience, but we encourage regional mobility in our people.

CHAIR—That is what I was really looking at: given the nature of the department, what is your attitude on those issues, and how does that impact upon recruitment and retention of the work force?

Mr Blesser—We encourage it wherever possible with respect to individual development, because the nature of the work on bases and in regions is different from the nature of the work in Canberra, for example, and we find that people who have exposure to the various experiences—subject to them having the other skills and requirements—are often a better rounded product. They make very good employees. Therefore, we have a set of conditions, which we believe are fair and equitable, when somebody moves. We do not compel any of it. It might come into play on, shall I say, a less voluntary basis where we move a function. It could be that we decide to collect a group of functions in Melbourne to get the value of the synergies of them working together or whatever it might be. Again, we have sets of employment conditions which encourage people to take those moves and move with the jobs. If they are unable to, we have sets of conditions which look after them in terms of redeploying and retraining them.

CHAIR—In an earlier answer you said that you did not keep data on the specific things we were asking you about. One of the comments of the National Audit Office in its submission to us—and this is a comment generally—was that the current general lack of rigorous, relevant, comparable data on learning and development held by agencies limits their ability to analyse the outcomes of the various learning and development strategies and programs. They have also recently published a report which looked at learning and development in the Public Service. I am sure that you are aware of that report. Would you like to make some comments on what the Audit Office has said and whether or not it reflects the position in the Department of Defence and, if so, what you are doing about?

Mr Brown—We have two approaches to this—there is a policy one which Ken Jorgensen may care to comment on. We have devolved a lot of the training dollars to the various groups. The size of Defence means that they measure their training against the capability they are trying to achieve in a group. So, for example, we will provide nationally a range of financial training—for which we develop curriculum content, a course review and an evaluation process—but the application of people to do that training and their return to the workplace is governed by the group they are in. They do keep some data on whether the people are successful as a consequence. They are competency based trainings in a lot of areas, not all—but where we are looking at something in the national training framework we measure at the end of the course whether or not they are moving towards a competency.

We also have a range of qualified workplace assessors to look at competencies; again, measured against the national framework. Where we fall a bit short is in the capacity at a whole of defence level to look at the longer term organisational impact of that training. We effectively review the content; in many of our courses, we assess the students who have been through them to deem them competent against the national standards. When they return to the workplace they have a plan-on-a-page development process that measures their performance—but that is not aggregated. We are moving towards that, because it is important to find out the organisational impact of this training, but that can be determined at a local level.

Mr Jorgensen—The Department of Defence training is integrated wherever possible into the national training framework. The diversity of our employment means that we need to able to draw from the national system much of the training that we need for our people, particularly in functional areas. We cannot provide it all ourselves, and we are making a conscious effort to deliver the generalist things which we are best equipped to deliver but to purchase the remainder of the training, where appropriate, from within the national system.

Because we work with training packages inside the national training framework, we have a competency based assessment regime in place, and we are able to gather the data of those who complete those competency assessments. We do have some difficulty with data collection where people attend training programs but subsequently do not go through and complete competency based assessment and therefore come in and be recorded as having completed the full cycle. The department is introducing new human resource management software systems, particularly PeopleSoft. As those systems are successfully introduced, they will be gathering this data. So in future we will be better equipped to be able to take that data from the system and report it.

The ANAO report focused on a number of smaller agencies, which tended to be predominantly in Canberra. In many cases, it contains commentary which may not be relevant to a large and diverse organisation like defence, which is scattered across some 200 sites. Nonetheless, the question we were asked is: do we have the data collection? We have some systems in place; we are progressively working to improve those systems; and we are required to do that as a registered training organisation within the national framework, because the Australian quality training framework standards for registered training organisations demand that we actually have processes in place to be able to gather that data.

Mr Brown—In a practical sense, by way of example, when we go out to tender for a new course and we run the trial program, we will do an evaluation: has it met the tender, is the curriculum meeting our needs, are the students achieving the competency required? We will then add on the organisational impact to look at: down the track have they met that requirement and are they performing in the workplace? That system means that we have a quality cycle that is applied to the training package or module, and that flows through the civilian training. Only recently, we achieved this quality endorsed training status through an independent assessment.

Senator MARSHALL—You may have partially answered what I am going to ask, but you probably just need to clarify it a little bit. When you are talking about measuring the training against nationally based competency standards et cetera, you are talking about measuring the actual training that is being delivered. How do you evaluate whether the training in itself is effective or not effective? I note in the opening remarks that it is in the certified agreement that 10 days of training are delivered to every employee, at a cost of $37 million. I would have thought that there would have to be some sort of evaluation process to work out whether the training that is being implemented at that cost in fact delivers what it is we are seeking to deliver and it is not training for the sake of training.

Mr Brown—We do a series of processes for training needs analysis to determine where those needs are. The initial establishment of the training is based on an identified gap between the capability needed in the workplace by the individual, or groups of individuals in aggregate, and what their current levels of skills are and what their work requirements are. We then develop the curriculum around that. Say we have developed a curriculum for a clerical administrative area in managing a financial system. When the people are then competent, that demonstrates on an individual and a collective basis that they can run the system. We will not be able to extrapolate from that to a whole of Defence system because people will be at various stages of competence. We can get a feel for whether competence on the system has improved but we do not get a total picture. I think that that is where we have a gap and, as Ken indicated, where we are working towards by looking at a more effective gathering of that data down the track when the training is finished.

With the 10 days of learning—and I use the word ‘learning’ as opposed to ‘training’—the way we are looking at that is in our performance exchange agreements with people. We identify the learning needs of the person in the job they are in and for development purposes. Some of that learning will be on-the-job learning, so there is not a direct training liability cost and they can be assessed through appraisal in the workplace for the competence demonstrated in doing their job. So the bill is not just an either/or bill; it is adding to things. The person will demonstrate in the workplace and we will extend a learning experience to them by giving them a new task and new activities under guidance and supervision, so we have workplace assessors to help them and so on.

Senator MARSHALL—Would each employee have an individual training plan to deliver the 10 days of learning?

Mr Brown—Under the plan, on a page there is a component for training and development, and they should sit down with their supervisor or manager and discuss what their learning and developmental needs are and plan those needs through the year. We are treating those 10 days of learning as a minimum requirement, not as a maximum—if you have a complex job, there is obviously going to be more. We see it as part of our agreement with our people about developing their capability to develop Defence capabilities.

Senator MARSHALL—How do we evaluate that?

Mr Brown—It is done at the local level, to an extent. The manager has a responsibility to evaluate that. For example, I have in my planning page the requirement to develop my people and I will be held to account for that. That judgment could be: have they enhanced their personal skills? It is not quantitative; it is qualitative.

Senator MARSHALL—At the end of the day, is it channelled back up where we can actually make a definitive statement about the effectiveness of the training we have undertaken in the last 12 months?

Mr Brown—Only in specific courses and specific areas and not aggregated across Defence. We do not have that capability.

Senator MARSHALL—I would assume that you do not deliver all the learning or training in-house.

Mr Brown—No. We have a range of agreements with organisations like Open Learning Australia—the university consortia—to deliver a public sector training package. We have contracts with various registered service providers for middle management leadership development and project management. We do have some in-house trainers. Our focus, really, is on managing, assessing and quality controlling the training system.

Senator MARSHALL—That was going to lead me to the next question: how do we evaluate the quality and effectiveness of the contracted or outsourced training?

Mr Jorgensen—I will answer that question, if I may, Senator. Our registered training organisations—indeed, both in the military and in the department—use what is called a ‘systems approach’ to training. The systems approach to training is well documented. It has been in use in defence organisations in the Western world since the early 1970s. It consists of five phases, obviously starting with the identification of the training needs and moving through to designing, developing and conducting the training. Particularly the fifth phase, which links straight back in to the identification of the needs, is concerned with the evaluation of both the efficiency and the effectiveness of that training.

In terms of the efficiency of training, that is typically done in-house, typically by the people who have conducted the training, and it is focused very much on how the training activity itself may be immediately improved. The effectiveness of training is typically evaluated externally by people other than those who deliver the training and it is focused on the effectiveness of that training in meeting the defined need that was identified at the beginning of the process. These procedures are mapped out in the case of the department inside what is known as the *Defence Learning Services Network Training Systems Handbook*. Those processes are provided not only to our own people but also to contractors that we may engage—not only contractors who deliver the training for the efficiency aspects but also contractors that we may choose to engage to actually evaluate the effectiveness of the activity that we have done. It is a continuous process. Throughout this whole system, there is a strong emphasis on quality assurance and on continuous improvement. We have been introducing these processes for the last two years. We are doing that within the context of our activity with the national training framework and we are trying to reinforce it primarily by becoming a quality endorsed training organisation, which enables us to bring in external people to evaluate what we are doing and to benchmark our practice against best practice elsewhere in Australia.

Senator MARSHALL—It was mentioned earlier that aircraft maintenance is being outsourced or contracted out. I understand that has actually happened with the deep level maintenance for the F111 squadron. How can we ensure that we maintain the capability to conduct that maintenance, given it is the only F111 squadron left in the world? What obligations do we put on the contractors to ensure that they maintain the capacity to do that maintenance for us? I guess it raises some concerns in my mind that that maintenance needs to take place. When we did it under the mixture of the public sector and the ADF, we had control of it—we could manage the skills base and we could manage the quality. How do we do it now?

Mr Jorgensen—The issues that you raise are well known in Defence. They certainly have been the subject of considerable study by an industry action group that was established conjointly by the Department of Education, Science and Training, as it now is, and Defence, starting back in the year 2000. In looking across the industry at large, it is recognised that Defence is the primary customer of aeroskills industries in Australia—I think we make up 34 per cent of the activity. It is also recognised that traditionally the training that was provided inside the Air Force, in effect, ensured a key source of trained personnel for the rest of Australian industry in this particular field. As we contracted out maintenance, our own internal requirements to have trained personnel logically reduced and, therefore, we cut back on our training.

Senator MARSHALL—Sorry to interrupt, but isn't that the point?

Mr Jorgensen—That is the point that you make. The issue now, in effect, as it has been identified, is that we have transferred the training effort, which traditionally had occurred inside the defence organisation—

Senator MARSHALL—To the very people who neglected it—

Mr Jorgensen—to contractors.

Senator MARSHALL—That is right—fed from the public sector.

Mr Jorgensen—The question is: how effectively has that transfer occurred?

Senator MARSHALL—And how risky is it?

Mr Jorgensen—There are some issues that have been identified in terms of both the nature of the work and the duration of some of the contracts. It is my understanding that these issues are being addressed, but I am not able to elaborate further. With your leave, we will take the question on notice and provide additional detail.

CHAIR—Yes, if you could do that.

Mr Blesser—I would just add that one of the things that we are very interested in exploring in the world of training is the extent to which our skills shortage, where we have that, is a national problem as distinct from just a Defence problem and trying to work with other agencies, state governments and the suppliers of training and education to come to grips with the supply chain of qualified people. So we are looking wider than, 'We've got to recruit trained scientists,' or whatever it might be. I think that will help.

Senator MARSHALL—You have to retain them as well. We need to recruit them, train them and retain them.

Mr Blesser—Yes, but what we are trying to look at is the fact that, if you have the pool in Australia, you have a better chance of dealing with peaks of work and a better chance of riding out the sort of potential problem that you have been describing.

CHAIR—I want to go back to the total amount that the department spends on training. Your opening statement says that civilian staff development is around $60 million a year. Can I take it that that is the ballpark figure for training expenditure?

Mr Gascoigne—It is not quite what we spend, because there are two components in that figure. Part of it is the salary cost of those 10 days of learning time—that is, the value of those 10 days for every civilian—and that is $37 million worth. That is the sort of commitment involved, and it is not money actually being spent on the training as such; it is in the salary for the people. That is part of the commitment. The remaining $22 million or so is a conservative estimate of what we might be spending on civilian training in terms of the course costs and so on.

CHAIR—I was actually giving you some more credit—

Mr Gascoigne—It is as a big commitment out of the Defence budget, one way or another.

CHAIR—I understood the point that you made earlier, and I was prepared to accept the total figure as including the costs associated with enabling employees to undertake training. Are you able to tell me how much or what proportion of that $22 million is provided by private providers and how much is in-house? You may have mentioned this earlier. I tried to find it in your submission but I could not get a precise indication.

Mr Gascoigne—We have not broken it down that way.

CHAIR—Are you able to?

Mr Gascoigne—We would not be able to, other than—

Mr Brown—We can get it for some specific courses. For example, if we were to look at desktop application training in Word for Windows, which is all outsourced to a number of service providers nationally, we could give you a dollar figure on that training.

CHAIR—I am looking for an indication. I am looking for that data and I suppose I am trying to understand where the balance falls.

Mr Brown—For the ones that specifically focus, we will have trouble. For example, if it is the finance training system, orderly room clerks and others will be doing the same training package as a civilian member. So it might be hard to take out of that aggregation uniform members who are doing the training. We can give you a figure that says we have paid company X or company Y to deliver this desktop training or this financial training, but there would be civilian as well as ADF members in that mix. It is hard to pull them out because they might be in the same training course.

CHAIR—We would appreciate you providing us that data. In general terms, would the majority of the training provided—and therefore, presumably, the expenditure on the training provided—be provided by outsourced training providers?

Mr Brown—Yes.

CHAIR—Is it substantially greater?

Mr Brown—Training in the areas such as financial training, desktop publications, Public Service training, and management and leadership training is largely outsourced through service providers. I will get the statistics for you.

CHAIR—Thank you.

Senator MARSHALL—This may be an impossible question, but could you give me a percentage breakdown for the training that your employees require just to continue to do their job—that would include, for instance, training people needing to change from Windows 2002 to 2020 and so on—and for personal development/career opportunity type training, which goes to the question of retention when there is a career path opening up? I know it may be impossible to give an answer, but is there a ballpark figure for the percentage that is spent?

Mr Brown—It would be possible to give some indication of relativities—for example, an introduction to a new finance system will build a block of new training—but that is not development training; it is competence for the redescribed job. We can probably draw some things out. We have ranges of developmental training that could be in a Public Service package—for someone wanting to move from an ASO3 to an ASO4 or ASO5, for example. To be competitive, they would do Working in Government, Corporate Governance in the Public Sector—

Senator MARSHALL—And leadership skills, problem solving and things like that.

Mr Brown—We can provide you with some ratios but the dollar cost might be a bit hard, because when we offer a program one group will send 20 on the same course and there will be another 20 from another group. We know the cost of the course but not which of those people are developmental. It will give you a bit of an idea.

CHAIR—Thank you. We do have some questions for you to take on notice. The secretariat will send them through to you, so could you respond to those in due course. Thank you for your attendance today, for your submission and for your cooperation with the inquiry.

[2.28 p.m.]

ALLEN, Mr Peter, Board Member, Interim Board, Australian School of Government

CHAIR—Welcome. As I am sure you are aware, the proceedings are covered by the rules regarding parliamentary privilege. We do prefer evidence to be given in public, but if at any time there is something that you wish to discuss or answer in private, please advise the committee and we will consider that. We have received your written submission, which we thank you for. I now invite you to make some opening comments, and then we will proceed to questions.

Mr Allen—Thank you very much for the opportunity to be here today. I am here to represent the interim board of the Australian School of Government in response to the committee's interest in references to the proposed school and the submission from the chair of the interim board, Professor Glyn Davis, who also happens to be the Vice-Chancellor of Griffith University. Professor Davis's submission drew the committee's attention to the school as an important opportunity to enhance education and training for future public sector leaders. I think that you will also have seen some references to the school in the Commonwealth Public Service and Merit Protection Commission's submission.

Plans for the Australian School of Government are now being finalised by a consortium of governments and universities, principally involving those down the eastern seaboard states of Australia and also, prospectively, in New Zealand. The school will be established as a national multicampus professional school and we plan that it will provide world-class graduate level education and training to public servants. As such, it will fill an important gap in current educational provision. Currently, there is no educational equivalent of the best Australian business schools in the field of government. There is no school equipped to provide a full range of courses in areas of learning that are specific to public administration. The starting point for the school's development was that filling this gap will considerably enhance government's ability to provide good government and good policy outcomes for Australia. In practical terms, it will also help to improve succession fields and address some of the consequences associated with an ageing work force and increased mobility of people from government and between the public and private sectors. We also believe that the Australian School of Government will help promote the idea that public administration is a profession of great social value.

It is envisaged that as a national institution the School of Government will seek to attract a critical mass of academics who are expert in the field of public sector management and public policy development as both teachers and researchers as well as a critical mass of the best and the brightest emerging public sector leaders. While this school will be an independent entity with its own board, the intention is that it will be closely affiliated with partner universities in Victoria, Queensland, the ACT and, prospectively, New Zealand. The Premier of Victoria, who is an initiating supporter of this initiative, has also written to premiers and chief ministers in all states and territories seeking their critical engagement in this initiative.

The school is intended to be principally a teaching institution but, like all the best higher education institutions, research will be the lifeblood of its future development, so it will have an important research function. Degrees will be awarded not through the school itself but through the partner universities, so, for example, in Queensland you will take your degree from either Griffith University or the University of Queensland. At present we are planning to deliver the programs in Brisbane, Canberra, Sydney, Melbourne and, depending on the New Zealand government's involvement, in Wellington, New Zealand.

Initially, we intend to offer two major programs. The first will be a masters degree, which will probably be badged as an Executive Master in Public Administration. It will be a two-year degree, combining a core curriculum with electives that can be taken from partner universities. We intend to enrol 120 students a year across all the jurisdictions that are involved. The second major offering of the school will be an executive fellows program, which will be a four-week intensive program targeted at deputy secretary and division head level. It will essentially deal with some of the critical emerging issues that are likely to challenge them in the next three to five years of their work.

Planning for the establishment of the school is well advanced. Over the next month we expect to confirm government, financial and scholarship support. Both the Victorian Premier and the Queensland Premier have already publicly announced their governments' level of financial commitment to this school. Within the next month or so we expect similar indications from the Commonwealth; from New Zealand, prospectively; and, hopefully, from New South Wales. Consistent with that, we also hope to be able to confirm the partner universities' and the partner business schools' support. The school will be established as a public company limited by shares. In the next month or so we also expect to be able to announce the appointment of the foundation dean and to begin recruitment of the staff of the school. Programs are scheduled to begin in 2003.

CHAIR—Thank you, Mr Allen. Your comments and what is being planned for the Australian School of Government are certainly most interesting. I am sure we will watch with interest as it develops. While you were speaking I was thinking that, when I studied government many years ago, it was otherwise known as political science; it probably had nothing at all to do with public administration. You said that you intend to enrol 120 a year. Would those be school-leaving students wishing to undertake a course? You are not talking about people who may already be employed in the Public Service, are you?

Mr Allen—Yes, we are.

CHAIR—Could you explain the enrolment? Who are you targeting in this regard?

Mr Allen—Broadly, we are targeting experienced managers in the Public Service who are able to demonstrate a record of success as a manager but, arguably, in a relatively narrow field. In a state jurisdiction we would be looking at people who were deputy principals or principals of a school, for example, or had managed a child protection team; people who were clearly able managers interested in broadening their perspective into general management within a public sector environment—moving out of their silo into more general management. The masters program would be seen as a consolidating and broadening experience but also as preparation for much more significant management and policy development challenges.

All 120 students are intended to be sponsored by governments. For example, we are looking to the Victorian government to sponsor approximately 40 students into the masters program; similar numbers from New South Wales; and slightly fewer numbers, at this stage, from the Commonwealth—it builds up to 120. The masters program will be designed and delivered as part of a broader range of opportunities that these people will have through existing arrangements within their respective public services. The benefit, as we see it, is having an institution that can bring together a critical mass of teaching expertise and research to facilitate cross-jurisdictional learning, and particularly to bring together the best and the brightest of the emerging public sector leaders into the school. That will create a very rich environment of learning for them and, hopefully, for the school.

CHAIR—Would the courses be full-time? How is that going to function?

Mr Allen—No. There have been three or four attempts in Australia's history to establish world-class schools of government; they have all foundered for different reasons. We have also had some experiences of business schools attempting to provide streams of public sector expertise within their MBA programs; similarly, those have never sustained themselves. So the starting point was to assess the market. Last year the Victorian government, Monash University and Melbourne University engaged the Boston Consulting Group to undertake research across Australia to determine whether there was sufficient demand and interest and what the perceived shortcomings in existing offerings were. Broadly, the research that Boston Consulting undertook told us that there was considerable interest in a world-class institution but, currently, there was only sufficient demand in Australia to sustain one institution. Therefore, it would need to be developed as a national institution collaboratively between governments and universities across the country.

In response to that report, an interim board was established, which is currently chaired by Professor Davis, Vice-Chancellor of Griffith University. The board includes on it either the heads of the central agencies in Victoria, NSW, Queensland and the Commonwealth or their nominees; the deans of the two national business schools—the Melbourne Business School and the Australian Graduate School of Management; the CEO of Centrelink; and the Hon. Jim Carlton, the Hon. Brian Howe and the senior partner of Boston Consulting Group. That board has been guiding the development of the school to the current stage and it is critically dependent on linking selection by governments of their best and brightest, their willingness to fund them into the school and then to support what will be a fairly intensive but part-time experience. The program envisages that the core curriculum will be delivered intensively. So it will be delivered generally in one week blocks and electives will be taken from partner universities depending on the delivery mode of the elective and the partner university in respect of those subjects.

Senator MARSHALL—We have heard in a number of submissions about the potential for collaborative training between the private and public sector. Does this school play a role in facilitating those arrangements?

Mr Allen—Certainly, at the level of higher education, it is my perception, which was borne out by the Boston Consulting Group's work, that the private sector is much better served currently than the public sector. While there are different types of programs available or accessible to public servants in existing universities, none are particularly tailored to the requirements or the expectations particularly of CEOs in the public sector. The experience of CEOs in the main is a lack of responsiveness from universities in terms of addressing their needs.

If we look back, it is a not dissimilar history to the history that lay behind the establishment of, particularly, the two major national business schools—the Melbourne Business School and the Graduate School of Management in Sydney—where there were reviews by the Commonwealth government, the Cyert review and then the Ralph review, which noted that universities were not adequately servicing the requirements of the private sector. Those business schools were established in large part because of the market failure there.

We are facing a similar situation now in the public sector where universities, for whatever reasons, are not providing any programs in any university in Australia now that adequately meet the expectations of CEOs, particularly in terms of the development of public sector leaders.

CHAIR—Can that research you mentioned from the Boston Consulting Group be made available to this committee either in whole or in part?

Mr Allen—Certainly, yes.

CHAIR—If you do not mind doing that, it could be very useful to us. This inquiry is focusing on recruitment and training within the Australian Public Service and in your submission you have spoken specifically about the role of the Australian School of Government as part of that. I am interested in any comments that you might have about broader issues within the Public Service training and recruitment area, any weaknesses and/or strengths that you see in current arrangements that exist for both recruitment and training. It has been put to us that there are concerns about the trend to having less recruitment of younger people.

The Audit Office has identified concerns that adequate and sufficient data on their own learning and development programs and strategies is not kept or assembled by the various agencies. This in turn makes it hard for the outcomes to be looked at and for evaluations to be made, given that there is a substantial financial investment in this. Would you care to make some comments about how you see things as they are at the moment, particularly now that we have got a public sector which is vastly different to what it was a few years ago, with agencies having more and more direct responsibility and also utilising outsourcing, private providers and so on?

Mr Allen—I can make a number of observations. The focus for most of them derives from the work we have been engaged in in establishing this school but some of them reflect my other experiences as CEO in the Victorian public sector for the last 15 years. One of the starting points in thinking about the importance of a graduate school for public sector leaders was a recognition that the labour force had changed sufficiently, so that the traditional career development—which was, of its nature, not dissimilar to an apprenticeship model—was less and less possible; the old model of joining the Public Service, working your way up through the system and learning the ropes as you went along was less and less realistic in terms of downscaled, smaller, flatter structures and much more mobility around the service. In many ways the training responses to that had not taken account of that significant change in how you learnt the craft of government. Our judgment is that a school can make a contribution to that but there is always going to be some diminishment of some of the traditional tradecraft of government that was previously acquired in different employment models.

A second issue is linked to that in the sense that the much more conventional pattern of 20 years or so ago, of joining the Public Service and staying there for most of your working life, was not likely to be the pattern into the future and that in many ways government was on the back foot on some dimensions in the war for talent—in seeking to attract and retain the best and the brightest. A key part of building on the interest that public sector work has for many of the best and brightest was a sensible and coherent investment in training and development. The School of Government had a role to play in that but needed to be seen very much as part of a broader or enhanced investment in training and development. Another dimension is the importance of training development in able young peoples' views about what makes work interesting and is what likely to retain them. Training and development investment was likely to be critical in both attracting people, seeing it as a work force that you wanted to be part of, and then in retaining them in that work force.

Probably the other part of the genesis of the School of Government initiative was that the issues confronting the public sector are much more difficult now than they were 20 or 30 years ago. We are dealing with a whole range of issues associated with life sciences and with privacy and the balance between that and the benefits of data collection in terms of monitoring performance. Higher level education and training, and exposure to some of these issues as part of a coherent investment in particularly the senior leadership cadre of public sectors anywhere in Australia or anywhere in the world, is something that is seriously underdone at present. As I have said, no university is really addressing this in Australia, in contrast to a large number of highly regarded schools of government in North America. It seems to be more a characteristic of the Westminster systems that there is not a particularly heavy investment in this sort of training and development. In many other jurisdictions, there is a much more coherent and consistent pattern of support for higher education offerings for public servants.

CHAIR—On that point, are the schools of government that you referred to in America targeting the same cohort of people—that is, people within the Public Service who are the best and brightest, as you say—to go on to higher careers?

Mr Allen—It varies a little between the schools of government. There is the Kennedy school at Harvard University, which is probably the best known, and there is the Maxwell School at Syracuse University in New York, which is also very highly regarded in North America. Both those schools target government employees in the main but also include as students people working in the non-government sector that has close working relations with government. To the best of my knowledge, they do not exclude anyone. But the focus of their teaching is very much on national, state and local government and the non-government sector. The School of Government, in designing a curriculum, had a primary focus on delivering programs on the ground, so the issue was managing programs to valuable outcomes. The starting point was public servants, but we would not exclude, for example, local government people, non-government people or even private sector people. But from day one, the view was that, if we could not make this attractive and engaging to government, then it was not going to last very long, which was partly the history of some of the previous initiatives. There had to be a high level of buy-in from government as sponsors.

CHAIR—Following on from that, if I may use a personal example, I spent a short time in the Public Service at the end of 1975 and in early 1976, following a rather dramatic event that we all remember occurred in November 1975 which meant that I had to get some alternative employment. Having worked for a Minister for Labour and Immigration, I then went into the department for some months. Like a number of others at that time, I was recruited as a graduate clerk. That was a traditional thing that happened, particularly many years ago, but that did not bring with it any specific training. For instance, people who had an arts degree or another degree from university applied and were employed as graduate clerks and then did certain in-house training. This is leading to the question that I want to ask you.

You are establishing the School of Government—a tertiary based institution connected to the university sector—focusing on people within the Public Service. Is there a synergy between what you will be doing and the general university sector, with undergraduate students, who may be studying a whole range of disciplines and getting degrees, who then may be recruited into the Public Service after finishing their full-time degree or some years later? There are courses in public administration and things like that, but do they provide an opportunity for people to then move into your proposed school? Are you trying to develop some relationships here particularly in the context of attracting graduates into the public sector?

Mr Allen—There are a couple of levels of response to that question. One is that the Boston Consulting Group research, alongside the identification of a need for targeted education and training for emerging public sector leaders, identified a consistent pattern of disquiet amongst CEOs about the relevance and the quality, or the applicability, of existing training options. There are a number of reasons for that. One is that, while there are important theoretical underpinnings of good public administration drawn from law, sociology, economics, political science and anthropology, people who work in the public sector need—alongside the theory— an application based teaching of those. In the business schools it is referred to as case study teaching.

One of the problems in Australia is that we have a pretty thin reservoir of quality research in terms of public administration, so no-one has particularly good sources—particularly evidence based—to draw on in teaching. So one of the consistent criticisms of the existing programs is that they are belief driven rather than empirically based or soundly based in terms of what works and what does not work and why. In many ways, the school is aiming to help students understand what are the tools and knowledge bases they should go to for providing advice to ministers or senior management in the department or what tools they should use in delivering programs. They should have a reasonably good understanding of when, and under what circumstances, you would use those tools and then, critically—and this is what the evidence is about—whether these tools actually work or not and what the unintended consequences of them are. That has to be taught within a framework that says that the business of government is not divided into silos, that anthropology is as important to working out whether you might make a decision for major public policy changes as economics might be. The advice needs to integrate that.

CHAIR—How efficient and successful do you think the current arrangements are whereby it is largely—or solely—left to the agencies to run their own training programs? We do have the Public Service Commissioner overlooking it and we do have the objectives in the act, but do you have concerns about how that system now works? Is there a need for more collaboration across departments and agencies? Is there a need for greater evaluation and focus—I hate to use the word ‘centralised’; looking at the Public Service as a whole as distinct from a whole series of different units?

Mr Allen—In developing the plans and the research for the school, it is a combination of both.

CHAIR—What was running through my mind was how you were going to react to that issue.

Mr Allen—In a sense, some of the current shortcomings appear to flow from the decentralisation of responsibility to individual departments and the diminishment of a central oversight. In part, we have been bringing together chief executives in each jurisdiction to say, ‘If you think this is a good idea—and you have told us through the research that it is—it is not going to happen if you all make decisions entirely independently. You need to come together and decide collectively that there is a gap and what the nature of the gap is in terms of what a curriculum could be that would meet your needs. If there is sufficient interest there, we will go away and put together a program to meet your pooled needs.’

We are saying, very clearly, that if this school is going to meet those needs over time and sustain financial support from governments across the board we need to have a direct relationship with CEOs. So the school has to be very responsive and attentive to CEOs’ views about what the strengths and weaknesses of the school are. To talk to the Public Service Commission—or whoever the central agency are—and imagine that that will reflect the CEOs' different perspectives about what they need in terms of their particular staff is a hazardous course. It could work, but it is, in our view, more hazardous than establishing the direct relationship. It is really a combination of coming together to achieve something that none of you can do alone while remaining very responsive to the requirements of individual agencies and the support that CEOs bring when you satisfactorily meet their expectations.

CHAIR—I noted earlier that the opening paragraph on the second page of Professor Davis's submission refers specifically to these concerns about devolved arrangements. Thank you for your attendance today and for the submission. The committee would appreciate having anything further you can provide to us, particularly in terms of the further development of the college and how that progresses over the next few months. Our reporting date is at the end of this year.

Proceedings suspended from 3.03 p.m. to 3.21 p.m.

CARTER, Mrs Margaret Joy, Executive Director, Professional Work Force Development, Australian Taxation Office

COLLINS, Mr Bruce, Acting Assistant Commissioner, Professional Excellence, Office of the Chief Tax Counsel, Australian Taxation Office

HILL, Mr Meredith, Director, Work Force Management, Australian Taxation Office

HOLLOWAY, Mr Dennis, Acting Business Director, ATO Skilling, Australian Taxation Office

MONAGHAN, Mr Michael, First Assistant Commissioner, Australian Taxation Office

CHAIR—Welcome. I do not think I need to run through the rules and procedures of Senate committees; I am sure you are very familiar with the way we operate. Mr Monaghan, do you wish to make some opening comments? We have your written submission and we thank you very much for sending that in.

Mr Monaghan—I want to paint the context in which we will be answering questions, and the context of the organisation. We have been through three or four years where we have thrown all of our energies into delivering the tax reform program. When we answer questions there may be some sense of a lack of stability in our training infrastructure. That is in a context where we threw everything we had to at equipping our people to deliver reform. Briefly, that is the very important, overarching context to where we find ourselves.

CHAIR—You did not throw them, but I know what you mean. It is a good colloquial phrase. I understand precisely.

Mr Monaghan—In some cases I almost did.

CHAIR—Given some of the experiences, it is a wonder they did not throw it back!

Senator MARSHALL—I am too frightened to ask the tax office a question!

CHAIR—This is your one opportunity.

Mr Monaghan—We are from the tax office and we are here to help you!

Senator MARSHALL—I have heard that! What is your experience with retention difficulties, especially with young recruits?

Mr Monaghan—Our overall retention is quite solid. If I remember rightly, the overall departure rate is only five or six per cent—perhaps four per cent. That perhaps borders on not enough rather than too much. I am told that over the last five years we have 87 per cent of our graduates still working in the organisation.

Mr Hill—We do monitor our retention rates at a very high level. We have not gone into the detail of specialist areas in the tax office to see whether the turnover is high in those areas, but we have it on our business plan for this year to check specialist areas to see if there are some anomalies in the turnover in those areas.

Senator MARSHALL—Do you know why that is? The turnover rate is about four per cent. We would have thought that people would consider a stable and manageable amount to be at least six per cent.

Mr Monaghan—The obvious answer is: it is a great organisation. But perhaps some more detail might help.

Senator MARSHALL—What makes you such a great organisation when you only have a turnover rate of four per cent?

Mr Hill—I have not done any detailed analysis of why that is the case. I suppose it is more a case of: 'This is a good result; let's leave it alone.'

Mr Monaghan—Two to three years ago, we certainly had a lot of predictions from a range of people that we would be losing major numbers of people over reform, but the figures show that is not the case. As Mr Hill said, it is not entirely clear at the moment why that would be. We do a range of surveys of our staff, which perhaps indicate that people believe in the role of the tax office and they are generally pretty committed to the role we play. Again, without having the data available, the variety of work available in the organisation is quite exceptional. Perhaps a lot of people do not appreciate the wide range of work that the tax office is involved in, from collecting income tax through to a superannuation role, excise, family tax payment and social welfare related activities—they are the functions. Then there is the huge array of roles it can play from tax technical issues to whatever. We survey our graduates quite frequently as to why they stay. Basically, they say that it is the great variety of work opportunities in the organisation that encourages them to stay.

Senator MARSHALL—Can you quantify the amount of training you actually provide? In Defence, I know that there is a minimum of 10 learning days per employee, and that is actually in the employment agreement. I am wondering whether the tax office has such an arrangement or is it more ad hoc? And how is that delivered?

Mr Monaghan—We would struggle to give you a clear picture of that at the moment. As I said, over the last few years, this has been one of those things that has been hard to keep. We poured a huge effort into making sure people were equipped and skilled to do the new work that was evolving so rapidly. We have data, but it would be hard to give you one figure.

Mr Holloway—In the last couple of years, we have not had a consistent system of collecting information about the number of training days for employees. That is being implemented this year. It is a new system based on our SAP financial system. The figures that we do have relate to five or six years ago and are probably not relevant to today’s environment. We have not tested that out yet.

Senator MARSHALL—I understand that, as you go through new systems and you introduce new technology, new laws, new collection measures and everything associated with that, there is what I guess we would call ‘maintenance type training’, which is what you were saying is difficult to quantify. In terms of personal development training—offering people career paths and opportunities to progress through the organisation—what sort of training is involved?

Mr Monaghan—We have a range of professional programs, which Mr Collins might give some more detail on in a minute. Our agency agreement, which we are currently renegotiating, has a significant number of clauses around the agreement we make with our employees about our approach to professional development. That is currently being negotiated. We would be happy to make the final clause available once it is certified. We have arrangements with the University of New South Wales around technical development. Perhaps Mr Collins could take over at this point to talk about some of the other developmental things we do, especially on the technical side.

Mr Collins—In terms of continuing professional development activities for our technical staff, we have programs which operate in each of our sites nationally. Our staff at executive level 2 and above are required to undertake 20 hours worth of structured CPD activities per year and may be required to undertake 40 hours. Staff at lower levels in the organisation are subject to our CPD requirements on a needs basis depending upon their position, but they can also be required to undertake up to 40 hours of structured continuing professional development per year.

We offer a number of educational programs for our staff which focus on various technical topics that we deal with within the ATO. They are covered by the banner of what we call our professional development program. They are a blend of either self-directed learning modules accompanied by interactive assessment mechanisms or classroom delivery style modules to make people job-ready for their particular role within the office.

In addition, we put people who come into the ATO under our graduate program through a structured learning program that covers the certificate 4 in government and a variety of technical topics necessary for them to be ready to move into particular technical roles. They then do a work placement program, where they stay in a number of roles within the ATO for a period of up to 12 months.

Senator MARSHALL—What evaluation mechanisms do you have in place?

Mr Collins—The majority of our professional development program modules are accompanied by self-test modules, which are usually a computer based assessment mechanism that quizzes the person so that they attain a score at the end of the test. We also have some observational activities such as our advanced interpretation and research program, where people undertake classroom activities and are then coached in the workplace on real work. That is followed by an assessment based upon their real work. At the end of that they are found to be either capable or not yet capable.

Senator MARSHALL—Is that at the local level or is all of that organised and channelled through so that the organisation can make an overall evaluation assessment?

Mr Collins—We assess individuals at the local level, but we use national processes which are subject to national quality assurance and management. Those results are then collated on a business unit and topic basis to enable us to plan our future activities.

Senator WONG—On the evaluation issue, you are familiar with the Audit Office report, and I assume that related to the ATO as well. Some concerns were raised in that about the lack of evaluation of learning and development strategies by agencies. I would be interested in your response to that and whether you think that is a relevant criticism of the ATO. I notice that in your submission you do refer to developing a further internal quality assurance framework for the purposes of evaluation. If that is relevant, perhaps you could expand on that.

Mr Collins—We do undertake assessment of individuals and evaluation of various programs that we have in place. There is always room for improvement in those sorts of processes. I would acknowledge that there is room for improvement in our overall evaluation and strategic planning for our learning activities. We are looking at making those improvements in the context of the negotiation with our staff in the new agency agreement.

Senator WONG—Could you expand on the reference in your submission on page 8:

An internal quality assurance framework is being developed to ensure consistency of internally delivered training.

What you are actually doing there?

Mr Collins—The Australian Taxation Office has a number of delivery mechanisms within its business structures. We are working to make them more corporately consistent. The effect of that is that we are trying to introduce uniform standards across the ATO for all learning products, to plan the delivery of those products and to ensure that the products themselves have a uniform standard via quality assurance of both the product and the delivery mechanism.

Senator WONG—Will that be done internally?

Mr Collins—We do not have any intention at the moment of engaging external consultants to undertake any of that work. However, we are using industry-standard materials and methodologies.

Senator WONG—I was going to ask that. There is a comment in your submission about your concerns regarding external providers—or your history with them. Can you expand as to why you found that externally provided training problematic?

Mr Collins—I can only comment on the tax technical component. The ATO is probably the largest body of expertise within the Australian community on tax administration.

Senator WONG—So you know more than them?

Mr Collins—In a sense, yes—particularly around legislative initiatives. We probably have the only people who know about the new initiatives as they are hitting the deck. In addition, on an ongoing basis, we probably have the largest number of people who will be affected by a particular training initiative. So we do have expertise that is not present in the external environment. We are currently engaged in preparations for mandatory market testing of our technical skilling work. We will be testing that assumption to see whether it still holds true in today's environment. It is possible that in some areas we might find that there are alternative providers in the external market, and we would obviously be considering engaging them on a cost-benefit basis.

Senator WONG—Is the solution therefore to beef up the internally provided training, if the problem is the difficulty in finding reasonable external provision of training in the cutting edge of tax reform? Is it the ATO's view that you have to train internally for any such reforms?

Mr Collins—Because of the nature of the law design process, we are engaged at an earlier stage than most externals could be. So, at the cutting edge, I would say there is still going to be a body of work that the ATO would be uniquely placed to perform. However, in terms of our static topics, where the law is well understood by the community, it is entirely possible that an alternative provider could come forward to replace our provision of that service. We do use external providers for awareness level training around continuing professional development activities. We do so under commercially effective contracts. So we do utilise external providers to some extent at that awareness level.

CHAIR—Just on that issue of valuation, you state on page 7:

The ATO has continuously tried to apply a framework based on the four levels originally defined by Donald Kirkpatrick (1959, 1994).

Forgive my ignorance, but I am not familiar with the Kirkpatrick model to a sufficient extent. You might expand on that a bit. Certainly, from your further comments, you have had difficulty in finding ways to define the performance indicators, particularly at the higher levels. Can you expand upon that a bit more. Why are you still using this model if it appears that it has been a problem for you to use for some time? Have you tried to find an alternative model to use—or what is the story?

Mr Holloway—The Kirkpatrick model is widely recognised in the training industry as a reasonable model for the evaluation of learning. The level 1 evaluation looks at the reaction of learners; it is commonly an evaluation sheet that you get at the end of a training course that you fill out to say how you felt about the learning. Level 2 is about whether or not the learner actually learnt something and that is usually the assessment process that Mr Collins described. Those two levels are quite good at talking about evaluation.

Level 3 involves the transfer of learning into the workplace: do we actually see a change of behaviour in the learner when they go back to work? Are they actually doing things differently? Level 4 regards how that change actually impacts on the business outcomes of the organisation. Those two levels are harder to measure on an ongoing basis. You can make some reasonable estimates of them using sampling techniques but it is very difficult to define measures and to consistently measure them, mainly because of cost. We are still looking for ways of doing that efficiently and being able to show a return for our training investment in the ATO.

CHAIR—What you mean when you say it is mainly because of cost? Is it that you know how you could do it but the department's budget cannot afford it? What do you mean?

Mr Holloway—For example, if you are looking at whether or not somebody has actually changed their behaviour in the workplace, common ways of doing that are going back to the workplace two or three months after the learning event and questioning the manager, through a survey or something similar, as to whether he or she has perceived a change in the person's output or using workplace assessment techniques of observing behaviour and seeing whether the person has actually improved from some predetermined level of performance. Those two activities do cost money in terms of people's time to do that sort of activity. In the environment that Mr Monaghan described, where we have just been concerned about getting people out there and doing the job during tax reform, we have not had the time or the resources to be able to do that sort of evaluation.

CHAIR—How long has this sort of evaluation been done in the tax office, using this Kirkpatrick model?

Mr Holloway—To my knowledge, we have been using level 1 and level 2 evaluation for as long as I have been in the role, which would be 10 years. It has probably only been in the last four or five years that we have considered and tried to use level 3 and level 4. We have had some ability to use that for some specific programs, but we have not adopted it consistently across all programs.

Mr Monaghan—I will add that, at a higher level, we do conduct regular surveys of community perceptions of our operations and our professionalism. Again, they are things we would be happy to make available to the committee. I guess that is the measure we have, especially regarding professionalism, as to whether our people are being skilled sufficiently to do the job that they are being asked to do.

Senator HEFFERNAN—That would be a bit like being a goalie in soccer, wouldn’t it?

CHAIR—That is pretty easy to measure: either they go in or they don’t.

Mr Monaghan—That is interesting. I guess the way we go about our role is to win community confidence that we are doing it fairly. We do not expect everyone will say, ‘We love the taxman,’ but we believe it is very important that we have community confidence and that they respect the way we go about it, because that has been the tax—

Senator HEFFERNAN—What I meant is that you can never win; you can only minimise the damage to the goalie.

Mr Monaghan—I agree. About 60 per cent of people in our recent survey said that they believe the tax office is doing a good job overall. You could interpret that and say, ‘40 per cent don’t,’ but I think 60 per cent in a turbulent time is not bad, and we are not resting on that. I think tax administrations would grapple with this very thing for many thousands of years. We still believe that getting community confidence that we are fair in the way we do things is what it is all about.

CHAIR—Maybe I am missing something here. I can see your last point. If you think you have problems, politicians have problems in that regard anyway and could probably never win. In terms of internal assessments about performance—as I said, I might be missing something—I would have thought, particularly in an organisation like the tax office, that there would be ways to measure results and transfers, if you like, of knowledge to see whether it is working or not. Surely, there is the very fact that, through the tax reform process, you can have a starting point and you can measure how successful the office has been in implementing the government’s changes, in how much tax you have collected and whether you have been able to crack down on tax avoidance or whatever it is. Am I focussing on the wrong area here? I would have thought your office would have a greater opportunity to make those sorts of measurements. In turn, that reflects on how well the staff have learned and are doing their job, compared to some other departments like, dare I say it, maybe a department that is dealing with social welfare or the departments of community services in the states where, as we all know, they deal with people’s lives and problems. You are dealing with their money.

Mr Monaghan—The point we were making was that we believe that we do not have a good handle on the immediate impact of the learning that we give people, but we do have lots of indirect measures—which I think is the sort of thing you are getting at there—about the way that people go about doing their job, and the quality. We have a whole raft of performance measures about the organisation and the way it is performing, which will cover a broad range of our activities. There are quality measures, which Mr Collins could perhaps talk about as well. There is a wide range of outcome measures of the skilling, but we would say that perhaps there is not an evaluation of the actual skilling exercise per se.

CHAIR—You would set performance indicators, like every other department or agency does now. I have not had a long involvement in this committee in terms of the estimates process but, from what I know of all other departments, measures are laid down. It may be that 90 per cent of complaints are satisfied within the next period—that sort of thing.

Mr Monaghan—Yes, Senator. That is what I say. We have a whole raft of those sorts of measures, which we would say—

CHAIR—I am having some difficulty understanding why you say to us that it is a problem, but go on.

Mr Collins—One way of looking at it is that the performance indicators indicate the health of the total system—our entire population of tax officers. We plan learning activities—in some cases on the basis of an entire population—and we can observe a change in those macro performance indicators if we intervene for an entire population, but, if we deliver a training initiative to a particular group within that larger population but we are only measuring the performance of the total population, it is hard to correlate between the intervention and the result. That is the area in which we have difficulties. There are some initiatives for which we have specific observation in the workplace, which accords with either the third or fourth level in the model that Mr Holloway was discussing earlier—things like the advanced interpretation and research program, our graduate program. Both of those utilise observation in the workplace which follows the structured learning activities. You can actually see a change in behaviour, in a longitudinal sense, to determine whether people have obtained a benefit from that intervention.

In relation to our other quality assurance measures and the mechanisms we use to judge the standards of our work force and their work performance, that information points towards systemic trends but it does not identify the particular people that might need to have a training intervention to assist them. That is where we are looking at developing further methodologies to try to identify the people who are affected by that particular need.

CHAIR—What about training programs in conjunction with other departments or agencies? Is there an opportunity for that or do you see that the tax office's arrangements have to be pretty much stand-alone and in-house?

Mr Monaghan—In a volume sense, I think it is the latter case rather than the former case. Reflecting on this, I suspect that we are unique in the way that we are structured in that we have some 20-odd very large sites around the country. Many policy agencies are based largely in Canberra with some regional delivery, but we are much more diffuse than that. We have a wide range of activities where we do link in with other organisations but not in a mass training, high-volume sense. We link in with the University of New South Wales for the ATAX program for tax technical training, which is an arrangement we have that we believe is necessary for that sort of skilling. In short, I would say that it is more that we feel that the nature of our organisation is such that we do a lot of things in-house.

CHAIR—I will just ask you one other question about tax returns—it is that time of year again for a lot of people. I assume that the level of online tax returns is increasing. Is it substantially increasing? If that is the way of the trend—I assume it is—what impact has that had on your recruitment and training initiatives?

Mr Monaghan—The trend of lodging tax returns electronically has grown quite dramatically this year. I do not have the figure in my head, but it is quite a substantial increase. That refers to lodgments by self-preparers—people who lodge by e-tax.

CHAIR—I was going to ask you to clarify that because presumably tax agents have been doing it for some time now.

Mr Monaghan—Yes—largely, for 10 years.

CHAIR—I am talking about the general public.

Mr Monaghan—There is a substantial increase this year in lodgments by the general public. That has a range of implications. We think that will continue and we see that we will need to provide channels for people to use what suits them for some time, but the electronic technique does seem to suit a lot of people. We think it will have a big impact on our work force and also on the need to have our own people comfortable with those sorts of techniques—for example, e-learning is an area we are exploring. We have a big field force now and we are trying to find better ways to keep them up to speed with their skills while they are out in the field rather than having to come in to a central office. It is likely to have an impact as well on the classification levels that the organisation employs. We are flagging that over the next few years we will not be requiring people at the lower levels to the extent that we currently do, so we would see the skill level gradually increasing as technology plays a bigger part.

CHAIR—You said a moment ago that it would have an impact upon staff. What impact are you talking about—increases or decreases in staff?

Mr Monaghan—Decreases at the lower levels—a gradual shift up the classification hierarchy of the sorts of skills, the sorts of roles that we expect people to play.

CHAIR—Is it your objective to try and get to 100 per cent online general public tax returns—I know that may be impossible—just as the banks are trying to get everybody to use ATMs?

Mr Monaghan—To go back to the comment I made a few minutes ago about being perceived to be fair, we obviously deal with the community in a way that suits them as best we can. We obviously try and encourage people to lodge electronically and show them that that is easier. As people have probably found with electronic banking, once they have tried it it is actually good and easy and you can do it quite quickly at home. But we are continually trying to balance meeting community needs with the resources we have, so we will be trying to push, I guess, to get more things done electronically. For as long as I can think ahead, there will be some people who will need to lodge by paper.

Senator WONG—You referred in your submission to the fact that you do not actually conduct training needs analyses as such and you made some comment that you do not find them helpful because they tend to generate wish lists. Without going into the merits or otherwise of that, you do refer to what you call a collaborative process between staff and manager to identify individual training needs. Could you elaborate on exactly what that is, and is it formalised within your agency?

Mr Holloway—The collaborative process that we describe is part of our performance and development system, which involves people sitting down with their managers and establishing a performance agreement for the year and as part of that discussion talking about their development needs and what skills they will need to acquire to meet their performance outcomes. So each person should have at the end of that process some kind of learning and development plan. That process is quite well established for the higher levels in the ATO and is rolled out to lower levels in some areas but not consistently across the ATO at the lower APS levels.

Senator WONG—Roughly what percentage of employees would actually be subject to this process?

Mr Monaghan—We could check that. Most employees, we are usually told, have a learning plan. Certainly all the SES and the executive level 2 officers would have a performance agreement and a formal assessment process using multisource feedback about behaviours and performance. It is the expectation that everyone would have a learning plan. In fact, in the certified agency agreement we are currently negotiating we are taking that a bit further and trying to get strong commitment from managers and employees that that will be the case. I could not say exactly how many people actually have not got one. The would be quite difficult to work out, I suspect. But it is the expectation that everyone would have one.

Senator WONG—So you cannot even give some sort of—

Mr Monaghan—I could see if I could find that out and send that out to the committee.

Senator WONG—Thank you. If that is the case, is it correct that only those employees who would be subject to a performance management agreement would undertake any discussion about training needs analysis?

Mr Holloway—In some areas of the tax office, the process would be conducted less formally than the one that I described but would happen anyway. They might not end up with a documented learning plan that is signed off by both parties, but there would be a discussion between the manager and the people in his or her team about learning requirements and what sorts of learning activities were going to be conducted in the current year.

Senator WONG—As I understood what you said before, in terms of any formal process, that would only be in relation to people who are subject to a performance agreement. Is that right?

Mr Monaghan—In our draft clause in the next agency agreement, the statement is made that the ATO is committed to ensuring all employees have a learning and development plan with their manager which identifies agreed learning and development needs, how and when they will be addressed and how learning outcomes will be achieved and evaluated.

Senator WONG—You also mention in your submission that you applied a training needs analysis generally as part of the taxation reform. Could you briefly expand on what that involved.

Mr Collins—We did a collective training needs analysis for areas to determine the degree to which they were impacted upon by particular tax reform initiatives.

Senator WONG—When was that done?

Mr Collins—That was done before each initiative was actually implemented, as part of our risk assessment process. We identified the nature of the initiative, then we moved to identify which areas of the office would be impacted upon by that initiative. That was used to plan our learning activities, the strategies that would be used to deliver those initiatives and the evaluation processes we used. We have also done learning needs analyses within components of our technical work force over the last few years, but they have usually been focused on particular topic areas rather than a collective one that covers all issues which might relate to their learning needs.

Senator WONG—Do you record how many training hours particular reform initiatives have required?

Mr Collins—We do record the impact of particular initiatives. As Mr Holloway commented earlier, we do not have a system in place for accurately recording all of our training activities. We have an off-line system which we use for recording the impact of our tax reform initiatives.

Senator WONG—Particular reforms?

Mr Collins—Particular reform initiatives, by initiative.

Senator HEFFERNAN—You mentioned earlier that the recruitment for the tax office is for people higher up the tree, with a higher skill level. Is that your understanding?

Mr Monaghan—That is the way we are going, yes.

Senator HEFFERNAN—I am curious to know where you are going to draw your people from for halfway up the tree, as it were. If you recruit them from outside, you run the risk of more Nick Petrouliases. Where do you see yourselves getting your semiskilled or highly skilled, rather than base-skilled, people? Where are you going to draw them from?

Mr Collins—In a sense, we are always faced with the difficulties that we referred to before around the fact that the ATO has a particular set of characteristics around knowledge of the tax system which are not represented in the outside community.

Senator HEFFERNAN—And a culture—a necessary culture, I might say.

Mr Collins—It is a necessary culture of public service, certainly. We tend to recruit openly in the marketplace and we recruit on the basis of the capabilities required. For mid-level and higher level positions, we tend to recruit, therefore, people who have demonstrated those capabilities by careers within the ATO. This is not done in any unfair way but simply because they usually have the best evidence that they can do those sorts of jobs. That tends to create a vacuum effect at lower levels. We tend to recruit, particularly via the graduate program and via our lower-level recruitment strategies, to fill those vacancies that have been left by people moving up the tree.

Senator HEFFERNAN—Are you confident you will always have a ready availability of people at the right skill level, while still having an employment strategy that ignores the early training, the early skills?

Mr Collins—In a sense, it is always a problem for us to recruit sufficient people when there are large-scale changes such as those we encountered during tax reform, because obviously the ATO is a fixed market. At various points we will draw in additional people from outside. They carry with them particular skilling issues because they do not come with an understanding of the ATO's operations or, in many cases, with all of the capabilities we would be seeking. As a result, we manage those processes as best we can. The graduate program is one of our main mechanisms for bringing people in at lower levels. We are always looking for better ways to support the learning of people for future positions, such as our fieldwork force and the people who create the ATO interpretation of the law.

Senator HEFFERNAN—At the end of the day, you think that it is a better exercise to retrain skilled people into the culture and needs of the tax office than to completely train someone starting from a base level?

Mr Collins—At higher levels there are benefits both ways. The problem is that finding the people who have the right mix of skills and abilities to play a key part in administering the tax system is often difficult, particularly considering the fact that the Public Service pays a lower amount of money than many of those people would be able to get in the external market.

Senator HEFFERNAN—I must tell the story about our footy team.

CHAIR—Do you have to? We are out of time.

Senator HEFFERNAN—I must tell this story. We had the same team for nine years and we won eight out of nine premierships. A few of us left because we had had enough punches in the head and heavy tackles. We did not win a game for three years after that, because we did not have any young blokes coming on behind us.

Mr Monaghan—We do recruit large numbers of people into less technical activities to start with, especially into the operations areas, for example, where there is a lot of flux due to people working on a non-ongoing basis for a while and then applying to become permanent. Quite large numbers do come into that sort of work as well. So there is that body of extra people. The last conversation was more about people who were skilled in the technical side of the tax law, but we have a lot of other activities that do draw people in right from the lowest levels.

CHAIR—Thank you, Senator Heffernan, for your story. With that final comment from Senator Heffernan and the fact that the Sharks beat Newcastle by 64 to 14 on the weekend, I thank you for your appearance today.

[4.08 p.m.]

STUDDERT, Dr Helena, Director, Recruitment Performance and Forecasting Section, Staff Development and Post Issues Branch, Corporate Management Division, Department of Foreign Affairs and Trade

RUSSELL, Mr Ian, Director, Training and Development Section, Staff Development and Post Issues Branch, Corporate Management Division, Department of Foreign Affairs and Trade

RYAN, Ms Janette Margaret, Assistant Secretary, Staff Development and Post Issues Branch, Corporate Management Division, Department of Foreign Affairs and Trade

CHAIR—Welcome. Thank you for your written submission. You are familiar with the procedures of Senate committees and the rules of parliamentary privilege et cetera. Do you wish to make any alteration or addition to your submission?

Ms Ryan—Yes, we have a very short addendum to table, which simply updates the information in the very first part of our submission on the staff levels at DFAT. It tells us that staffing as at 30 June 2002 was such that DFAT employed 1,959 Australia based staff and 1,472 locally engaged staff overseas. It just updates the numbers of our overseas posts.

CHAIR—Thank you very much for that. As it is acceptable to the committee that that addendum be tabled, it will be so ordered and that will become part of your submission. If you would like to make some opening remarks, we will then proceed to some questions.

Ms Ryan—I have a short statement to make. I am pleased to represent the Department of Foreign Affairs and Trade at this hearing of the Senate Finance and Public Administration References Committee’s inquiry into recruitment and training in the Australian Public Service. We appreciate the opportunity to participate.

The department’s ability to deliver high quality foreign and trade policy outcomes for the government and for Australians depends primarily on the quality of its staff. Accordingly, the department gives a high priority to recruitment and training as key elements of an integrated human resources management strategy. Our strategy is aimed at attracting, developing and retaining high performing staff with the right mix of skills to advance the interests of Australia and Australians internationally.

Like other APS agencies, the Department of Foreign Affairs and Trade has undergone major structural and management changes in recent years as a result of public sector and APS reforms. In the years since the Department of Foreign Affairs and the Department of Trade were amalgamated in 1987, DFAT has become a much leaner organisation in terms of staff numbers both in Australia and at its overseas posts. A smaller but more focused department now devotes a relatively larger share of its resources to the pursuit of core foreign and trade policy priorities and a relatively smaller share to self-administration.

The APS reform process, with devolution of management functions to agencies, has provided departments with greater flexibility to gear their management strategies to meeting their particular needs. Due to its particular overseas role, DFAT already had a long history of self-management of most aspects of its graduate selection process and its training and development requirements before the APS reforms. Over time, we have developed knowledge and expertise in those key functions. Devolution, therefore, had relatively less direct impact on DFAT in those areas than on some other APS agencies. DFAT nonetheless welcomed the changed arrangements and the additional flexibility, accountability and agency responsibility that came with devolution of recruitment and training functions. We have developed a comprehensive human resources management strategy, including a fully articulated training and development strategy, and an equitable and efficient recruitment process, well suited to the department's requirements.

Looking first at recruitment, the department needs high-performing professionals with the skills, resourcefulness and cultural awareness required to contribute to achieving the department's goals. All vacancies in the department are open to all members of the Australian community. Recruitment is firmly on the basis of relative merit. As outlined in detail in our submission, DFAT outsourced in 1999 the administrative aspects of recruitment, reaping efficiency gains and focusing our efforts more closely on decision making in the recruitment process.

The department recruits around 30 new graduate trainees annually through its Graduate Trainee and Corporate and Financial Management Trainee programs. The minimum educational requirement for these programs is a bachelor's degree. However, intense competition for the traineeships means that a strong academic record, very good interpersonal skills and relevant work or life experience, often voluntary, are essential for applicants to succeed.

The department works hard to ensure that applicants from all parts of Australia, and Australians living overseas, have an opportunity to apply for graduate positions. It is notable that more than 20 per cent of applicants for graduate trainee positions in 2003 grew up in rural and regional Australia. The department advertises its annual graduate recruitment process in the national press and at universities. We also participate in university careers fairs throughout the country.

While the number of graduate trainees recruited has remained at a similar level for a number of years—that is, between 25 and 30 each year—the fact that DFAT is now a leaner organisation overall means that there are fewer vacancies available at the base administrative level than was previously the case. Nevertheless, 23 positions at the APS2 level were filled from outside the department in 1999-2000. We have just concluded a further recruitment round for ongoing staff at the APS2 level and expect to fill up to 10 APS2 positions with external recruits in the current financial year.

Since 1994, DFAT has participated in the National Indigenous Cadetship Program, which sponsors Indigenous undergraduates studying at tertiary institutions. After graduation, cadets are guaranteed an APS3 position in the department and are then encouraged to apply for positions as graduate trainees. Since 1993, DFAT has recruited 18 Indigenous graduate trainees.

Regarding training and development, the department takes very seriously the commitment to train a work force distributed throughout the world in 85 different locations across many different cultures. In 2001-02, the department spent $6.8 million, or 3.7 per cent of its total salary cost, on training and development. On average, each staff member received 9.6 days of training or development. The department's training programs are developed and conducted primarily in-house, with the use of external training providers where specialist skills are required, such as language training tutors. DFAT's training and development priorities encompass structured learning on leadership and management, professional knowledge and skills, and foreign language attainment and retention. We also offer a Studybank program for tertiary studies in relevant subjects. Our Professional Development Awards Scheme provides opportunities for career development, including secondments or structured study for high-performing EL2 and SES staff.

Our training program is closely integrated with the department's performance management system to ensure that the right training and development opportunities are provided to the staff who most need them. The department has made strong use of information technology to streamline its recruitment and training activities. Over 99 per cent of the 2,500 applications we receive annually for graduate traineeships are now taken online, and the initial assessment of applications is done through an automated online process. This use of information technology is not only more efficient than previous manual systems; it has enabled applicants from outside capital cities and Australians oversees to obtain information about the department and its role, including career information, more easily and rapidly than was previously possible.

Our training schedule is also fully computerised, enabling online selection and enrolment in training courses and workshops. Following each training course, all participants are required to complete quality evaluations online. This has greatly streamlined the management of the training program and its user friendliness for staff and has improved the department's capacity to measure and report on the outcomes of the training program. We consider our recruitment and training approaches to be innovative and forward looking. Our strategy and policies are set out more fully in our submission. I am happy to respond to any questions the committee may wish to ask.

CHAIR—Are there any comments from any of the other witnesses?

Mr Russell—No.

CHAIR—I would like to turn to the figures you have given us in the amended document that you tabled at the outset. Just so that we have this clear for the record, your original figures are that, as at 30 June 2001, you employed 1,853 Australia based staff and 1,519 locally engaged staff in 89 countries. You provided some revised figures, so we will deal with them first. As at 30 June this year, the total number of

Australia based staff is 1,959. One of the reasons for the difference from last year is that it did not include non-ongoing staff.

Ms Ryan—That is correct.

CHAIR—But, if it had, the total number would have been 1,960.

Ms Ryan—That is right.

CHAIR—As at 30 June last year, there were around 107 non-ongoing staff. My mathematics is correct, I hope.

Ms Ryan—That would be correct.

CHAIR—How many non-ongoing staff are there as at 30 June 2002?

Ms Ryan—On 30 June 2002, we had 133 non-ongoing staff.

CHAIR—In your written submission, on page 3, you say that you offer employment to around 80 people annually from outside the department. Is that essentially the number that is replacing those who might be leaving?

Ms Ryan—Yes.

CHAIR—So your numbers are fairly constant?

Ms Ryan—That is right.

CHAIR—Then you say that 60 non-ongoing or contract positions are available each year. What is the relationship between the 60 and 130-odd that you currently have? Are these contracts being rolled over, where contracts finish and new contracts are engaged?

Ms Ryan—Yes. I think that is saying that, basically, in any one year, there are about 60 positions. It is then saying that there are a total of 107.

CHAIR—So the 60 are obviously within the 130.

Ms Ryan—Yes, that is as I read it.

CHAIR—But the 130 has gone up from 107 last year?

Ms Ryan—Yes.

CHAIR—Where are these non-ongoing staff employed?

Dr Studdert—Our non-ongoing staff are employed in temporary positions to fill surges in workload. Administrative staff are normally here in Canberra, numbering around 20 to 30 people. A number of people are employed as casual staff, on and off, in our passport offices around Australia, in our state offices. All those are Australia based.

CHAIR—Yes, I appreciate that. Are all other Australia based employees, who are ongoing staff, permanent employees or does that include part-time staff?

Ms Ryan—It includes part-time and full-time staff.

CHAIR—Are you able to give us some figures on the break-up of the total employment into permanent and part-time employment?

Ms Ryan—In our ongoing staff group, we have both part-time and full-time staff.

CHAIR—Yes, that is what I am asking you for.

Ms Ryan—I do not have those figures with me right now but we would be happy to take that on notice.

CHAIR—Yes, please take that on notice. Tell me about the 85 posts that you have now. How many were there at the end of last year? It says there were 89 countries.

Ms Ryan—Exactly. It is more a distinction between countries and posts. In fact, the number of posts has not changed since we made our submission. We wanted to distinguish that we have 85 posts in 71 countries. The original number of 89 that was in the submission included places where we have honorary consuls. We think that perhaps it is more accurate now, for the purposes of this inquiry, to focus on the posts that we manage directly as part of our training and recruitment processes.

CHAIR—Are you saying that there is a slightly different description in the amended document than in the submission?

Ms Ryan—Yes, that is right.

CHAIR—I understand the distinction between posts and countries. I was on the Senate foreign affairs committee a few years ago and we looked at some of these issues. Posts were being closed down not long after the current government was elected in 1996. When was the last time any posts were closed down?

Ms Ryan—I am not well prepared to answer that question, not being from the area that deals with that. But, again, we could let you know the exact figures over a period of time, if you would like.

CHAIR—It is slightly related to our inquiry, but I am wondering whether or not any changes in recruitment or retention of the number of staff overseas have been as a result of closures of posts.

Ms Ryan—No. There has been a minimal impact on our recruitment.

CHAIR—Other than what occurred some years ago.

Ms Ryan—Yes, exactly.

CHAIR—Can you clarify the definition of locally engaged staff? In the embassies and consulates you have both Australians who are posted overseas—everybody from the ambassador or high commissioner down—and people who are engaged from the local work force. Are the locally engaged staff all people who are residents of those countries and engaged there?

Ms Ryan—Yes, that is correct—or they need to be able to gain residency and be employed under the local labour laws of that country.

CHAIR—Where do you count the people who are in the overseas posts who are Australian residents—they are posted overseas? Do these figures relate to Australia based staff?

Ms Ryan—Yes, they are Australia based staff. All the people who are sent from Canberra are called Australia based staff.

CHAIR—I know this is a bit pedantic and longwinded, but these are not all people who are working in Australia, are they?

Ms Ryan—No. That is correct. It also includes those 500 or so people who are sent from Australia to work in our posts overseas. There were exactly 532 A based staff—Australia based staff—who were overseas at 30 June 2002.

CHAIR—Of those employees that are here working in Australia, what is their geographical spread? There are obviously quite a few here in Canberra in the head office. What is the position in other capital cities and in the regions?

Ms Ryan—I do not have the exact figures with me but I can say that there are 1,427 staff who are Australia based and working in Australia. My recollection is that we have about 200 staff in our state and territory offices, but I would have to clarify the exact number for you.

CHAIR—Could you take that on notice and provide it?

Ms Ryan—Sure.

CHAIR—They are fairly elementary statistics but I wanted to find all that out. It then leads me to a comment you made in relation to one of our terms of reference. In your opening statement you said that 20 per cent of your graduate recruits are from rural and regional Australia. What does that actually mean? You said they grew up in rural and regional Australia.

Ms Ryan—Yes.

CHAIR—Does that mean that they were working in, or were based in, rural and regional Australia?

Ms Ryan—Not necessarily, in the sense that many of them would have moved from a regional area to, say, a capital city to go to university. So we were interested in looking at their home base, if you like, rather than where they were actually domiciled when they applied to us.

CHAIR—I thought so. There is not really much scope for people from rural and regional Australia to be actually employed in rural and regional Australia within this department, is there?

Ms Ryan—There is not, because probably the only real regional office you could speak of is the Newcastle passport office that employs fewer than 10 people. Other than that, our offices are in state capital cities.

CHAIR—Do you have any policy or strategy objectives about endeavouring to recruit people who originated from rural and regional Australia—who got their degrees in rural and regional tertiary institutions? Also, another area of our interest is obviously employment of Indigenous Australians. Could you comment on those policy positions?

Ms Ryan—We make a very conscious effort to make information about our graduate program as widely available as we can. So, first of all, our web site and our online application process is designed to make it easy for people to find out about our graduate and other recruitment processes wherever they are in Australia or, indeed, for Australians overseas.

We do not specifically target regional universities any more than state capital universities but we do try to make sure that we have a good spread of attendance at careers fairs to be sure that we are taking a fairly even-handed approach. We do pay particular attention to trying to encourage Indigenous recruits to the department, both through the graduate training program and the Indigenous Cadetship Program.

CHAIR—Other witnesses, including representatives from the Public Service itself, have commented to us about the problems associated with retention of existing employees and also the trend with respect to decreasing numbers of young employees being recruited and the ageing of the existing work force—which is happening to all of us. What is the experience of your department in regards to those issues?

Ms Ryan—We typically have a very high retention rate. Between 1997 and 1998 a Public Service wide survey was done that showed that almost 40 per cent of graduate trainees recruited into the APS five years earlier had left. For DFAT, the comparable figure was four per cent. That continues to be our experience. In 2002, of our 25 graduate trainees we have lost none. In 2001 one person left. Typically, they stay with us for many years. The retention rates for graduate trainees recruited between 1992 and 1999—over that seven-year period—was around 90 per cent.

CHAIR—That is what I understood was likely to be the position. Thank you for that. But it then leads me to ask why? Why is DFAT so successful in terms of retaining employees as against other departments? I can think of some reasons that people might say—the popular ones. But is there something about it?

Ms Ryan—I think the genuine reasons are that we do pay particular attention to career development in the department. While we recruit people who already come with very significant professional skills, we also offer a career path that serves to develop them throughout their career over many years. So the return for the individual is very significant. That involves overseas experience as well as experience here in Canberra or at one of our state and territory offices. Because the department also deals with such a wide range of issues across the international agenda, people have very stimulating careers in which they can find themselves working on a very diverse range of topics throughout their career. The department, as I hope we can go on to demonstrate to you, pays particularly strong attention to training and development so that a person feels that they are having lots of opportunities to be developed as strong professionals throughout their working life.

CHAIR—Other departments and agencies are affected by the higher rates of remuneration that may be able to be earned in the private sector in comparable work. Is that something that would or could also impact upon your department but is counterbalanced by the nature of the work, or isn't it a problem?

Ms Ryan—It could be a factor. The department has worked hard through the certified agreement processes to be sure that we are offering our staff as significant salary rewards as we possibly can within a fairly tight budget situation. But we mainly keep an eye on our other Public Service colleagues rather than on the private sector. We would not be able to compete necessarily with big firms on salaries. On the one hand I would say that we have paid attention to trying to ensure that salary rates keep up with the wider Public Service and in fact are quite attractive in that context. But I also think people are interested in staying with DFAT because of the interest level of the work and the stimulation that comes from being able to see the achievement of outcomes and goals. I point to something like the award of the LNG bid last week. That kind of thing is very rewarding to be involved with.

CHAIR—I have probably monopolised the questioning for too long, but is the recruiting from other departments and agencies something that happens regularly?

Ms Ryan—Yes, it is.

CHAIR—Do you recruit people, with the sorts of skills that you require, from the other departments and agencies, or do you recruit people who you then believe can be given the adequate training within DFAT?

Ms Ryan—We run merit based selection processes at all levels. You may be familiar with our bulk round selection process, which is a promotion process effectively. Instead of advertising an individual position and looking for one person to fill that position, we run, more or less, annual bulk rounds where we look for a group of people to fill positions at a given level. That is strictly, as I say, on the basis of merit. We advertise widely, outside the department as well as inside, and it is very often the case that people who come from other agencies are competitive with people who are inside the department. They may be brought across either on transfer or on promotion from other agencies. During 2001-02, a total of 86 non-DFAT applicants were successful in DFAT selection processes. That included 67 non-APS applicants—people from outside the Public Service completely—and 19 APS employees who were promoted or moved from other agencies to DFAT.

Senator WONG—Does the Deakin University arrangement that you have relate to postgraduate degrees?

Mr Russell—Yes. There are a number of arrangements, but the main one is the Deakin Advanced Diploma in Foreign Affairs and Trade and that is an undergraduate degree. It can be articulated—where you can do a bachelors degree—but it is the first half of a bachelors degree essentially.

Senator WONG—What is the profile of staff undertaking those studies?

Mr Russell—We have just reviewed that program and approximately—this is from memory because I do not have the figures in front of me—50 per cent of the people who have done that program over the period since it commenced in 1996 were locally engaged staff at overseas missions and the other 50 per cent were Australia based staff, some of whom commenced the program in Australia and continued it by distance learning whilst subsequently posted overseas.

Senator WONG—Given the profile of many of your staff, was this a second degree for many of them?

Mr Russell—No. It was aimed at people who did not have a first degree. There were some who already had a degree, but the vast bulk did not have a first degree. It is more true to say of the locally engaged staff who were part of that program that a high percentage of those may well have had a degree in their own country.

Senator WONG—What sort of support does the department offer? Is there study leave or assistance with tuition costs et cetera?

Mr Russell—Yes. It works on the basis of granting study leave and also paying 100 per cent of the fees. As I said, that program has just been reviewed and we have decided to phase it down over the next three years.

Senator WONG—Phase it down?

Mr Russell—Yes.

Senator WONG—Why is that?

Mr Russell—It had a mixed record of success. It has been a very positive thing in many areas, but we noticed that when we went back and did a good analysis of it there were a large number of people who had started but had not continued with it. They had done one or two subjects and had not continued with it. Given the cost of the whole program we wondered whether that was the best way of spending money ultimately. So it was decided that it probably was not the best way of spending that substantial amount of money. We decided to phase it out over the next three years but allow anybody who had started—even with only one subject—to finish and get their qualification. But we will not be taking on any new students right from the start as of next year.

I might say also that that particular program was inherited from other programs of a similar nature. There has been a bit of a demographic change in the department since then. There were a large number of people who did not have a first degree throughout the 1990s. There are fewer now; almost everybody coming into the department now has a degree. It is just the nature of the Public Service these days and so there is just less demand.

Senator WONG—You say in your submission that training needs are primarily identified through a performance appraisal system?

Ms Ryan—Yes, that is correct—for individuals.

Senator WONG—How widespread is that? Is that for all staff?

Ms Ryan—Yes. There are very few exceptions. Dr Studdert would be able to explain the specific exceptions—the people who do not have a performance agreement—but it is very close to 100 per cent of staff. Effectively, it is certain groups of non-ongoing employees who do not have performance agreements. Part of the performance agreement and appraisal process that happens on an annual cycle is that, at the end of the appraisal cycle, supervisors need to talk through with their staff what training they consider would be useful. This is a very collegiate process, where the staff member is able to nominate or identify things that they feel they would benefit from having training on. At the moment we are trying to encourage supervisors to be sure that they are encouraging staff to undertake the training that would be most beneficial for that person and the work area.

Senator WONG—Is the individual staff training needs analysis a part of that performance appraisal?

Ms Ryan—Yes, it is.

Senator WONG—We have had some comments today about the Audit Office report and its comments about the lack of reasonable evaluation strategies. Do I take it from your submission that you think you are an exception to that?

Ms Ryan—We think we are doing fairly well in that area. As we have said in our submission, we have an online training and development system which includes an online evaluation process. Every time a person does a training course, they are not regarded as having completed the course until they have filled out the evaluation form online and submitted it. They need to answer a number of questions about the quality of the course and what they got from it before they are counted as having actually completed the course. That data is then assembled centrally, and the training and development section looks through all those comments and reviews the extent to which that particular course is regarded as having successfully delivered what we were looking for.

Senator WONG—Is that unusual, from your experience of other agencies?

Ms Ryan—I gather the degree to which we have made this evaluation compulsory is relatively unusual—plus the fact that we do it online and capture it for every course that we run. It is a universal approach and it allows us to report and measure in a more significant way than some other departments can do at present.

Senator WONG—You say in your submission you have undertaken to deal with the return on investment aspect. Where is that at?

Ms Ryan—We were particularly interested in that issue during the time when the ANAO was doing the study. Partly because of where we were up to—somewhat in the lead of the APS in terms of our general training, development and evaluation processes—we have been invited to join the APS commission's reference group to work on a better practice guide on training and development. We are particularly interested in working with them on thinking through how to measure return on investment. We understand that it is going to be almost impossible to put a dollar figure on the return to an organisation for a given dollar investment in training, so we are trying to look a bit more creatively at how to judge the return on our training investment.

Senator WONG—That means qualitative—not only quantitative—appraisal.

Ms Ryan—Yes.

CHAIR—Thank you for your submission and your attendance here this afternoon. If we need to follow up with further questions, could you take them on notice and respond in due course. That concludes today's hearings.

Committee adjourned at 4.45 p.m.